ANNUAL REPORT
ŽELEZNICE SLOVENSKEJ REPUBLIKY
2012

TABLE OF CONTENT

FOREWORD OF DIRECTOR GENERAL

Dear Ladies and Gentlemen.

Throughout 2012 the year of continued Revitalization Programme for the Sector we put emphasis on projects and activities that brought and still delivers real effects. We consistently reviewed our priorities and objectives so as to eventually secure the best possible business outcome. As specific figures given below demonstrate ŽSR achieved positive business result for 2012, which in fact could be evaluated positively since over recent years the profitability of ŽSR has been affected by the economic crisis. Although at first glance it may seem we can be satisfied, we also need to see real facts behind the positive figures, mainly savings on costs along with savings across all major indicators.

Over the period January - December 2012 ŽSR reported profit amounted to 15,643 thou. €, which compared to the actual figures as at 31 December 2011 showed a better business result by 47,427 thou. € and better by 15,643 thou. € as compared to the plan. These results are mainly related to performed measures by the state under the revitalization programme and cost saving measures.

Over the reported period, the costs amounted to 475,540 thou. €, which is a figure lower by 20,126 thou. € in comparison to the plan. Revenues amounted to 491,183 thou. €, which is a figure lower by 4,483 thou. € as planned. In 2012 ŽSR had an average registered number of 14,474 employees and average salary amounted to 812.42 €.

In 2012 Moody´s Investors Service assigned an A2/Aa1.sk rating to Železnice Slovenskej republiky.

The year 2012 also brought a significant change in railway funding in terms of the state budget. Finally, after many years a transparent coverage of railway infrastructure costs was reached so that the planned amount of fixed part of infrastructure manager costs was covered by the public funds while variable part was covered by the payments of railway undertakings for the services provided. The new funding scheme is fully in accordance with European and national legislation. At the same time, fixed costs level with an outlook for coming years was objectified. Based on aforementioned, ŽSR reviewed and adapted its strategy with the aim to support both rail passenger and freight transport and take advantage over other modes of transport, especially in the terms of safety, smoothness and environmental friendliness.

Our advantage is that relations with railway companies have been significantly intensified for the last period along with the opportunity for broad discussion and addressing long lasting differentiated views on crucial issues. In this regard we also have support from the Ministry of Transport, Construction and Regional Development of the Slovak Republic and the Ministry of Finance of the Slovak Republic.

Modernization of railway infrastructure and maximum co-financing with EU funding was priority for ŽSR in 2012. The most important projects include the completion and put into operation of the new Marshalling yard Žilina Teplička in March 2012. Modernization of the track section Trenčianska Teplá - Zlatovce has started and numerous temporary and permanent track speed restrictions has been removed. In 2012 ŽSR announced public tenders for infrastructure modernization with assumed total value of 721,287,908 €. Subject to approval of the "Master Plan 2014 - 2020" and the new "Operational Program Transport" ŽSR will further proceed with rail infrastructure modernization projects.

With regard to ever present issue of railway operation safety ŽSR focused also on targeted measures to prevent metal thefts and on precautionary safety and educational measures aimed at reducing fatalities at level crossings.

The year 2012 can be considered as a sound basis for further enhancement of railway infrastructure quality and thus also strengthening the position of rail transport within the transport sector in 2013 and beyond. This year holds even more significance as 2013 marks the 20th Anniversary of ŽSR and the 165th Anniversary of Railways in Slovakia. ŽSR was set up on 1 January 1993 by the decision of the Government of the Slovak Republic on establishing a state enterprise following the separation of the Czech and Slovak Federative Republics and subsequent division of Czechoslovak State Railways into two separate entities and since September 1993 ŽSR has been governed by a specific law on ŽSR. During 20 years of its existence ŽSR has been one of the biggest companies, largest employers and key players in the transport market. Our priority has always been and will remain the provision of traffic and transportation services that reflect the interest of the state transport policy and the market demands including related activities.

Dear ladies and gentlemen, in conclusion I would like to express my gratitude to each of fellow colleagues - railwaymen for their work done, patience and commitment to perform tasks and deal with specific day to day responsibilities.

Dipl. Ing. Štefan Hlinka
Director General

COMPANY STRATEGY

Mission

Create conditions for fulfilment of the statutory provisions on ensuring the railways operation by following our activity and customer oriented approach.

Manage and develop the railway infrastructure in accordance with customer demands and create competitive environment within national and international transport system.

Provide infrastructure for reliable and safe rail passenger and rail freight transport following the strategic objectives of ŽSR.

Increase the competitiveness of the railway infrastructure of ŽSR towards other railway infrastructure managers as well as towards other modes of transport (primarily road transport).

Apply positive influence over the state transport policy within the Slovak Republic and the European Union in favour of highlighting the rail transport as important, safe and environmentally friendly sector.

Vision

Provision of modern, interoperable, safe, efficient, accessible and environmentally friendly railway infrastructure aimed at increasing the use of the infrastructure by rail passenger and rail freight services.

Strategic goals

- Balanced business result
- Modern infrastructure
- Effective traffic management
- Effective maintenance management
- Effective railway infrastructure administration and enhancement of internal processes.

Bases objectives of ŽSR´s Strategy have been updated upon changing external and internal environment in present times. ŽSR´s Strategy is built around applicable national and European Union legislation, demands of the Ministry of Transport, Construction and Regional Development of the Slovak Republic, customer demands and own vision.

Activities of Infrastructure Manager in 2012 were focused to:

- Achieve parameters of modernization projects under Operational Programme – Transport and efficient use of external sources - EU funds;
- Retain company´s economic and financial stability;
- Enhance quality and reliability of railway infrastructure;
- Meet the customer demands;
- Eliminate costs increase; achieve cost savings and perform measures of Revitalization programme for the railway companies;
- Ensure that strategic goals and the Strategy of ŽSR are being reached and fulfilled.

STATUTORY BODIES

The statutory bodies of ŽSR in terms of the provisions of §4 and §5 of the Act No. 258/1993 Coll. on Železnice Slovenskej republiky as amended by the Act of the NRSR No. 152/1997 Coll. and the Act of the NRSR No. 259/2001 Coll. shall be the Governing Board and Director General. The Governing Board is the supreme body of ŽSR.

Governing Board

Composition as of 31 December 2012

Ing. Jaroslav MIKLA	Chairman of the Governing Board
Ing. Martin ČATLOŠ	Vice-Chairman of the Governing Board
Ing. Vladimír ĽUPTÁK	Member of the Governing Board
Ing. Radovan MAJERSKÝ, PhD.	Member of the Governing Board
Ing. Darina FABUĽOVÁ	Member of the Governing Board

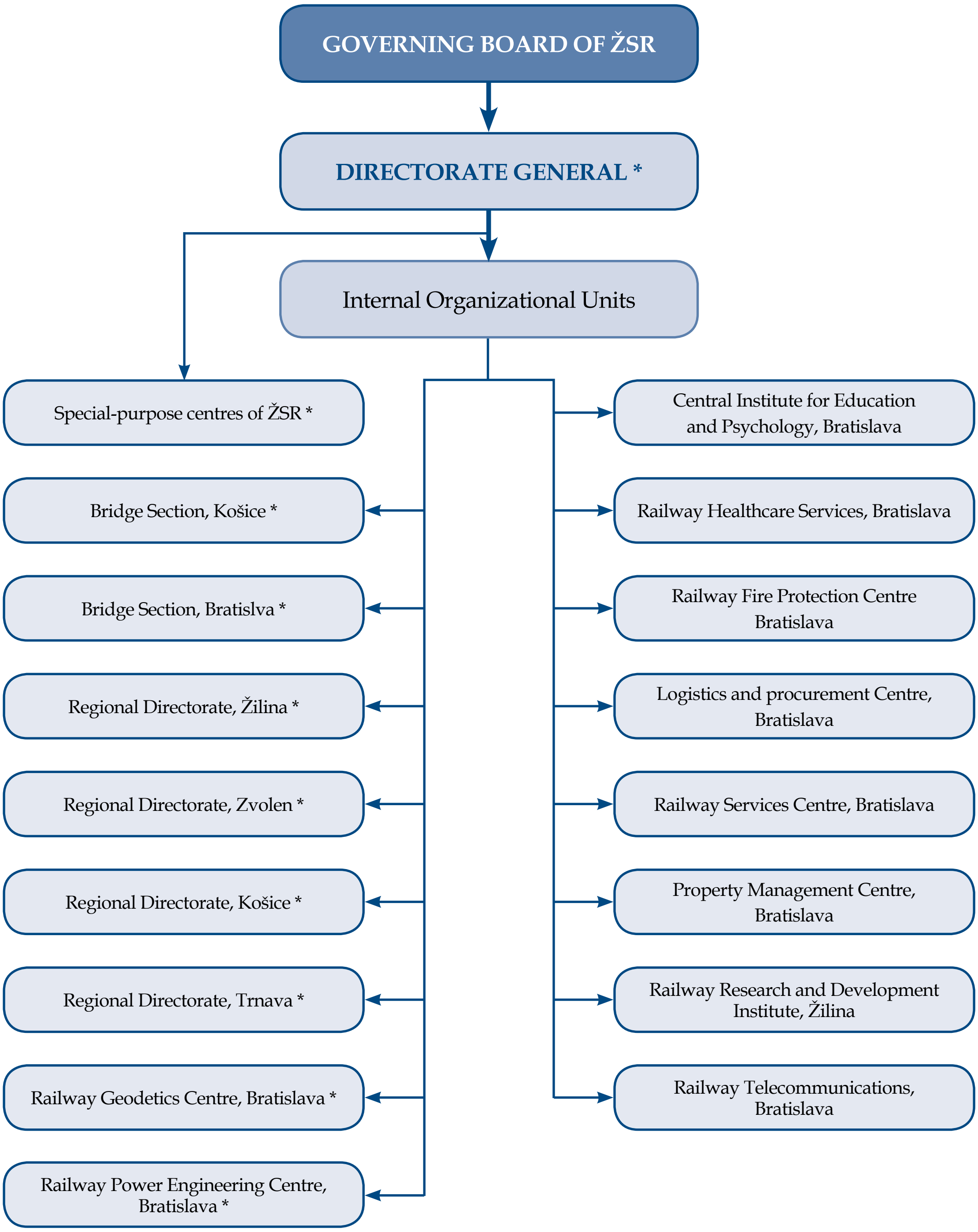
Board of Directors

Composition as of 31 December 2012

Ing. Štefan HLINKA	Director General
Ing. Jozef VESELKA	Deputy Director-General for Development and IT
Ing. Dušan ŠEFČÍK	Deputy Director-General for Economy
Ing. Ján JURIGA	Deputy Director-General for Operation
Ing. Ján ŽAČKO	Deputy Director-General for Human Resources
Ing. Anton KUKUČKA	Director of the Office of Director-General

ORGANIZATIONAL STRUCTURE

Organizational structure of Železnice Slovenskej republiky as of 31 December 2012



*internal organizational units of ŽSR not incorporated in the Commercial Code.

Železnice Slovenskej republiky had no independent organizational unit abroad in 2012.

COMPANY PROFILE

ŽSR was established by the Act no. 258/1993 Coll. on Železnice Slovenskej republiky, assigning the activities of railway infrastructure manager and transport operator to the company.

Pursuant to the adopted project of transformation and restructuring, Železnice Slovenskej republiky was further transformed as of 1 January 2002 by the Act no. 259/2001 Coll. on Železničná spoločnosť, a.s., and on amendments and supplements to the Act of NRSR no. 258/1993 Coll.

In terms of the foresaid legislation, Act no. 513/2009 Coll. on Railroads as amended by later regulations, Act no. 433/2010 Coll., Act no. 393/2011 Coll. and Act no. 547/2011 Coll., which amend and supplement the Act no. 513/2009 Coll., Železnice Slovenskej republiky carries out especially the activities related to operation of rail infrastructure, traffic management and operability of railway network.

ŽSR is incorporated in the Commercial Code of District Court Bratislava I, Section Po, Insert no. 312/B.

Selected activities:

1. Management of railway lines and cable ways under a specific regulation

2. Activities related to management of railway and cable ways:

2.1. Establishment and operation of railway telecommunication and radio networks,

2.2. Construction, modification and maintenance of railway lines and funicular lines including environmental facilities,

2.3. Maintenance and repairs of transport vehicles, production, maintenance and repairs of special machinery, equipment and materials including inspections and diagnostics,

2.4. Provision of services in catering, accommodation and cultural facilities,

2.5. Property leasing,

2.6. Automated data processing and transmission,

2.7. Metrological services and defectoscopy, diagnostics and measuring of physical quantities, geodetic and cartographic activities,

2.8. Tasks of the chief expert standardisation centre for railway transport,

2.9. Manufacturing, assembling, repairs and reconstruction of electric and electronic equipment including inspections and diagnostics,

2.10. Transhipment of goods, re-tying of rolling stock and change of transport modifications of transported goods during change of rail gauge,

2.11. Provision of special health-care services for selected professions,

2.12. Performing rolling stock tests for railways, special railways and tram tracks,

2.13. Performing assessment of compliance with approved type of rolling stock,

3. Operation of railway transport for the purposes of:

3.1. Construction, modification and maintenance of railway and funicular lines,

3.2. Provision of manipulation services, attendance transport services for railway undertakings.

4. Other activities set out in the Commercial Code.

CORE BUSINESS OF ŽSR IN 2012

Infrastructure

Železnice Slovenskej republiky manages and operates nationwide and regional railway tracks and installations as follows:

Parameter/Year	2011	2012
RAILWAY TRACKS AND STRUCTURES		
Construction length of operated lines (km) *	**3,593**	**,3,600**
Construction length of managed lines (km) **	**3,624**	**3,631**
thereof: single track lines	2,607	2,614
double and multiple track lines	1,017	1,017
thereof: broad-gauge lines	99	99
standard-gauge lines	3,475	3,482
narrow-gauge lines	50	50
thereof: - non-electrified	2,046	2,045
- electrified	1,578	1,586
thereof: - electrified AC 25000 V/50 Hz	759	759
- electrified DC 3000 V (others)	819	827
Total construction length of lines (km)	**6,878**	**6,895**
thereof: - main lines	4,643	4,650
- other station lines	2,235	2,245
Number of switches ***	**8,503**	**8,477**
Number of Switch Units	9,417	9,407
Number of bridges	**2,317**	**2,324**
- steel	450	454
- solid	1,867	1,870
Total length of bridges (m)	**52,401**	**50,644**
Number of tunnels	**75**	**76**
- single track	68	68
- double track	7	8
Total length of tunnels (m)	**43,229**	**45,004**

Parameter/Year	2011	2012
SIGNALLING SYSTEMS		
Track signalling systems		
Automatic block (km)	**670**	**670**
- unidirectional	129	129
- bidirectional	541	541
Automatic block system (km)	**512**	**512**
Semi-automatic block (km)	**762**	**762**
- relay	624	624
- block	138	138
Lines with telephone communication system	**1,620**	**1,556**
Station signalling systems		
Operating posts with mechanic interlocking	159	148
Operating posts with electro-mechanic interlocking	76	68
Operating posts with relay interlocking	151	151
Operating posts with other interlocking	75	84
Operating posts with electronic interlocking	21	24
Remote-controlled interlocking, operated by dispatcher (km)	339	323
Train signalling systems		
Tracks with info. transmission to train installation (km)	762	851
Level-crossing signalling systems	**2,205**	**2,160**
Unprotected level crossings (no.)	1,126	1,072
Protected level crossings (no.)	1,079	1,088
- Mechanical gates	94	110
- Safety installations with light signalling	985	978
Hump signalling systems		
Mechanised humps (no.)	7	5
Semi-automated humps (no.)	1	2
Automated humps (no.)	2	0
Rail brakes (no.)	214	214
Compressor station (no.)	7	17

In 2012 road safety at level crossings has been improved as number of non-protected level crossings was decreased by 50.

* Construction length of operated lines does not include lines with suspended service in a total length of 31.045 km: Komárno – Kolárovo 25.908 km; Žabokrecká spojka 1.278 km; Turňa nad Bodvou – MÁV 3.139 km; Michaľany – Lastovce 0.719 km.

** Construction length on managed lines does not include cancelled lines in a total length of 36.097 km: Rimavská Sobota – Poltár in the total length of 29.522 km; Devínske Jazero – Stupava in the total length of 6.575 km.

*** Number of switches has been decreased due to its cancellation within modernization projects.

Charge for the access to railway infrastructure

Charging scheme for the access to infrastructure is applied in accordance with the Decree of Railway Regulatory Authority No. 3/2010 on the regulatory framework for laying down charges for the access to railway infrastructure and the Decree of Railway Regulatory Authority No. 7/2012, which amends Part III of the Decree No. 3/2010.

In 2012 ŽSR reported revenues from the charge for the access to railway infrastructure in the amount of 89,033 thou., which makes share of 41.3 % on total revenues for own performances and goods a 18.1 % on total revenues. Decrease in revenues from major undertakings in comparison to 2011 has been mainly due to lower performance levels in freight transport and in relation to provision of price reductions. On the contrary, increase in revenues from other undertakings was reported.

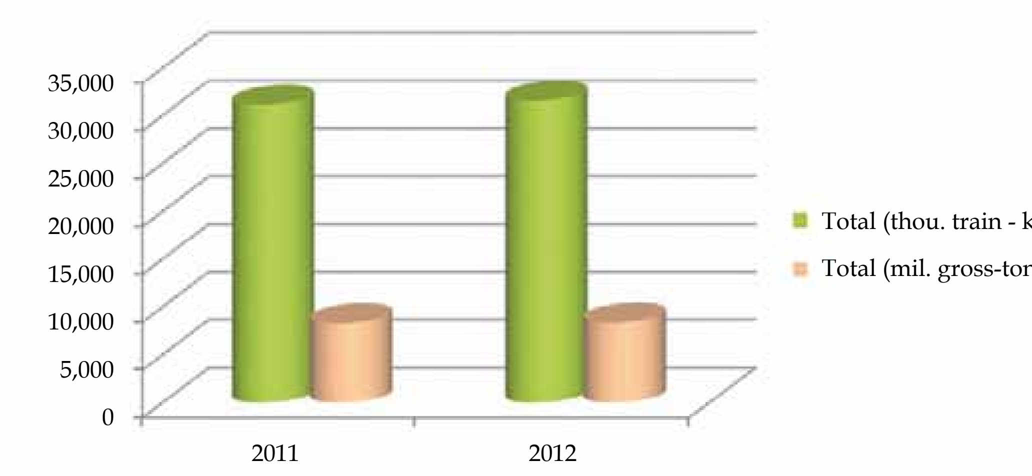
Charge / Period (thou. €)	2011*	2012
Total thereof:	**95,561**	**89,033**
Železničná spoločnosť Slovensko, a.s.	46,035	43,415
Železničná spoločnosť Cargo Slovakia, a.s.	45,694	38,893
other railway undertakings	3,832	6,725
thereof:		
passenger transport	4	1,205
freight transport	3,828	5,520

* change in model of charging for the access to railway infrastructure

Passenger transport - railway undertakings´ performances

Railway undertaking performances in passenger transport report constantly stable level.

Performance/ Period	2011	2012
Total (thou. train - km)	31,138	31,558
Total (mil. gross-ton km)	8,333	8,396



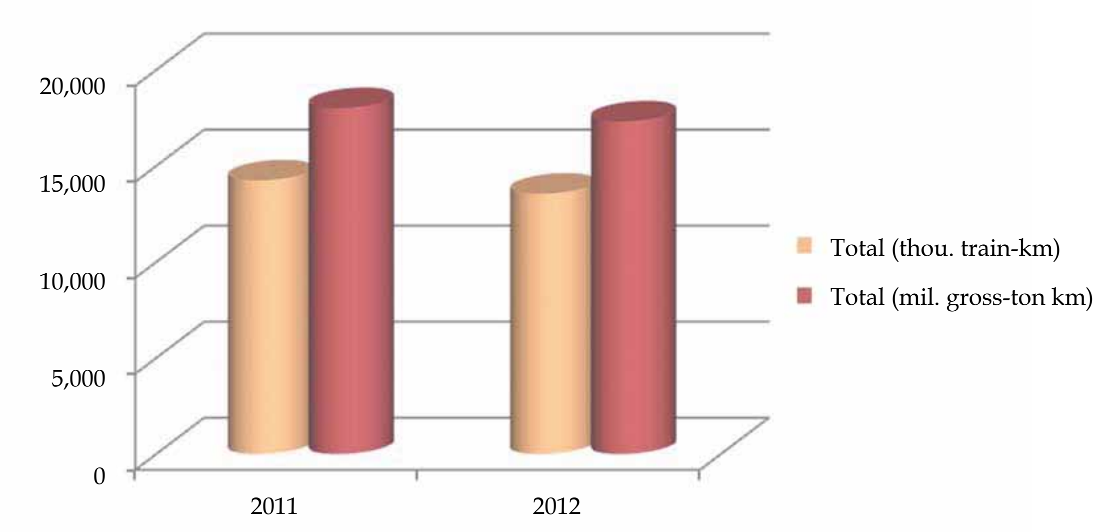
Passenger transport in 2012 according to train type

Train type		train-km	gross-ton km
Slow train	(Os)	20,222,793	3,344,933
Fast train	(R)	6,226,573	3,037,105
Eurocity, Intercity, Euronight	(EC, IC, EN)	2,585,071	1,225,759
Express train	(Ex)	814,166	351,188
Local express train	(Zr)	1,055,229	281,535
Train-sets	(Sv)	222,516	61,721
Regional expres	(REX)	276,407	72,727
Light engine train	(RvOD)	111,093	10,821
Supercity	(SC)	2,988	1,231
Special train – Fast train	(OsR)	5,817	2,705
Train-sets – Lockout train	(SvVyl)	16,324	3,745
Special train – Train-sets	(OsSv)	5,087	967
Light Engine train – Testing train	(RvSkOD)	9,674	827
Special train – Slow train	(OsOs)	2,317	341
Light engine – Lockout train	(RvVyl)	1,484	83
Special train – EuroCity train	(OsEC)	265	259
Special train – Light engine train	(OsRvOD)	403	44
Total		**31,558,206**	**8,395,995**

Freight transport - railway undertakings´ performances

In 2012 freight transport volumes decreased in relation to lower freight volumes due to economic crisis in Slovakia and neighbouring countries.

Performance/ Period	2011	2012
Total (thou. train-km)	14,251	13,559
Total (mil. gross-ton km)	18,015	17,322



Freight transport in 2012 according to train type

Train type		train-km	gross-ton km
Through freight train	(Pn)	9,300,147	15,123,638
Combined freight express train	(NexKD)	844,141	916,801
Freight express	(Nex)	553,547	553,822
Freight handling	(Mn)	885,894	444,935
Engine train	(RvND)	1,935,499	265,533
Continuous combined freight train	(PnKD)	8,128	7,769
Siding train	(Vlec)	13,844	6,405
Special continuous freight train	(OsPn)	1,197	1,730
Engine train – test ride freight transport	(RvSkND)	16,413	1,363
Total		**13,558,810**	**17,321,996**

Passenger train traffic diagram compliance

Evaluation of performance of train traffic diagram reflects to what extent the parameters of train timetable were complied.

Train type	Actual figures (v %)		Index
	2011	2012	2012/2011
International fast trains	88.50	81.56	0.92
National fast trains	90.04	86.27	0.96
Express and slow trains	96.33	94.85	0.98
Passenger transport (Total)	**95.94**	**94.19**	**0.98**

Compliance with Passenger Train Traffic Diagram in 2012 was ensured in accordance with Railway Operating Contract. The contract has stipulated minimum compliance with train traffic diagram at the level of 94 % respecting exceptionalities and closures. Reported increase in compliance by 0.19 % as compared to the plan was achieved despite tough conditions relating to ongoing modernization of rail corridors and exceptionalities (accidents, breakdowns, climate conditions). Increased traffic closures due to modernization works affected year-on-year compliance.

Railway Operating Contract

In 2012 operation of the railway infrastructure has been performed in compliance with the Railway Operating Contract for 2011 – 2013 concluded on 20.12.2010 between ŽSR and MDVRR SR and updated with a supplement No. 3 to the contract signed on 23.12.2011. The contract comprises new charging scheme for the access to railway infrastructure. In this regard fixed economically eligible costs of infrastructure manager shall be covered by the State and railway undertakings shall pay charges in the amount of variable costs expended on provided services in compliance with regulatory framework. Provisions of the contract for 2012 were fulfilled.

Railroad Operations and Services (thou. €)	2011	2012
Fixed Costs (EON)	268,303	269,296
Other Revenues (EOV)	385	181
Settlement of fixed part of EON (including RO) *	199,498*	270,000
+ Profit/ - Loss	**-68,420**	**885**

* RO – budgetary measure of MF SR (80 mil. €)

Financial settlement with the State related to the Revitalization Programme

Items (thou. €)	2011	2012
Settlement of the fixed part of EON	119,498	270,000
Settlement of the fixed part of EON - budgetary measure	80,000	
EON acknowledgement – by the protocol (for the previous year)	75,988	73,753*
Settlement of assets of previous periods for EON of 2009 and 2010		104,971

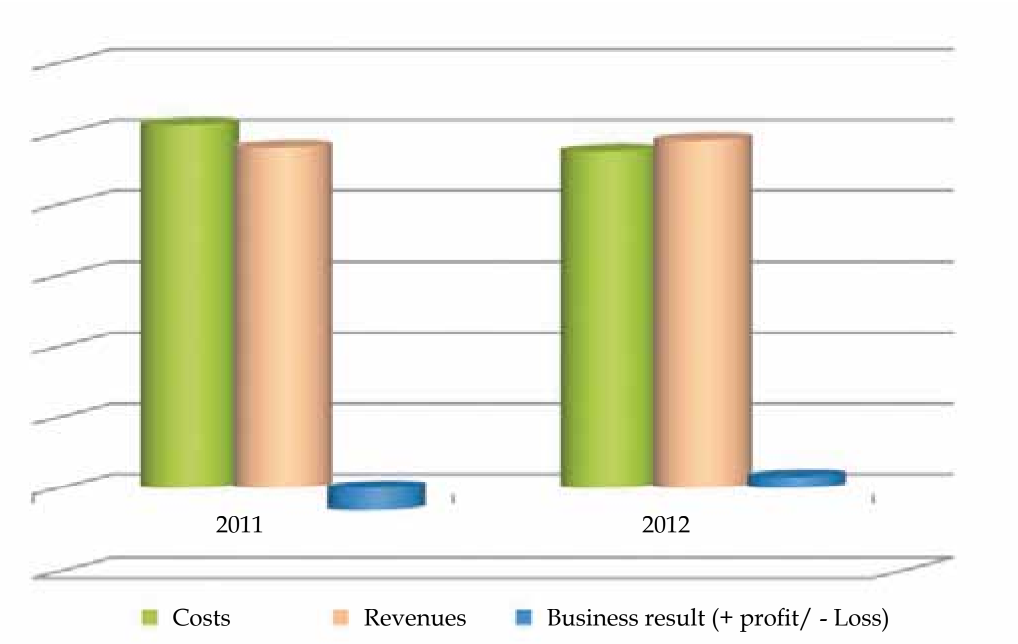
* not covered assets as at 31.12.2012

BUSINESS RESULT OF ŽSR

ŽSR achieved positive business result for 2012, which could be evaluated positively taking into account the effects of economic crisis. Behind the result we need to see especially savings on overall costs along with performance of measures by the state resulted from the revitalization programme and cost savings programme.

Costs, Revenues and Business Result

(thou. €)	2011	2012
Costs	512,569	475,540
Revenues	480,785	491,183
Business result (+ profit/ - Loss)	-31,784	15,643



Structure of Costs and Revenues

Structure of costs (%)	Share in 2011	Share in 2012	Index 2012/2011
Labour costs (account 521)	28.44	29.71	1.04
Energy costs	16.85	18.72	1.11
Depreciation and amortization*	18.30	16.96	0.93
Other costs	21.19	16.93	0.80
Material consumption	4.38	6.51	1.48
Delivered services	5.24	4.95	0.94
Repairs and maintenance	3.57	4.39	1.23
Financial costs	1.50	1.24	0.83
Taxes and charges	0.53	0.59	1.10

* net depreciation of assets of own resources

- Labour cost increased in relation to the approved higher average salary
- Energy costs increased due to higher energy prices
- Material consumption, repairs and maintenance increased in year-on-year comparison while planned levels were not exceeded
- Other costs are lower mainly due to lower provisioning for receivables

Structure of revenues (%)	Share in 2011	Share in 2012	Index 2012/2011
Subsidy for infrastructure operation	55.72	56.05	1.01
Charges for the access to rail infrastructure	19.88	18.13	0.91
Sale of traction energy	12.58	14.26	1.13
Other revenues	11.82	11.56	0.98

Subsidy for payment of the fixed part of the EON in 2012 in absolute figures was by 7 million € higher as compared to 2011. However, with increased share of revenues from sale of traction electric energy in 2012, the share of subsidy for payment of the fixed part of the EON is lower as compared to 2011. Share of revenues for traction electric energy increased due to the increase in prices of electricity. Other revenues are higher due to the dissolution of investment subsidies.

HUMAN RESOURCES

Registered headcount as at 31 December 2012 was lower by 577 employees as compared to the state at 31 December 2011, while average converted number of staff was decreased by 1345.82 employees.

Development of employment	2011	2012
Registered headcount as of 31.12.	14,998	14,421
Average converted number of staff	15,820	14,474
thereof: - Railway infrastructure	13,550	12,295
- Other Internal organizational units	2,270	2,179
Average monthly salary (€)	770.55	812.42

Under the Adaptation programme for graduates of selected schools ŽSR enrolled 50 graduates. Recruitment to fill scarce professions was targeted at graduates of electrical engineering, mechanical engineering and civil engineering.

Development of employment in 2012 had slightly decreasing character. Staff leaves were mainly due to organizational reasons and retirements.

Age structure

Age structure of employees as of 31 December	2011	2012
up to 20 years	3	19
20 - 29 years	1,053	994
30 - 39 years	3,148	2,779
40 - 49 years	5,252	5,036
50 - 59 years	5,254	5,126
over 60 years	288	467
Total	**14,998**	**14,421**

Education level

Education structure of employees as of 31 December	2011	2012
Elementary education	704	591
Secondary education	4,626	4,218
Complete secondary education	7,530	7,414
University education	2,138	2,198
Total	**14,998**	**14,421**

Within development of employment increase share of with university education and complete secondary education (+1 %).

Educational level of ŽSR staff is being increased under recruitment of graduates within the Adaptation programme for graduates of selected schools.

INVESTMENT ACTIVITY

Procurement of tangible and intangible investments

(thou. €)	2011	2012
A. Total resources	**289,165**	**215,781**
State subsidies	50,841	28,518
Own resources	61,799	83,828
Loans, Issues	855	0
Cohesion Fund	148,139	87,607
State co-financing to CF	26,141	15,460
TEN-T	687	106
State co-financing to TEN-T	431	262
Other	272	0
B. Total use	**289,165**	**215,781,**
B.1 Long-term Tangible Assets	**288,532**	**215,454**
Track electrification and pre-electrification modifications	5,654	5,014
Telecommunications and Track radiofication	120	1,997
Deployment of Dispatcher Centres for Tracks, Safety Installations, Universal Automatic Block	891	3,206
Track modernization and reconstruction	266,368	185,631
Buildings – residential, non-residential	7,725	13,630
Machines, Equipment, Devices	4,506	5,607
Others (Project documentation and Property rights settlement)	3,268	369
B.2 Long-term intangible assets	**633**	**327**

Realization from own resources in year on year comparison was increased. The overall annual decline in investment was due to budget cuts of state funding resources, the Cohesion Fund and its co-financing.

Through the investment projects the company has succeeded in meeting its objectives aimed at enhancing the operational and safety level of railway infrastructure.

Investment plan according to the purpose

Purpose / Year	Implementation (thou. €)	
	2011	2012
RI modernization, renewal and construction	231,641	135,752
Operational safety	52,937	72,952
Service quality enhancement	4,587	7,077
TOTAL	**289,165**	**215,781**

In 2012 investments were allocated primarily to the railway infrastructure modernization projects.

- Completed project preparation for constructions funded by public sources:
  - Public Intermodal Transport Terminal Leopoldov – project preparation DÚR
  - Public Intermodal Transport Terminal Bratislava – project preparation DÚR
  - Public Intermodal Transport Terminal Košice – project preparation DSZ, DÚR
- Continued preparation and implementation of constructions funded by public funds:
  - Modernization of railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad Tatry,
  - Modernization of railway track Žilina – Košice, track section, Krompachy – Kysak, ŽSR,
  - Modernization of track section: Nové Mesto nad Váhom – Púchov, km 100.500 - 159.100 for track speed up to 160 km/h – Phase I and Phase II (section N. M. nad Váhom – Zlatovce),
  - ŽSR, Modernization of track section: Nové Mesto nad Váhom – Púchov, km 100.500 - 159.100 for track speed up to 160 km/h – IV. phase and V. phase (section Tr. Teplá – Ilava – Beluša),
  - ŽSR, Corridor modernization, state border CZ/SK – Čadca – Krásno nad Kysucou, railway track - project preparation DSP, DRS, DVZ,
  - ŽSR, final works on Marshalling yard Žilina Teplička and relating rail infrastructure in node Žilina – project documentation,
  - ŽSR, Transport Intermodal Terminal Žilina, Phase 1 construction
  - ŽSR, Transport Intermodal Terminal Košice, Phase 1 construction,
  - ŽSR, Integrated Passenger Rail Transport System Košice, constructions of Integrated Rail Transportation (IKD) – Phase 1, project documentation,
  - ŽSR, Integrated Passenger transport Terminal Moldava nad Bodvou, project documentation.

RESEARCH AND DEVELOPMENT

Expenditure on Research and Development Assignments

Operational processes / Drawing (thou. €)	2011	2012
- research expenditure	136	87
- development expenditure	64	107
Total	**200**	**194**

The most significant assignments accomplished in 2012:

- Investigation of electromagnetic interferences in concurrent unidirectional traction 1.5 and 3 kV and alternating traction 25 kV, 50 Hz,
- Assessment of selected areas of ŽSR electric traction power supply establishment in terms of impact on humans,
- Portable system for measuring and checking rolling stock braking system,
- Update of procedures for testing and measuring of train-track interaction - speedometer test of motive power unit,
- Operational adjustment of energy part of shunting vehicle of experimental workplace,
- Application of strain-gauge measurement in the performance of crash tests and bridge construction tests.

Other assignments comprised addressing issues in the fields of power engineering, testing, diagnostics and implementation of both the EU and national legislation to practices of ŽSR.

SAFETY OF OPERATION AND WORK

Occupational Safety

In accordance with applicable legislation (Act of NR SR No. 124/2006 Coll. on BOZP and on amendment of certain legislation as amended by later regulations) ŽSR has undertaken preventive control activities focused on technical condition of operational workplaces, comprehensive checks of status of BOZP, controls on the consumption of alcoholic beverages, and other obligations arising from internal rules, regulations and legislation.

Occupational Injuries Report

SUBJECT:		2011	2012	Difference
Total occupational Injuries:*		**45**	**45**	**0**
thereof	Fatal	0	1	1
Major occupational injuries	Major injuries	0	2	2
	Incapacity for work - 42 days and more	15	-	-
Number of missed calendar work days:		**3,085**	**2,996**	**-89**
Average number of employees:		**15,819.6**	**14,473.8**	**-1,345.8**
Number of injuries per 1,000 employees:		**2.845**	**3.109**	**0.26**

* The number of accidents in 2011 referred to in the Annual Report of 2011 ZSR was 44. Additional reclassification of one accident as occupational had increased the number to 45.

Railway transport safety

Accidents on ŽSR network

Type of accident	2011 Total / ŽSR	2012 Total / ŽSR	Difference Total / ŽSR
Train collision	11/4	10/4	-1/0
Train derailment	7/1.5	4/1	-3/-0.5
Collision with level crossings users	50/0	50/0	0/0
Rolling stock fires	9/0	6/0	-3/0
Injuries by rolling stocks	102/0	106/1	+4/+1
Shunting accidents	56/28.45	40/23.3	-16/-5.15
Consequences of accidents			
Level crossings users fatalities	12	21	+9
Unauthorized persons fatalities	76	83	+7
Staff fatalities	0	1	+1
Passenger fatalities	0	1	+1

ENVIRONMENT PROTECTION

Overview of ecological accidents

In 2012 leaks of pollutants from motive power units and wagons such as motor oil, diesel and petrol to the extent of 20 – 200 litres were reported. The major cause of leakage comprised technical failures of motive power units, fuel tank damage and tank wagon valve leakage. In accordance with the § 41, section 4 of the Act no. 364/2004 on Water Sources railway undertakings were responsible for extraordinary water quality deterioration.

Air pollution

In 2012 in accordance with legal obligation, the calculated fee for air pollution by medium sources in the competence of ŽSR amounted to 7,813 €.

Noise

In accordance with the Act no. 2/2005 Coll. on the Measure and Control of Noise in External Environment, the operator of railway network shall ensure preparation of strategic noise maps for the sections of railway tracks with more than 30,000 train rides per year. This has already been processed.

Measures for reduction of negative impact of ŽSR´s activities on the environment:

- Continued area-wide system for collection of hazardous waste, including waste comprising asbestos, in compliance with applicable legislation on waste management.
- Reinstating of bedrock subsoil and underground water in Čierna nad Tisou, operation of hydraulic protection of water source Boťany, including ordered water monitoring.
- Reinstating of groundwater in the area of railway station Brezno - oil substances in soil and oil substances on the groundwater table.

STRUCTURE OF ASSETS AND RESOURCES

In compliance with the International Accounting Standards overall ŽSR assets amounted to 3,244,412 thou. € as of 31 December 2012, which is a figure higher by 1.9 % as compared to 2011.

- **Long-term Assets** constitutes 93.1 % out of the total amount of assets and reported increase of 18,138 thou. €, as compared with previous year due to increase in long-term tangible assets.
- **Short-term Assets** constitutes 6.9 % out of the total amount of assets, and reported increase of 42,352 thou. € as compared to previous year, due to leftover of funds related to implementation of railways revitalization.
- **Equity** was reported at the amount of 1,571,247 thou. € as of 31 December 2012, and constitutes 48.4 % out of total amount of liabilities.
- **Capital Funds** reported increase of 7,749 thou. € as compared to 31 December 2011, which is associated with land settlement along the rail infrastructure.
- **Long-term Liabilities** reported increase of 178,545 thou. € in comparison with the previous year, resulting from drawing a state subsidy and EU funds for railway infrastructure modernization and also prolongation of credits until 2014.

Assets as of 31 December	2011	2012
Long-term assets	**3,002,946**	**3,021,084**
thereof: Long-term tangible assets	2,811,402	2,889,749
Short-term assets	**180,976**	**223,328**
thereof tom: Short-term receivables from commercial activity	28,596	12,852
Inventories	15,275	12,011
Cash and Cash Equivalents	59,730	158,184
Total Assets	**3,183,922**	**3,244,412**

Liabilities as of 31 December	2011	2012
Equity	**1,547,855**	**1,571,247**
thereof: Registered capital	760,337	760,337
Capital funds	473,508	481,257
Long-term liabilities	**1,259,230**	**1,437,775**
thereof: Loans, State and EU subsidies	1,169,476	1,349,766
Short-term liabilities	**376,837**	**235,390**
thereof: Short-term liabilities from commercial activity	151,288	110,540
Total Liabilities	**3,183,922**	**3,244,412**

Structure of equity interests as of 31 December 2012

Company	Share (%)
STABILITA, d.d.s., a.s., Košice	55.26
ŽPSV, a.s. Čaňa	41.06
Breitspur Planungs GmbH, Wien	25.00
BETAMAT, a.s. Zvolen	10.00
HIT RAIL, b.v. Amsterdam (Netherland)	4.00

- Stabilita – company administrates supplementary pension insurance,
- ŽPSV Čaňa – company mainly provides construction and mounting works,
- Breitspur Planungs – company participates in preparation of broad-gauge railway connection project,
- Betamat Zvolen – business in the field of spare parts and mounting safety installations.

Financial indicators

As of 31 December	unit	2011	2012
LIQUIDITY INDICATORS			
Current liquidity		0.44	0.90
Total liquidity - average		0.48	0.95
EXPENDITURE INDICATORS			
Expenditures	%	106.61	96.81
Wage expenditures	%	30.32	28.77
INDEBTEDNESS INDICATORS			
Self-financing index	%	48.61	48.45
Total indebtedness	%	51.39	51.55
Debt-to-Equity Ratio		1.06	1.06
LABOUR PRODUCTIVITY INDICATORS			
From revenues	€/emp.	30,391	33,936
From performance	trkm/emp.	2,869	3,117
ACTIVITY – TURNOVER INTERVAL INDICATOR			
Inventories	day	226.84	242.2
Short-term receivables from commercial activity	day	21.71	9.55

IMPORTANT EVENTS IN 2012

Stabilization in the funding of ŽSR

For 2012 ŽSR had concluded a railway operating contract with the state under which ŽSR had balanced budget and fixed costs in the amount of 270 mil. € were fully covered by the public administration budget.

In accordance with the Protocol on assessment of railway operating contract fulfilment in 2010 and the Resolution No. 188 of 16 March 2011, point C.8 of the Government of the Slovak Republic, loss of ŽSR from railway infrastructure operation for 2009 – 2010 in the amount of 104,971 thou. € was covered by MDVRR SR in 2012.

Inspection by The Supreme Audit Office of the Slovak Republic

In 2012 The Supreme Audit Office of the Slovak Republic performed inspection on the public funds spending, the contractual relations, the funding of modernization and railway infrastructure operation implemented in 2010 – 2011. The purpose was to examine the effectiveness of the new model of railway infrastructure charging valid as of 1 January 2010 and compliance with the terms and conditions of railway operating contract for 2011 – 2013.

Subject of the inspection was also to review mechanism for providing funds from the state budget on railway infrastructure operation, assess the effectiveness of the new model of contractual relation between the owner and the manager of railway infrastructure.

Inspection has not found serious deficiencies.

Approval of updated Strategy of ŽSR

The Governing Board of ŽSR approved the updated Strategy of ŽSR in October 2012.

Railway infrastructure modernization

In 2012 implementation of Operational Programme Transport for 2007-2013 continued. Detailed specification of constructions is available in the part „Investments“.

The most important activities include:

- Contracting constructions – infrastructure modernization in the sections Nové Mesto n. Váhom – Púchov,
- Project preparation for track section modernization Liptovský Mikuláš – Košice,
- Completion of contraction of station in Žilina Teplička a start of operation.

Based on an outcome of a feasibility study IDS Bratislava, the project Bratislava Predmestie – Bratislava Filiálka has been excluded from Operational Programme Transport 2007 - 2013.

Personnel changes

As of 26 April 2012 Ing. Štefan Hlinka has been appointed as Director General of ŽSR.

As of 1 September 2012 Minister of Transport, Construction and Regional Development of the SR following the selection process appointed new Governing Board members of ŽSR.

International events

To comply with requirements of EU legislation in the field of rail freight corridors (RFC) respective steering and working groups were established for corridors no. 5, 7 and 9, which runs through Slovakia and calculation of expenses on these bodies. These issues were dealt within RNE structures.

An integral part of the development of railways was the creation of common leaflets at UIC and OSŽD level, whose role is to facilitate the access to rail infrastructure and access to rail facilities. During 2012 continued activities within ERA TSI Energy, TSI Infrastructure and TSI Rolling Stock working groups, where the role was to incorporate system 1520 mm in the draft TSIs. Employees of ŽSR were leaders of these groups through CER. The international activities were path location of international trains.

Work in project teams of project on extension of broad gauge railway connection continued in line with approved programme.

Bilateral meetings with neighbouring railway companies are very important part of international cooperation, whose role is to solve daily operational issues at border crossings and update development of railway infrastructure and traffic on respective track sections.

Rating

In 2012 ŽSR was reassigned issuer rating A2 and a long-term national rating Aa1.sk by Moody's Central Europe Agency. ŽSR rating has changed in connection to the downgrading of the rating of the Slovak Republic and strengthened ties to the state.

Collective Agreement

On 3 January 2012 representatives of 11 railway trade union associations and Director General of ŽSR signed the 2012 ŽSR Collective Agreement.

Important events beyond 2012

After the end of 2012, there were no significant events.

Settlement of the business result

Železnice Slovenskej republiky for the accounting period of 2012 reported the business result - profit of 15,643,208.32 €. The Company used the profit to creation of legal reserve fund in the amount of 782,160.42 €, to allocation to social fund in the amount of 1,000,000 € and to undistributed profit of previous years in the amount of 13,861,047.90 €.

REPORT ON COMPLIANCE OF THE ANNUAL REPORT WITH THE STATEMENT OF ACCOUNTS

BDR
audítorská firma

Amendment to the auditor's report on compliance of the Annual Report with annual financial statements

in accordance with the Act No. 540/2007 Z.z.. § 23, article 5

To the Board of Directors of the company

I. We have audited the annual financial statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501, as of December 31, 2012 enclosed in the accompanying annual report, to which we have on March 19, 2013 expressed the following auditor's opinion:

Opinion

In our opinion, the Financial Statements present true and fair view of the Železnice Slovenskej republiky company's financial position as of December 31, 2012, business results and cash flows for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters

Without qualifying our opinion we draw attention to the following matters:

1. As described in Note 1 to the accompanying Financial Statements, the Company´ s ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.
2. As described in Note 3 to the accompanying Financial Statements, the Company prepared expert estimate corresponding to future costs necessary for ecological burden remediation, primarily soil and ground water contamination mainly in the most important locations from the point of view of ecological burden, such as Čierna nad Tisou and Bratislava-Východné. Although these estimates are made by the Company´s management on the basis of its best knowledge of real events, actual results may differ from these estimates at the end. Timing of these cash flows reflects at the same time current assessment of priorities by the management, securing of technological aspects and urgency of achieving these tasks.
3. As described in Note 5 to the accompanying Financial Statements, the Company is exposed to significant credit risk of an individual contractual party, as 43.86% of receivables as of December 31, 2012 (as of December 31, 2011: 32.47%) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a.s. Bratislava and Železničná spoločnosť Cargo Slovakia, a.s. Bratislava, which are related parties as well as described in Note 33 to the accompanying Financial Statements.
4. As described in Note 10 and 13 to the accompanying Financial Statements, receivable for loss of Operating of Railway Infrastructure Contract for the year 2011 in the amount of € 73,753 thousand and claim for capital subsidy for approved capital invoices of EU funds are recognized in State receivables. Non-current receivables decreased due to settlement of receivable for losses of Operating of Railway Infrastructure Contract for previous periods in the amount of € 75,988 thousand. Other receivables decreased mainly due to settlement of State receivable for losses of the Operating of the Railway Infrastructure Contract in the amount of € 28,983 thousand.

BDR, spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
Nezávislý člen spoločnosti ***Moore Stephens International Limited,***
Spoločnosť zapísaná v Obchodnom registri Okresného súdu Banská Bystrica, Oddiel: Sro, Vložka číslo: 98/S
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Bratislava : telefón: 02/68204111, fax: 02/68204110
Bankové spojenie: Tatra banka a.s., Banská Bystrica, č. účtu: 2625778903/1100
http://www.bdrbb.sk

BDR
auditorská firma

II. We have audited the compliance of the Annual Report with above mentioned financial statements. The accuracy of the Annual Report is in responsibility of the management. Our responsibility is to express an opinion on compliance of the Annual Report with the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing.

These Standards require that the auditor plans and performs the audit in such a way to obtain reasonable assurance whether the information and facts presented in Annual Report which are presented in financial statements are in all material respects in compliance with financial statements. We have considered the information in Annual Report with the information presented in financial statements as of December 31, 2012. We have audited solely the information obtained from financial statements and accounting books. We believe that the conducted audit provide a reasonable basis for our opinion.

In our opinion the financial information contained in the Annual Report are in all material respects in compliance with above mentioned financial statements.

Banská Bystrica, March 19, 2013

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Ing. Ľudmila Svätojánska Kiňová, MBA
Responsible auditor
Licence SKAu No. 936

SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

for the year ended 31 December 2012

INDEPENDENT AUDITOR'S REPORT

BDR
audítorská firma
Audit company

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the company Železnice Slovenskej republiky Bratislava

We have audited enclosed Financial Statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501 that consists of the statement of financial position as of December 31, 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending as of the above mentioned date as well as the survey of significant accounting principles and accounting methods and other explanatory notes.

The responsibility of company management for the Financial Statements

The company management is responsible for the preparation and the fair presentation of Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or misstatement; furthermore, it also includes the selecting and applying appropriate accounting principles and accounting methods as well as the execution of the accounting estimates that are reasonable in the given circumstances.

The responsibility of auditor

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements; we plan and perform our audit in such a way to obtain reasonable assurance whether the Financial Statements are free from any material misstatement.

Performing of procedures to obtain audit evidence about the amounts and data shown in the Financial Statements is a component part of the audit. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements, in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Furthermore, the audit includes evaluating the appropriateness of the accounting estimates used by the management as well as the overall presentation of the Financial Statements.
We believe that the audit evidence that we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Financial Statements present true and fair view of the Železnice Slovenskej republiky company's financial position as of December 31, 2012, business results and cash flow for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters:

Without qualifying our opinion we draw attention to the following matters:

1. As described in Note 1 to the accompanying Financial Statements, the Company's ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.

2. As described in Note 3 to the accompanying Financial Statements, the Company prepared expert estimate corresponding to future costs necessary for ecological burden remediation, primarily soil and ground water contamination mainly in the most important locations from the point of view of ecological burden, such as Čierna nad Tisou and Bratislava-Východné. Although these estimates are made by the Company´s management on the basis of its best knowledge of real events, actual results may differ from these estimates at the end. Timing of these cash flows reflects at the same time current assessment of priorities by the management, securing of technological aspects and urgency of achieving these tasks.
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Banská Bystrica, March 19, 2013

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SKAU
Č. licencie 6
BDR spol. s r.o., Ban. Bystrica

Ing. Ľudmila Svätojánska Kiňová, MBA
Responsible auditor
Licence SKAu No.936

SEPARATE FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	2,889,749	2,811,402
Real Estate Investment	7	40,430	43,385
Intangible Assets	8	1,454	1,704
Financial Investment	9	3,404	3,404
Non-Current receivables	10	86,047	143,051
Total Non-Current Assets		**3,021,084**	**3,002,946**
CURRENT ASSETS			
Inventories	11	12,011	15,275
Trade receivables	12	12,852	28,596
Other receivables and assets	13	40,281	77,375
Cash and Cash Equivalents	5, 14	158,184	59,730
Total Current assets		**223,328**	**180,976**
TOTAL ASSETS		**3,244,412**	**3,183,922**
EQUITY AND LIABILITIES			
EQUITY			
Registered capital	15	760,337	760,337
Capital funds		481,257	473,508
Legal reserve fund		21,121	21,121
Earnings from previous periods		292,889	324,673
Profit / Loss for accounting period		**15,643**	**-31,784**
Accumulated earnings		308,532	292,889
Total Equity		**1,571,247**	**1,547,855**
NON-CURRENT LIABILITIES			
Loans	5, 16	166,602	58,121
State and EU subsidies	17	1,183,164	1,111,355
Provisions	18, 19	74,348	69,207
Deferred tax liability	30	695	0
Other non-current liabilities	20	12,966	20,547
Total Non-Current Liabilities		**1,437,775**	**1,259,230**
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	5, 16	33,721	153,518
Short-term state and EU subsidies	17	56,650	36,717
Trade liabilities	21	110,540	151,288
Payables to the public institutions	22	8,360	7,957
Other liabilities	23	23,196	23,179
Provisions	18, 19	2,923	4,178
Total Current liabilities		**235,390**	**376,837**
TOTAL EQUITY AND LIABILITIES		**3,244,412**	**3,183,922**

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2012	31 December 2011
REVENUES			
Fees for access to railway infrastructure	24	89,033	95,561
Sales of additional services of railway infrastructure	24	10,642	15,169
Subsidies for railway infrastructure operation	24	275,333	267,918
Sales of track energy		70,027	60,460
Sales of non-track energy		5,288	5,188
Sales of IT services		3,554	3,476
Sales of telecommunication services		3,453	3,516
Revenues from real estate investments		8,432	8,631
Sales of other services	25	10,536	11,653
Own work capitalized		9,006	5,769
Other revenues	26	5,879	3,444
Total revenues		491,183	480,785
OPERATING COSTS			
Materials and consumables		-30,939	-22,470
Track energy costs		-71,573	-66,784
Non-track energy costs		-8,909	-12,823
Other energy costs		-8,561	-6,753
Repair and maintenance		-20,858	-18,310
Services	27	-23,532	-26,851
Payroll costs	28	-210,439	-217,177
Depreciation and amortization		-150,514	-134,976
Release of subsidy for non-current assets		69,857	41,191
Other operating costs, net	29	-13,400	-39,875
Total operating costs		**-468,868**	**-504,828**
PROFIT / LOSS FROM OPERATIONS		**22,315**	**-24,043**
FINANCIAL COSTS / INCOME			
Interest from loans		-5,068	-6,768
Other financial costs		-829	-900
Total financial costs		**-5,897**	**-7,668**
PROFIT / LOSS before tax		**16,418**	**-31,711**
Income tax	30	-80	-73
Deferred income tax	30	-695	0
NET PROFIT / LOSS		**15,643**	**-31,784**

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

	Registered capital	Capital funds	Legal reserve fund	Accumulated – losses / +earnings	Total
As at 1 January 2011	**760,337**	**468,812**	**21,121**	**147,422**	**1,397,692**
Total comprehensive income	0	0	0	-31,784	-31,784
Non-cash increase in capital	0	4,696	0	0	4,696
Settlement of loss by founder	0	0	0	177,251	177,251
As at 31 December 2011	**760,337**	**473,508**	**21,121**	**292,889**	**1,547,855**
As at 1 January 2012	**760,337**	**473,508**	**21,121**	**292,889**	**1,547,855**
Total comprehensive income	0	0	0	15,643	15,643
Non-cash increase in capital	0	7,749	0	0	7,749
As at 31 December 2012	**760,337**	**481,257**	**21,121**	**308,532**	**1,571,247**

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS

	Note	31 December 2012	31 December 2011
Profit / Loss before tax		**16,418**	**-31,711**
Adjustments by non-cash transactions		**102,299**	**62,680**
Depreciation and amortization		150,514	134,976
Dividends and other profit sharing recorded against revenues		-742	-1,058
Interest recorded against expenses		5,068	7,162
Interest recorded against revenues		-390	-337
Gain from the sale of property, plant and equipment		-2,598	-2,302
Change in provisions		3,886	-2,865
Amortization of state subsidies		-69,857	-41,191
Other non-monetary items		0	6
Effect on changes in working capital		**61,194**	**-24,247**
Changes in receivables and other assets		109,825	-42,802
Changes in liabilities		-51,895	17,775
Changes in inventories		3,264	780
Cash flow from operating activities		**163,493**	**38,433**
Expenditure on income tax		-80	-73
Interest received		407	378
Interest paid		-247	-146
Net cash flows from operating activities		**163,573**	**38,592**
Acquisition of property, plant and equipment and non-current intangible assets		-219,224	-287,907
Subsidies for acquisition of non-current assets		161,599	265,294
Cash receipts from the sale of property, plant and equipment and non-current intangible assets		3,915	2,973
Net cash flows from investment activities		**-53,710**	**-19,640**
Cash receipts from dividends and other profit sharing		742	1,058
Cash receipts from loans borrowing		4,731	4,942
Expenditure on loans borrowing		-15,538	0
Repayment of liabilities related to financial leasing		-1,344	-1,192
Net cash flows from financial activities		**-11,409**	**4,808**
Net increase / decrease in cash and cash equivalents		**98,454**	**23,760**
Cash and cash equivalents at the beginning of the year	**14**	**59,729**	**35,969**
Cash and cash equivalents at the end of the year	**14**	**158,183**	**59,729**

Accounting policies and explanatory notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY´S GENERAL INFORMATION

Železnice Slovenskej republiky („ŽSR“ or „the Company“) was formed on 10 November 1993, pursuant to Act No. 258/1993 Coll. on ŽSR of the National Council of the Slovak Republic dated 30 September 1993 (later amended by Act No. 152/1997 Coll. dated 14 May 1997 and Act No. 259/2001 Coll. dated 14 June 2001) and registered under number Po 312/B in the Commercial Register of the District Court I. in Bratislava.

Business name:	**Železnice Slovenskej republiky, Bratislava, in short form „ŽSR“**
Registered office:	**Klemensova 8, 813 61 Bratislava**
Registration number (IČO):	**31 364 501**
VAT Registration number (DIČ):	**20 20 480 121**
Legal form:	**Other legal entity established in accordance with Act No. 258/1993 Coll. on Railways of the Slovak Republic.**

The Company is a legal successor of Železnice Slovenskej republiky, š. p., which was established on 1 January 1993, at the time of the separation of the former Czechoslovakia into the Czech and Slovak Republics.

The Company is controlled by the Slovak Republic through the Ministry of Transport, Construction and Regional Development (“Ministry of Transport”) that although not directly involved in the Company´s day-to day operations, does oversee certain aspects of the business through representation on the Governing Board of ŽSR. Although shown in its statement of financial situation, the Company´s assets belong to the State, which entrusts them to the Company.

The Company cannot enter into credit relations of third parties as a guarantor; neither establishes a lien in favor of third parties to property belonging to the State. The Company is not a shareholder with unlimited liability in any company.

The managing bodies of ŽSR consist of the Administrative Board and General Director.

Administrative Board is the top managerial body of ŽSR. It is composed of five members – four of them are experts from transport sector, expert on finances and law; and one member is elected representatives of the employees of the railways.

Dated 26 April 2012, Ing. Štefan Hlinka become a General Director who replaced previous General Director Ing. Vladimír Ľupták. General Director manages the overall activities of ŽSR and is held responsible for its performance and results to the Administrative Board. Besides, General Director is statutory body of ŽSR – he represents the company externally and undertakes actions on its behalf in all matters if these are not subject to exclusive responsibility of the Administrative Board or Ministry of Transport, Construction and Regional Development. Minister of Transport appoints and withdraws General Director on the proposal from Administrative Board.

The members of Administrative Board of ŽSR:

Ing. Jaroslav MIKLA	**chairman**
Ing. Martin ČATLOŠ	**deputy chairman**
Ing. Vladimír ĽUPTÁK	**member**
Ing. Radovan MAJERSKÝ, PhD.	**member**
Ing. Darina FABUĽOVÁ	**member**

The Company is responsible for administrating railway infrastructure and is specifically empowered to undertake engineering and construction activities (including the repair and maintenance of railway infrastructure), to establish and operate railway telecommunication and radio networks to supply and distribute electricity and to provide other services. The Company receives fees from transport companies, primarily from Železničná spoločnosť Slovensko, a. s. and Železničná spoločnosť Cargo Slovakia, a. s. for access to railway infrastructure and other services.

The Company is organized and managed as a single business segment and is viewed as a single operating segment by the Administrative Board of ŽSR for the purposes of resource allocation and assessing performance.

Figures disclosed in ŽSR´s separate financial statements for the year ended 31 December 2012 are presented in thousands of euro („€“ or „EUR“), unless otherwise stated. Based on the economic nature of fundamental events and circumstances, the currency euro was defined as a presentation currency of the Company.

Financial situation

ŽSR is supported in its operations by the State in the form of financial transfers to cover operating costs and capital expenditures. ŽSR is obliged by the State to maintain the railway infrastructure and is financially supported in these activities by the State as the costs incurred in the provision of railway infrastructure exceed fees for railway infrastructure payable by Železničná spoločnosť Slovensko, a. s., Železničná spoločnosť Cargo Slovakia, a. s. and other customers.

For the year ended 31 December 2012 the Company reported a net profit of € 15,643 thousand (for the year ended 31 December 2011: loss of € -31,784 thousand).

The Company´s ability to continue as a going concern and to fulfil its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.

2 SIGNIFICANT ACCOUNTING POLICIES

Representation on conformity with regulations

ŽSR´s Separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS comprise standards and interpretations approved by EU committee.

The Company prepares separate financial statements in accordance with IFRS as adopted by the EU from 1 January 2008 in accordance with Accountancy Act No. 431/2002 Coll. § 17a, section 1 as amended.

The Company is part of the financial statement of public accounts, compiled by Ministry of Finance of Slovak republic in accordance with Accountancy Act No. 431/2002 Coll. §22a, section 3 as amended.

The Company, although as a parent company, does not prepare consolidated financial statements in accordance with Accountancy Act No. 431/2002 Coll. § 22, section 12 as amended.

Basis of preparation

Separate financial statements ("financial statements") have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities and commitments in the normal course of business, and do not give effect to any adjustments that may be necessary should the Company be unable to continue as a going concern.

Financial statements for the previous period ended 31 December 2011 were approved by Administrative Board of ŽSR on 27 March 2012 in Bratislava.

Financial statements have been prepared on a historical cost basis. Further below basic accounting principles are described.

Preparation of financial statements in accordance with IFRS requires use of estimates and assumptions which influence reported values of assets and liabilities in the financial statements and notes to the financial statements. Although these estimates are made by the Company´s management on the basis of its best knowledge of real events, actual results may differ from these estimates at the end. The Company for clearer presentation of items of financial statements restructured some of the information in the notes compared to the previous period. Comparative period has also been adjusted.

The accounting period is one calendar year.

Foreign currency transactions

Transactions in foreign currencies are reported according to IAS 21 and are converted at the exchange rate as at the day before transaction day and as at the day of preparation of financial statements according to rates announced by the European Central Bank ("ECB"). For the accounting transactions for the period after 1 January 2009, the rate of National Bank of Slovakia is used for those foreign currencies for which exchange rate is not announced by ECB. If the day before transaction day falls on day when the rate is not announced by ECB, the nearest previous day, when the rate is announced by ECB, is used for conversion. All differences are reported in the Statement of comprehensive income. Non-monetary items in foreign currencies are not converted as at end of the reporting period and are reported in original value.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortization, except land and assets under construction which are carried either at cost or an administrative value assigned by the State (which is not necessarily intended to represent market value).

Original cost of non-current tangible assets includes purchase price including import duty and non-reversible taxes and all directly attributable costs related to putting the asset into working condition and to place it where it will be used.

Assets under constructions represent non-current tangible assets and are reported at acquisition cost. This includes costs of this asset and other direct expenses. The value of assets under constructions is reduced by the difference resulting from recalculation of non-current payables (retained sum) to present value. Assets under constructions are not depreciated until the relevant asset is ready for use.

Each item of non-current intangible and tangible assets is depreciated using the straight-line method over its expected economic useful life. Useful life for various types on non-current intangible and tangible assets are as follows:

buildings	40 years
structures	from 15 to 40 years
equipment and machinery	from 5 to 20 years
other non-current assets	from 4 to 20 years
intangibles	from 3 to 25 years

Land and works of art are not depreciated.

Economic useful life and depreciation method are reviewed annually, at a minimum, with the aim to ensure consistency of the depreciation method and period with the expected inflow of economic benefits from non-current assets.

The carrying values of property, plant and equipment and intangible assets are reviewed for impairment annually when events or changes in circumstances indicate the carrying value may not be recoverable.

If the event of such indications the estimate of recoverable amount of that asset is made to determine possible impairment loss. If the recoverable amount of an individual asset cannot be determined, the Company defines recoverable amount of cash-generating unit, which the asset belongs. The recoverable amount is the greater of fair value less costs to sell or value in use. The estimate of future cash flows is discounted to their present value using a pre-tax discount rate in assessing value in use that reflects current market assessment of the time value of money and risks specific to the assets.

Loss on impairment of assets is reported in the Statement of comprehensive income in the amount by which the carrying value of an asset exceeds its realizable value, which is the greater of net selling price of property or value in use.

If the Company decides to cease an investment project or departs significantly from its planned completion, it assesses the potential decrease in value and records impairment if necessary.

Expenditures incurred on non-current assets items after their being put into use increase their book value only if the Company can expect future economic benefits exceeding their original performance. All other expenditures are recorded as repairs and maintenance costs in the period to which they relate pertinently and timely.

Leased assets

Assets acquired as a finance lease, where practically all advantages and risks are characteristic for ownership of leased assets, are capitalized at the beginning of the lease period in their fair value or in the present value of minimum lease payments, if lower. Each lease payment is divided to finance part and repayment of the principal in order to obtain the constant interest rate applied to the unpaid part of the lease liability. Finance part is recorded as costs. Capitalized lease is being depreciated over estimated economic useful life of the asset. Initial direct costs related to finance lease contract closing are added to book value of leased asset and disclosed during the lease period.

Leases where a significant part of risk and benefits related to ownership rests with the lessor is classified as operating lease. Operating lease payments are reported as costs in the Statement of comprehensive income equally over the lease period.

Real Estate Investments

Real Estate Investments mean assets determined for obtaining rental fees or capital appreciation. They are originally valued at acquisition cost including transaction costs. After first time disclosure they are valued at acquisition costs less accumulated depreciation and impairment losses.

Real Estate Investments – buildings – are depreciated using the straight-line method over the expected economic useful life, which is 40 years. Real Estate Investments – lands – are not depreciated.

Financial investments

Shares in subsidiaries and associated companies are presented at their acquisition costs in financial statements. Acquisition costs consist of related to acquisition and represent fair value of paid price and directly attributable transaction costs.

Inventories

Inventories are valued at the lower of cost or net realizable value after impairment for slow moving and unnecessary items. Cost is determined on a weighted average basis.

Classification and clearing of financial instruments

Financial assets and liabilities disclosed in the Statement of financial position include cash and cash equivalents, trade receivables and liabilities and other receivables and liabilities, non-current receivables, loans and borrowings. Accounting procedures applicable for presentation and valuation of these items are described under relevant headings in these notes. Financial instruments are classified as assets, liabilities or equity in accordance with the content of the contractual agreement. Financial instruments are offset if the Company has a legally enforceable right to offset them and also intends to realize an asset or settle a liability or mutually offset them.

Clearing of the financial instrument is executed if the Company does not control contractual rights comprising financial instrument anymore, which is what usually happens if a particular instrument is sold or if all cash flows attributable to that instrument are transferred to an independent third party.

Trade and other receivables

Trade receivables are recognized at nominal value after considering bad debts allowance. If time value of money is significant, receivables are valued at amortized costs using the effective interest rate method.

Bad debt allowance is recorded in the Statement of comprehensive income if there is an objective assumption (e. g. probability of insolvency, major financial problems of customers and others) that the Company is not able to collect all due amounts in accordance with original invoice conditions. Impaired outstanding amounts are written off if considered uncollectable.

Cash and cash equivalents

Cash and cash equivalents are formed by financial funds in bank or in hand and short-term deposits with a maturity of less than three months from date of acquisition with only low risk of change in value.

Cash flows are recognized in accordance with IAS 7. Indirect method was used for recognition of operating activities.

Registered capital

Registered capital represents the investment of the State in the Company, in the form of cash and asset contributions.

Capital funds

Capital funds comprise capital contributions that are not accounted through registered capital. The State is engaged in an ongoing investigation of title and values assigned to land administered by the Company, as a result of which it periodically makes additional asset contributions and revises administrative values assigned.

Legal reserve fund

Legal Reserve Fund is created according to § 15 of the Act No. 258/1993 on Railways of the Slovak Republic as amended and is topped off to a minimum 5 % from profit, up to 5 % of the value of assets that ŽSR has the right to operate, except for the value of rail track.

Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, all loans and borrowings are subsequently measured at their amortized cost, using the effective interest rate method.

Trade and other payables

Payables are initially recognized at nominal value and upon transfer at acquisition cost. If time value of money is significant, payables are valued at amortized costs using the effective interest rate method.

State and EU subsidies

State subsidies are recognized at their fair value where there is reasonable assurance that the subsidy will be received and all attached conditions will be met. Subsidies related to expense items are recognized as income over the periods necessary to match them on a systematic basis to the costs that they are intended to compensate. If a subsidy is related to the acquisition of a non-current asset, the fair value of the subsidy is credited to a deferred income account and released to the Statements of comprehensive income the expected useful life of the relevant asset by equal annual installments.

Provisions

Provisions are recognized when the Company has a present obligation (legal, contractual or non-contractual) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Employee benefits

The Company has a long-term employee benefit plan consisting of a one-off contribution upon retirement, bonus upon disabled retirement, compensating contribution and bonus upon life and work jubilees. Benefit value is paid based on reached age and length of service. These benefits are unfunded. The estimate of cost for providing these benefits is determined using a projected actuarial valuation method, so-called Projected Unit Credit Method. Under this method, all benefits costs are recorded in the Statement of comprehensive income that way in order to spread regularly repeated costs over the employment period. Liabilities from granting the benefits are valued at present value of foreseen future cash flows. All actuarial profits and losses are recorded in the Statement of comprehensive income.

Environmental Burden provision

Environmental Burden Provision is created if there is probable origin of costs to clean up the environment and can be measured reliably. The amount of the provision is the best estimate of necessary expenditures in future periods.

Provision for legal claims

Provision for legal claims is created if the Company is sued by another entity in legal, administrative or other proceedings regarding paying a certain specific amount, where termination of the proceedings not in favor of the Company is more than probable.

Provision for demolition of buildings

Provision for demolition of buildings is recognized if the Company has obligation to demolish buildings or other operating equipment. Disposal of buildings performs due to security reasons in cases where there is collapse of the object, the object is in a dilapidated condition and is unnecessary for operating activities and cannot be otherwise capitalized (sell or lease).

Revenue recognition

Revenues are measured in fair value received or collectible counter-value. Forecasted discounts and other bonuses are deducted. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Fees for access to railway infrastructure

Revenue from fees for access to railway infrastructure is recognized at the time when the railway infrastructure is used by the Company's customers. Revenue from passenger transport and freight transport are presented independently.

Rendering of services

Revenue from the rendering of services is recognized comparatively to the level of completion of the transaction as at the end of the reporting period.

Revenue from rental

Revenues from rental are recognized equally during the rental period.

Borrowing costs

Borrowing costs are recognized to costs in the period in which they are incurred. From 1 January 2009, borrowing costs, that are directly attributable to the acquisition, construction or production of qualifying assets form, are capitalised so they are part of the cost of that asset until the time, when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

Material adjustment of prior period costs and income

Upon recording prior period costs and income adjustment it is necessary to consider if the adjustment is material or not. Material adjustment is determined at a value of € 5,000 thousand recorded in current period. If balance of costs and income adjustments, recorded in current period, exceed the determined value of € 5,000 thousand, these adjustments do not affect profit/loss of current year and are recognized in the Statement of financial position in equity.

Income tax

Income tax includes current income tax and deferred income tax.

Current income tax is calculated from accounting profit in accordance with Slovak regulations in the amount of 19 % after adjusting of some items for tax purposes.

Deferred income tax is provided, using the balance sheet method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed as at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the date that the financial statements are authorised for issue.

3 SIGNIFICANT ACCOUNTING CONSIDERATIONS AND ESTIMATES

Important considerations upon applying accounting principles

Upon applying accounting principles described above, the management of the Company made certain conclusions with significant impact on amounts shown in the financial statements (except for those subject to estimates described below). A more detailed description of these considerations is included in the relevant notes but the most important ones include:

Environmental burden provision

Legislation applicable to environmental protection does not specify the scope of necessary decontamination works or the type of technology to be used. Upon recording Environmental burden provision, Management of the Company relies on past experience and interpretations of the relevant legislation. The Company prepared experts estimate corresponding to future costs necessary for ecological burden remediation, primarily soil contamination and ground water mainly in the most important locations from the point of view of ecological burden, such as Čierna nad Tisou and Bratislava-Východné (Note 18).

Provision for legal claim

The Company is involved in a number of legal actions relating to breach of contract in respect of the acquisition on non-current assets. Management relies on own professional assessment upon assessing the forecasted results (Note 18).

Provision for demolition of buildings

In accordance with the principles for provisions for demolition of buildings the Company recorded provision for demolition of buildings or other operating equipment. A provision is recognized only to the objects for which a valid decision on the removal of building is issued by a special construction authority for construction of railways.

Accounting for provision is based on expert estimate which corresponds to the future costs necessary for demolition of buildings (Note 18).

Sources of uncertainty upon estimates

Preparation of financial statements in accordance with IFRS requires use of estimates and assumptions which influence reported values of assets and liabilities in the financial statements and notes to the financial statements. Although these estimates are made by the Company's management on the bases of its best knowledge of real events, actual results may differ from these estimates at the end. A more detailed description of estimates is included in relevant notes but the most important ones include:

Calculation and timing of Environmental burden

The Company's management performs estimates of future cash flows related to environmental burdens using price comparisons, analogies with similar activities in the past and other estimates. Timing of these cash flows mirrors at the same time current assessment of priorities by the management, securing of technology and urgency of achieving these tasks.

Actuarial estimates upon employee benefit provision calculation

The estimate of cost for providing these benefits is determined using projected actuarial valuation calculations. These calculations contain estimates of discount rates, future salary increases, mortality or fluctuations. Due to the long-term nature of these programs, they are subject to a great of uncertainty (Note 19).

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In 2012 the Company has applied all new and revised standards effective on the date of the financial statements.

The Company has not applied any standards issued after 31 December 2012 in preparing the financial statements:

- IFRS 9 Financial Instruments, effective from 1 January 2015
- IFRS 10 Consolidated Financial Statements, effective from 1 January 2013
- IFRS 11 Joint Arrangements, effective from 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities, effective from 1 January 2013
- IFRS 13 Fair Value Measurement, effective from 1 January 2013
- amendment to IAS 19 Employee Benefits, effective from 1 January 2013
- amendment to IAS 27 Consolidated Financial Statements, effective from 1 January 2013
- amendment to IAS 28 Investments in Associates, effective from 1 January 2013
- amendment to IAS 32 Financial Instruments: Presentation, effective from 1 January 2014
- amendment to IFRS 7 Financial Instruments: Disclosures, effective from 1 January 2013

These standard and their amendments will be applied after approval by the European Commission and from effective date.

5 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following financial risks during performance of its activities:

- credit risk
- liquidity risk
- market risk, including interest rate risk

Credit risk

Credit risk arises in relation to cash and cash equivalents in banks and financial institutions and especially in respect to trade relations with customers. Credit risk associated with liquid assets in financial institutions is limited because contracting parties are mainly banks with high credit rating assigned to them or to their mother companies by international rating agencies.

Credit risk of the Company mainly results from trade receivables. Maximum risk of not paying represents the book value of each financial asset shown in the Statement of financial situation, less allowance for impairment. The Company manages this risk and seeks to eliminate and control the risk by the Directive for work with ŽSR's receivables which is continuously updated and improves its quality.

The Company is exposed to significant credit risk of an individual contractual party, as 43.86 % of receivables as at 31 December 2012 (as at 31 December 2011: 32.47 %) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a. s. Bratislava and Železničná spoločnosť Cargo Slovakia, a. s. Bratislava whose only shareholder is the State represented by Ministry of Transport, Construction and Regional Development of Slovak republic.

The following table shows Company's receivables by maturity period:

	31 December 2012	31 December 2011
Receivables within maturity	**256,228**	**353,069**
Up to 1 month	33,391	39,961
From 1 to 3 months	13,223	11,179
From 3 to 12 months	5,820	94,191
From 1 to 5 years	203,393	206,886
Over 5 years	401	852
Receivables overdue	**10,097**	**12,724**
Total receivables	**266,325**	**365,793**

Change in receivable as at 31 December 2012 compared to 31 December 2011 was mainly due to reclassify current receivable from Železničná spoločnosť Cargo Slovakia, a. s. to non-current receivables in the amount of € 104,466 thousand based on appendix No. 1 to Payables Settlement Agreement, dated 30 July 2012 (Note 10, Note 12). In 2012, State receivable for losses of the Operating of the Railway Infrastructure Contract for previous years was settled in the amount of € 104,971 thousand.

Liquidity risk

The Company to control liquidity risk calculates cash flows, which are revised and simulated to manage liquidity with operative instruments when risk events and externalities occur. The Company then evaluates progress of real cash flows. In the case of liquidity decrease or shortage of financial funds the Company has at its disposal short-term operating loans and overdrafts.

The Company has its disposal € 50,000 thousand as at 31 December 2012 in form of undrawn overdrafts (as at 31 December 2011: € 48,000 thousand).

The following table shows loans and Company's payables by maturity period:

	Loans and borrowings		Liabilities	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Payables within maturity	**200,322**	**211,639**	**232,474**	**275,168**
On demand	0	0	0	0
Up to 1 month	143	163	50,321	76,765
From 1 to 3 months	68	88	23,692	49,536
From 3 to 12 months	33,509	153,267	70,452	59,113
From 1 to 5 years	166,597	58,115	88,009	89,754
Over 5 years	5	6	0	0
Payables overdue	**0**	**0**	**554**	**1,188**
Total payables	**200,322**	**211,639**	**233,028**	**276,356**

Loans decreased mainly due to the payment of capitalized interest (Note 16). Decrease in liabilities was mainly affected by lower state of investment liabilities of EU funds (Note 21).

Market risk

Interest rate risk

The Company is exposed to interest rate risk as a result of long-term loans and borrowings. Floating interest rate loans expose the Company to the certain risk of cash flow variability.

All of the Company's bank loans had a floating interest rate, whereas finance lease liabilities have a fixed interest rate. The Company does not use derivative financial instruments for securing interest rate risks.

As the Company does not have significant interest bearing assets, profits and cash flows from operating activities, and has not been affected by changes in market interest rates in 2012, the Company has no formal policy to control this risk.

Sensitivity analysis to interest rate risk

Presumption of sensitivity to interest rate risk upon 6 month EURIBOR for existing investment loan, whereby all other parameters are constant:

Increase (decrease) of interest rate in % p. a.	Impact on profit before tax
+1/-0.30	1,978/-600

Managing capital risk

The aim of the Company upon capital risk management is to ensure ability of the Company to continue as a going concern and keep reasonable capital structure while decreasing costs. Managing capital risk is directly ensured by top management.

Indebtedness ration at year-end:

	31 December 2012	31 December 2011
Debt (Note 16)	200,323	211,639
Cash and cash equivalents (Note 14)	158,184	59,730
Net debt	**42,139**	**151,909**
Equity	1,571,247	1,547,855
Ratio Net debt to Equity	**2.68 %**	**9.81 %**

Ratio Net debt to Equity decreased by 7.13 %. Decrease was mainly due to increase in cash and cash equivalents in respect to financial settlement of losses of Operating of Railway Infrastructure Contract for previous periods. There has also been reduction in debt due to the payment of capitalized interest and due to decrease in floating interest rates on the market.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
COST				
As at 1 January 2011	**3,506,878**	**749,230**	**537,970**	**4,794,078**
Additions	8,049	17,522	321,491	347,062
Disposals	-36,983	-11,591	-35,968	-84,542
Transfers	125,679	6,248	-131,927	0
Transfer to investments in real estate (Note 7)	-1,629	0	0	-1,629
Transfer from investments in real estate (Note 7)	163	0	0	163
As at 31 December 2011	**3,602,157**	**761,409**	**691,566**	**5,055,132**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2011	**1,592,743**	**495,183**	**52,896**	**2,140,822**
Additions	78,993	51,188	7,139	137,320
Disposals	-16,176	-11,861	-10,590	-38,627
Transfers	2,658	1,557	0	4,215
As at 31 December 2011	**1,658,218**	**536,067**	**49,445**	**2,243,730**
NET BOOK VALUE				
As at 1 January 2011	**1,914,135**	**254,047**	**485,074**	**2,653,256**
As at 31 December 2011	**1,943,939**	**225,342**	**642,121**	**2,811,402**
COST				
As at 1 January 2012	**3,602,157**	**761,409**	**691,566**	**5,055,132**
Additions	15,558	865	250,941	267,364
Disposals	-11,782	-7,997	-39,025	-58,804
Transfers	296,235	92,096	-388,331	0
Transfer to investments in real estate (Note 7)	-2,365	0	0	-2,365
Transfer from investments in real estate (Note 7)	3,764	0	0	3,764
As at 31 December 2012	**3,903,567**	**846,373**	**515,151**	**5,265,091**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2012	**1,658,218**	**536,067**	**49,445**	**2,243,730**
Additions	89,319	52,240	2,402	143,961
Disposals	-8,491	-7,723	-16,464	-32,678
Transfers	9,236	11,093	0	20,329
As at 31 December 2012	**1,748,282**	**591,677**	**35,383**	**2,375,342**
NET BOOK VALUE				
As at 1 January 2012	**1,943,939**	**225,342**	**642,121**	**2,811,402**
As at 31 December 2012	**2,155,285**	**254,696**	**479,768**	**2,889,749**

The Company administers land that is still subject to the resolution of title claims and which had an administrative value assigned to it by the State of € 67,976 thousand (as at 31 December 2011: € 69,417 thousand) and which is not reflected in the Company's statement of financial position. The Company is actively engaged in resolving these claims and during 2012 title to land with an administrative value of € 1,065 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2011: € 1,558 thousand). In addition, administrative values assigned to land already reflected in the Company's statement of financial position were revised upward by an amount of € 6,684 thousand (as at 31 December 2011: € 3,132 thousand). These adjustments are recorded directly to Capital funds in Equity by calculating the general book value of land. This is the land acquired under the register of renewed land registration carried out by Land Register where the landowner has always been the Slovak republic, the land manager has always been the Company but the land has not been recorded in the Company's assets.

Finance lease liabilities (Note 16) of the Company are protected by lessor ownership rights to the leased assets with a book value of € 3,455 thousand (as at 31 December 2011: € 4,568 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company is in the amount of € 1,165,490 thousand (as at 31 December 2011: € 1,085,269 thousand). Temporary unused assets in original cost are in the amount of € 28,979 thousand (as at 31 December 2011: € 28,182 thousand) and in carrying value in the amount of € 16,640 thousand (as at 31 December 2011: € 16,533 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2012. Following determined facts about reality of assets valuation that indicated assets impairment, recoverable amount has been determined. Recoverable amount (higher value of its fair value less costs to sell and value in use) was defined by the expert´s opinion or assessment at individual assets. Recoverable amount was lower than carrying value after the evaluation. According to IAS 36 – Impairment, as at 31 December 2012 the Company recorded allowance for property, plant and equipment in the amount of € 4,406 thousand (as at 31 December 2011: € 2,233 thousand) and allowance for assets under construction in the amount of € 35,383 thousand (as at 31 December 2011: € 49,445 thousand).

Reversal of impairment loss in connection with the re-evaluation creation of allowances for the year 2012 is in the amount of € 3,862 thousand (as at 31 December 2011: € 5,171 thousand).

ŽSR has insured its assets (real estate, tangibles) with various types of insurance and up to various insurance amounts (maximum annual insurance claim is in the amount of € 33,200 thousand for natural hazards with the exception of floods).

7 REAL ESTATE INVESTMENTS

Value of assets determined for rental (real estate investments) as at 31 December 2012 represents a depreciable amount of € 61,935 thousand (as at 31 December 2011: € 63,501 thousand) and net book value of € 40,430 thousand (as at 31 December 2011: € 43,385 thousand).

	Year 2012	Year 2011
COST		
As at 1 January	**63,501**	**62,879**
Additions	457	0
Disposals	-624	-844
Transfer from Property, Plant and Equipment (Note 6)	2,365	1,629
Transfer to Property, Plant and Equipment (Note 6)	-3,764	-163
As at 31 December	**61,935**	**63,501**
ACCUMULATED DEPRECIATION / IMPAIRMENT		
As at 1 January	**20,116**	**17,991**
Additions	2,525	1,659
Disposals	-1,102	-162
Transfers	-34	628
As at 31 December	**21,505**	**20,116**
NET BOOK VALUE		
As at 1 January	**43,385**	**44,888**
As at 31 December	**40,430**	**43,385**

The fair value of real estate investment as at 31 December 2012 is in the amount of € 51,244 thousand (as at 31 December 2011: € 62,000 thousand). The fair value of real estate investments for individual assets has been evaluated by simplified computing procedure using income method and terms for calculation of “external rent”, using information about reached gross annual income from real and valid rental contracts and by determination of interest rate using “fischer formulas” on the strength of actual basic interest rate of ECB (which take into account level of actual basic/discount rate, level of annual interests of commercial banks, level of inflation and risk of locality and assets type, held for sale) and a method of discounting future cash flows.

Based on the indicated facts, the Company recognized real estate investment impairment. The Company discounted future cash flows to their present value in assessing value in use and due to this the Company recorded allowance for real estate investment as at 31 December 2012 in the amount of € 1,748 thousand (as at 31 December 2011: € 899 thousand). Costs related with real estate investments represent the amount of € 1,283 thousand (as at 31 December 2011: € 1,199 thousand) and revenues related with real estate investments represent the amount of € 2,862 thousand (as at 31 December 2011: € 2,764 thousand).

8 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
COST				
As at 1 January 2011	**98**	**15,248**	**222**	**15,568**
Additions	0	256	633	889
Disposals	0	-38	-159	-197
Transfers	0	171	-171	0
As at 31 December 2011	**98**	**15,637**	**525**	**16,260**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2011	**95**	**14,060**	**22**	**14,177**
Additions	0	410	29	439
Disposals	0	-38	-22	-60
Transfers	0	0	0	0
As at 31 December 2011	**95**	**14,432**	**29**	**14,556**
NET BOOK VALUE				
As at 1 January 2011	**3**	**1,188**	**200**	**1,391**
As at 31 December 2011	**3**	**1,205**	**496**	**1,704**
COSTS				
As at 1 January 2012	**98**	**15,637**	**525**	**16,260**
Additions	0	326	327	653
Disposals	-60	-58	-312	-430
Transfers	0	511	-511	0
As at 31 December 2012	**38**	**16,416**	**29**	**16,483**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2012	**95**	**14,432**	**29**	**14,556**
Additions	0	590	0	590
Disposals	-59	-58	0	-117
Transfers	0	0	0	0
As at 31 December 2012	**36**	**14,964**	**29**	**15,029**
NET BOOK VALUE				
As at 1 January 2012	**3**	**1,205**	**496**	**1,704**
As at 31 December 2012	**2**	**1,452**	**0**	**1,454**

Non-current intangible asset has definite useful life except licence agreement on use of collected work "The History of ŽSR". Useful life on Property, Plant and Equipment is definite; it is specified according to real useful life and for various types of Property, Plant and Equipment in the range from 3 to 25 years.

The Company considered reality of valuation of assets and liabilities as at 31 December 2012. According to IAS 36 – Impairment, as at 31 December 2012 the Company recorded allowance for assets under construction in the amount of € 29 thousand (as at 31 December 2011: € 29 thousand).

9 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2012	Total 2011
Opening balance as at 1 January	**1,009**	**2,240**	**155**	**3,404**	**3,410**
Additions	0	0	0	0	0
Disposals	0	0	0	0	6
Closing balance as at 31 December	**1,009**	**2,240**	**155**	**3,404**	**3,404**

Structure of capital participation in subsidiaries and associated companies as at 31 December 2012 is as follows:

Obchodné meno a sídlo	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Stabilita, d.d.s., a. s., Košice (Note 33)	5,263	2,244	Slovakia	55.26	Management of supplementary pension funds
ŽPSV a.s ., Čaňa (Note 33)	6,847	224	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Wien	2,454	-171	Austria	25.00	The planning and continuation of rail infrastructure with gauge 1,520 mm from the borders of Ukraine through Slovakia to and in Austria
Betamat, a.s., Zvolen	213	37	Slovakia	10.00	Installation, maintenance, and repair of telecomm. equipment
HIT RAIL, b.v., Amsterdam, Netherland	3,406*	48*	Slovakia	4.00	Implementation of the interconnection of information systems within the UIC, develop. of international data transmission application HERMES VPN

* the company did not supply financial statement as at 31 December 2012 by the date of preparation of Financial Statements, information is presented as at 31 December 2011

10 NON-CURRENT RECEIVABLES

	31 December 2012	31 December 2011
Non-current trade receivables	108,970	52,499
Advances given	7,607	7,493
Receivables from sale of flats	683	886
Other non-current receivables	34	31
State receivables	86,480	144,408
Allowances for receivables	-117,727	-62,266
Total non-current receivables	**86,047**	**143,051**

Non-current trade receivables increased due to reclassify current receivables to non-current receivables (Note 5, Note 12). Receivable for loss of Operating of Railway Infrastructure Contract for the year 2011 in the amount of € 73,753 thousand and claim for capital subsidy for approved capital invoices of EU funds are recognized in State receivables.

Non-current receivables decreased due to settlement of receivable for losses of Operating of Railway Infrastructure Contract for previous periods in the amount of € 75,988 thousand.

Progress in allowances for non-current receivables:

Balance as at 31 December 2011	**62,266**
Creation	17,184
Reclassify current allowances to non-current allowances	44,230
Reversal	5,953
Balance as at 31 December 2012	**117,727**

Allowances to non-current receivables are recorded because of precautionary principle. Allowance to Železničná spoločnosť Cargo Slovakia, a. s. is in the amount of € 105,807 thousand. Non-current receivables are through the allowances measured at amortised cost using the effective interest rate method. The interest rate was derived from interest rate loans.

11 INVENTORIES

	31 December 2012	31 December 2011
Inventories at cost	20,943	23,598
Allowances for Inventory	-8,932	-8,323
Total inventories	**12,011**	**15,275**

The Company recorded allowances for slow moving inventories following comparison of valuation with net realizable value as at 31 December 2012.

Progress in allowances for inventories:

Balance as at 31 December 2011	**8,323**
Creation	5,004
Disposal of inventories	59
Dissolution of relevance	4,336
Balance as at 31 December 2012	**8,932**

12 CURRENT TRADE RECEIVABLES

	31 December 2012	31 December 2011
Trade receivables	19,506	78,059
Advances given	151	120
Other trade receivables	2,130	3,434
Allowances for receivables	-8,935	-53,017
Total current receivables	**12,852**	**28,596**

Current trade receivables decreased mainly due to reclassify receivable from the company Železničná spoločnosť Cargo Slovakia, a. s. (Note 5, Note 10).

Progress in allowances for bad and doubtful receivables:

	Allowances for bad and doubtful short-term receivables	Of which: Allowances for debtors in bankruptcy
Balance as at 31 December 2011	**53,017**	**3,144**
Creation	1,319	115
Reversal because of receivable write-off	970	117
Reversal because of full or partial collection	202	2
Reclassify from short-term to long term	44,230	0
Balance as at 31 December 2012	**8,935**	**3,140**

13 OTHER RECEIVABLES AND ASSETS

	31 December 2012	31 December 2011
Other receivables	3,293	3,150
State receivables	0	28,983
Other state receivables	35,970	45,226
Allowances for receivables	-483	-1,488
Prepaid expenses	1,501	1,504
Total other receivables	**40,281**	**77,375**

Other receivables decreased mainly due to settlement of State receivable for losses of the Operating of the Railway Infrastructure Contract in the amount of € 28,983 thousand. Receivable from excess VAT also decreased.

Progress in allowances for other receivables:

Balance as at 31 December 2011	**1,488**
Creation	38
Reversal because of receivables write-off	179
Reversal because of full or partial collection	864
Balance as at 31 December 2012	**483**

14 CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash on hand	311	558
Cash in bank	1,029	1,842
Short-term deposit	156,844	57,330
Total cash and cash equivalents	**158,184**	**59,730**

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2012	31 December 2011
Cash and cash equivalents	158,184	59,730
Credit cards	-1	-1
Total cash and cash equivalents	**158,183**	**59,729**

Interest rates on current accounts range from 0.01 % p. a. up to 0.20 % p. a., those on short-term deposits from 0.01 % p. a. up to 2.20 % p. a..

Temporarily free funds are recovered in banks and branches of foreign banks in the Slovak Republic.

15 REGISTERED CAPITAL

Registered capital is in the amount of € 800,170 thousand (as at 31 December 2011: € 800,170 thousand) and unregistered changes in capital are in the amount of € -39,833 thousand (as at 31 December 2011: € -39,833 thousand.

Based on the Administrative Board Decision dated 27 March 2012 profit from previous accounting period in the amount of € -31,784 thousand was used to retained earnings from previous years.

16 LOANS

	31 December 2012	31 December 2011
SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS		
6ME + margin, maturity 15 August 2013	32,175	0
6ME + margin, maturity 3 October 2012	0	99,799
6ME + margin, maturity 8 June 2012	0	52,314
	32,175	**152,113**
Interest on loans	835	0
Provision for interest on loans	0	658
Credit cards	1	1
Short-term finance lease	710	746
Total Short-term loans and current portion of long-term loans	**33,721**	**153,518**
LOANS		
Euro		
6ME + margin, maturity 15 August 2013	0	31,567
6ME + margin, maturity 20 May 2014	25,868	24,962
6ME + margin, maturity 3 October 2014	139,791	0
	165,659	**56,529**
Provision for interest on loans	0	86
Long-term finance lease	943	1,506
Total Long-term loans	**166,602**	**58,121**
Total loans	**200,323**	**211,639**

The Company reports bank loans in the amount of € 198,669 thousand (as at 31 December 2011: € 209,386 thousand). All loans were bearing interest with floating interest rate from 1.407 % up to 3.707 %. The Company´s loans come from reputable banks and branches of foreign banks in the Slovak Republic.

Finance lease is drawn on vehicles and technological equipment with the average lease period 36 months, 48 months and 10 years. Finance lease liabilities of the Company are secured by ownership rights of the lessor to leased assets (Note 6).

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Up to 1 year	880	755	710	746
From 1 to 5 years	1,283	1,866	942	1,504
5 years and more	1	2	1	2
	2,164	**2,623**	**1,653**	**2,252**
Less future finance costs	-511	-371	0	0
Present value of minimum lease payments	**1,653**	**2,252**	**1,653**	**2,252**
DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION:				
Short-term finance lease	0	0	710	746
Long-term finance lease	0	0	943	1,506

Fair value of finance lease liabilities equals their book value.

17 STATE AND EU SUBSIDIES

	31 December 2012	31 December 2011
Investment subsidies from EU – State Budget funds	142,284	125,661
Investment subsidies from EU – EU funds	564,899	486,486
Investment subsidies – ISPA program - State Budget funds	138,112	148,588
Investment subsidies – ISPA program - EU funds	84,659	95,369
Investment subsidies – others	276,775	268,888
Subsidy – share repurchase	1,525	1,525
Investment subsidy - claim	31,560	21,555
Total state and EU subsidies	**1,239,814**	**1,148,072**
of which short-term portion	56,650	36,717

The Company draws subsidies for funding projects to modernize railway infrastructure.

18 PROVISIONS

	31 December 2012	31 December 2011
Environmental burden	45,668	46,474
of which short-term portion	834	3,035
Legal claims	2,542	1,953
Provisions for demolition of buildings	575	0
Total provisions	**48,785**	**48,427**

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2011	**46,474**	**1,953**	**0**	**48,427**
Creation	-220	1,192	575	1,547
Interest expense	332	0	0	332
Cancellation as not justified	0	199	0	199
Reversal due to provision drawing	918	404	0	1,322
Balance as at 31 December 2012	**45,668**	**2,542**	**575**	**48,785**

Environmental burden provision

In accordance with environmental rules the Company performed revision of created provision. In 2012, old ecological burden and remedy of ground water include bioventing in Čierna nad Tisou, as a remedy of ground water and bedrock in Brezno have been eliminating. The Company recorded a provision for estimated costs relating to remedy former environmental damages caused by soil and ground water pollution as a result of polluting track bedrock. The amount of the provision has been determined on the basis of an estimate prepared by the Company's internal environmental team. The estimate of Company's environmental burden is based on existing technology and actual prices, whereas drawing of the provision is forecasted within a timeline of the next 10 – 15 years. The Company is applying for EU funds to fund these costs. Long-term portion of provision is calculated by a fixed interest rate of 3.0 % as at 31 December 2012 (as at 31 December 2011: 3.0 %).

Environmental burden provision as at 31 December 2012 is in the amount of € 45,668 thousand (as at 31 December 2011: € 46,474 thousand).

Interests from discounting are in the amount of € 332 thousand (as at 31 December 2011: € 394 thousand).

Provision for legal claims

Reported amounts represent provision for certain legal claims raised against the Company by its contracting parties. Management believes, after consultations with internal lawyers, that no significant liabilities will arise as a result of raising these legal claims, except for those for which the provision has been created. After reviewing of the latest evidence management of the company presumes it is probable as a result of settlement of legal claims that the company will have to incur financial resources in the amount of € 2,542 thousand (as at 31 December 2011: € 1,953 thousand).

Provision for legal claims is not discounted because the time of termination of proceedings is not known.

Provision for demolition of buildings

In accordance with the principles for provisions, as at 31 December 2012 the Company recorded provision in the amount of future costs for demolition of buildings and operating equipment where there is obligation to perform demolition due to decision to dispose of building. Decisions to dispose of buildings are authorized by Railway Regulatory Authority as a special construction authority for construction of railways.

The amount of provision has been determined on the basis of an expert estimate of costs to perform demolition, including related costs for landscaping.

Provision relates to buildings - objects such as guard houses, railway stations, warehouses, signal boxes, traction lines and others whose poor technical conditions does not enable its operational use, moreover threatens public safety. Its disposal will be carried out by own activity (gradual dismantling, using the mechanism) or by supplier – authorized person providing professional leadership and hazardous waste disposal (e.g. asbestos etc.).

19 EMPLOYEE BENEFITS

	31 December 2012	31 December 2011
Employee benefit	28,486	24,959
of which short-term portion	1,514	1,144
Total employee benefit	**28,486**	**24,959**

Progress in employee benefit:

	year 2012	year 2011
Balance as at 1 January	**24,959**	**27,238**
Creation	4,671	-382
of which creation of short-term portion of provision	1,514	1,144
of which decrease/creation of long-term provision	3,157	-1,526
Reversal due to provision drawing	1,144	1,897
Balance as at 31 December	**28,486**	**24,959**

Employee benefit provision

As at 31 December 2012 the Company recorded a provision in the amount of € 28,486 thousand (as at 31 December 2011: € 24,959 thousand) for covering an estimated liability relating to bonus upon retirement or disabled retirement, bonus upon life and work jubilees and compensating contribution due to decrease in health capability of an employee (Note 28).

The Company has programs with pre-set benefits based on which pays out a one-off retirement bonus amounting to € 83 for each year worked. A jubilee bonus upon reaching age of 50 and 60 years is paid out depending on the number of years worked ranging from € 100 (up to 10 years) to € 498 (over 25 years).

None of these programs is financially independent. The amount of the provision has been determined by using projected unit credit method based on financial and actuarial variables and assumptions which are reflections of official statistical data and are in accordance with the Company's business plan assumptions.

The Company does not have prepared any detailed plan to reduce the number of employees as at the day of preparation of financial statements.

Main actuarial assumptions used:

Discount rate	3.8 % p. a.
Future salary increases	1.0 % p. a. and in subsequent years by 1.0 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2004-2008

Costs of health and social insurance, resulting from the laws amendments 461/2003 Coll. and 580/2004 Coll. effective from 1 January 2013, are part of the calculated values of liabilities.

20 OTHER NON-CURRENT LIABILITIES

	31 December 2012	31 December 2011
Social fund liabilities	615	1,284
Other non-current liabilities	12,351	19,263
Total other non-current liabilities	**12,966**	**20,547**

Other non-current liabilities decreased by € 7,581 thousand due to reclassify long-term retained sums under contracts of work that will be paid after completion and delivery structures for use.

Structure of social fund:

	year 2012	year 2011
Balance of fund as at 1 January	**1,284**	**1,382**
Creation	1,325	1,377
Spending	1,994	1,475
Balance as at 31 December	**615**	**1,284**

21 CURRENT TRADE PAYABLES

	31 December 2012	31 December 2011
Trade payables	106,015	148,044
Advances received	1,275	1,264
Other payables	3,250	1,980
Total current payables	**110,540**	**151,288**

Current payables decreased by € 40,748 thousand due to decrease of payables from investing activities of EU funds.

22 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2012	31 December 2011
Payables to insurance companies	7,027	6,705
Payables to tax authorities	1,333	1,252
Total payables to public institutions	**8,360**	**7,957**

23 OTHER PAYABLES

	31 December 2012	31 December 2011
Employees	13,527	13,094
Other payables	9,669	10,085
Total other payables	**23,196**	**23,179**

24 RAILWAY INFRASTRUCTURE OPERATION

	31 December 2012	31 December 2011
Fees for access to railway infrastructure – cargo transport	44,413	49,522
– passenger transport	44,620	46,039
Total fees for access to railway infrastructure	**89,033**	**95,561**

New pricing mechanism for access to railway infrastructure in accordance with Act No. 513/2009 Coll. on Railroads as amended is applied from 1 January 2011.

	31 December 2012	31 December 2011
Sales of additional services of railway infrastr. – cargo transport	5,233	7,784
– passenger transport	5,409	7,385
Total sales of additional services of railway infrastructure	**10,642**	**15,169**

In accordance with the Act No. 513/2009 Coll. on Railroads as amended, § 37 and § 54, the Company offers additional services of shift and technical services from 1 January 2011.

	31 December 2012	31 December 2011
Subsidies for railway infrastructure operation	270,000	199,498
Claim due to the Operating of the Railway Infrastructure Contract	5,333	68,420
Total subsidies for railway infrastructure operation	**275,333**	**267,918**

Dated 5 September, Ministry of Transport – as the owner of infrastructure – acknowledged its obligation in a protocol to the Company arising from the Operating of the Railway infrastructure Contract for the year 2011 in the amount of € 73,753 thousand.

25 SALES OF OTHER SERVICES

	31 December 2012	31 December 2011
Sales of trailers turned out and other technical services	2,966	2,655
Sales for heat and steam	1,890	2,472
Sales for training, education	1,081	1,130
Sales of fire prevention and repression	1,039	1,100
Sales of water and sewage charges	787	735
Sales of accommodation services	698	663
Sales of works canteens and catering services	478	820
Sales of lease of movable property	439	817
Revenue from sales of products	135	230
Other services	1,023	1,031
Total sales of other services	**10,536**	**11,653**

26 OTHER REVENUES

	31 December 2012	31 December 2011
Changes in work in progress	-30	10
Changes in products	-18	-29
Re-earned material	2,248	1,425
Compensation for property damage	1,535	486
Other revenues from economic activities	2,144	1,552
Total other revenues	**5,879**	**3,444**

27 SERVICES RECEIVED

	31 December 2012	31 December 2011
Costs of waste disposal	-3,868	-6,100
Costs of cleaning	-3,756	-3,652
Costs of information technology	-1,631	-1,664
Costs for machineries performance with operator	-1,621	-1,583
Costs of complex services and heat installation	-1,245	-1,345
Paid rent and remuneration	-1,232	-1,496
Costs of diagnostics, metrology, project documentation, experts opinions	-1,158	-679
Costs of telecommunication services	-1,053	-1,187
Costs for sewage, sludge disposal	-1,038	-923
Materiology costs	-939	-1,350
Transportation if not included in the cost	-845	-531
Costs of software and software licences	-743	-734
Guarding, security and investigation services	-763	-709
IT support and consulting costs	-142	-254
of which costs of auditing services	-59	-82
Others	-3,498	-4,644
Total services received	**-23,532**	**-26,851**

28 PERSONNEL COSTS

	31 December 2012	31 December 2011
Salary costs	-141,302	-145,752
Social security costs	-53,778	-55,676
Other personnel costs	-15,359	-15,749
Total personnel costs	**-210,439**	**-217,177**

Average number of employees during the financial year as at 31 December 2012 was 14,473.829 (as at 31 December 2011: 15,819.646) and the Company employed 14,421 employees as at 31 December 2012 (as at 31 December 2011: 14,998 employees) of which manager employees: 651 (as at 31 December 2011: 646).

29 OTHER OPERATING COSTS

	31 December 2012	31 December 2011
Creation of allowances for receivables	-10,951	-37,859
Fare	-3,464	-3,386
Taxes and fees	-2,803	-2,738
Profit from disposal of non-current assets	2,598	2,302
Profit from sale of material	859	361
Creation of legal claims provision	-594	-893
Settlement of provision for environmental burden	1,138	1,170
Other costs and revenues	-183	1,168
Total other operating costs, net	**-13,400**	**-39,875**

30 CORPORATE INCOME TAX

From 1 January 2013 tax rate increases to 23 % (tax rate is at 19 % until 31 December 2012). A reconciliation of income tax expense computed using the valid income tax rate on net loss before taxes to the actual tax expense for the years ended 31 December is as follows:

	31 December 2012	31 December 2011
Loss before tax according to SAS*	16,909	-31,237
of which theoretical tax at 19%	3,213	-5,935
TAX EFFECT OF		
Tax unrecognized costs	10,963	18,197
Non-taxable income	-14,387	-16,618
Deferred tax	-695	0
Tax expense	**0**	**0**

DEFERRED TAX CONSISTS OF	31 December 2012	31 December 2011
Property, Plant and Equipment	-64,965	-60,160
Property, Plant and Equipment Impairment	9,321	11,419
Receivables	22,137	20,166
Inventories	1,697	1,581
Provisions	14,898	14,294
Others	-1,154	-900
Deferred tax net at 19 % (+ receivables / - liabilities)	**-18,066**	**-13,600**
Tax losses carried forward in the amount of deferred tax at 19 %	17,492	13,600
Deferred tax net at 23 % (+ receivables / - liabilities)	**-3,803**	**0**
Tax losses carried forward in the amount of deferred tax at 23 %	3,682	0
Total	**-695**	**0**
Tax losses carried forward over the amount of deferred tax	0	8,805

*SAS = Slovak accounting standards

In the period of taxation 2012 the Company disclosed tax loss in the amount of € 1,111 thousands (as at 31 December 2011: € 22,929 thousand). As tax base has not been achieved, obligation for paying income tax of corporate entity did not arise in accordance with Act No. 595/2003 Coll. on Income Tax as amended.

Withholding tax on interest from bank funds in the amount of € 80 thousand was deducted in tax year 2012 (as at 31 December 2011: € 73 thousand). From 1 January, deduction of withholding tax on interest from bank funds is considered as settled and the Company cannot require a refund of the tax.

The Company recorded deferred tax liability as at 31 December 2012 in the amount of € 695 thousand already using the 23% tax rate.

31 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for environmental improvements, modernization, replacement and expansion, much of which is connected with the accession of the Slovak Republic to the European Union. The Company's capital expenditure budget for each of the years 2013 – 2015 is set out in the table below and there is a big probability to change because of financial crises:

Year	Track and infrastructure	IT and telecom	Total
2013	562,215	6,479	568,694
2014	678,951	7,983	686,934
2015	675,009	7,820	682,289
Total	**1,916,175**	**22,282**	**1,938,457**

32 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The balance of the operation of the Operating of the Railway Infrastructure Contract for the year 2012, as a difference between fixed economic allowed costs and revenues, is the profit in the amount of € 885 thousand. In accordance with above mentioned Contract – Annex 5, the Company may be entitled to recognize extra costs in the amount of € 5,201 thousand. Recognized costs will be confirmed in the protocol by Ministry of Transport as the owner of infrastructure in the second half of 2013.

Liabilities can incur due to set up a claim of landowner to compensation for the restriction of use of real estate. The amount of expected lump-sum compensation is € 500 thousand as at 31 December 2012.

Liabilities can incur due to settlement of land in connection with settling of issues related to land.

ŽSR registers legal claims for which is not recorded a provision, where termination of the proceedings not in favor of the Company is less than probable.

33 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2012 were Železničná spoločnosť Slovensko, a. s., and Železničná spoločnosť Cargo Slovakia, a. s. with the State as the sole shareholder. Fees for access to railway infrastructure from these two companies represent 13.32 % (as at 31 December 2011: 14.11 %) and 11.76 % (as at 31 December 2011: 14.07 %) of the total revenues for rendered services (Note 24).

Summary of liabilities and receivables is as follows:

	ZSSK Cargo		ZSSK Slovensko	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Liabilities	532	174	84	77
Receivables	110,120	114,000	6,579	4,774
Allowances	104,466	89,109	0	0

In accordance with the Operating of the Railway Infrastructure Contract, the Company receives subsidy to cover fixed portion of economic allowed costs (Note 24) under which the Company recorded state receivable (Note 10). Furthermore, the Company also draws investment subsidies from State (Note 17).

ŽSR executes pension retirement additional insurance via pension funds managed by the subsidiary Stabilita, d. d. s., a. s., with which the employment contract was closed (Note 9). Based on the Collective Labor Agreement, ŽSR contributes for employee´s additional insurance from 2 % up to 5 % from the base of assessment for the calculation of insurance premium. Costs of additional insurance are recorded monthly in personnel costs – total for year 2012 is in the amount of € 3,073 thousand (as at 31 December 2011: € 3,132 thousand).

As at 31 December 2012, the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of € 2 thousand (as at 31 December 2011: € 3 thousand) for technical services and training, revenues for the year 2012 were in the amount of € 24 thousand (as at 31 December 2011: € 23 thousand). As at 31 December 2012 and as at 31 December 2011 the Company records no liabilities to this company (Note 9).

In 2012 the Company paid out employee benefits in the amount of € 562 thousand (in 2011: €: 791 thousand) to the key management of the Company, of this Administrative Board in the amount of € 103 thousand (as at 31 December 2011: € 257 thousand). Former members of Administrative Board had no income.

The Company as other legal entity (Note 1) is part of the financial statement of public accounts, compiled by Ministry of Finance of Slovak republic (Note 2). Transactions within the consolidation of public accounts are not material, respectively are included in the financial statements (Note 5, Note 10, Note 13, Note 17, Note 22).

34 EVENTS AFTER THE REPORTING PERIOD

There were no material events in the Company between the end of the reporting period and the date that the financial statements are authorised for issue.

35 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 35 were prepared and signed on behalf of the Company on 19 March 2013:

STATUTORY AUTHORITY
OF THE ENTITY

Ing. Štefan Hlinka
General Director

PERSON RESPONSIBLE
FOR BOOKKEEPING

Ing. Jana Krupcová
Director of financing, bookkeeping and tax division

PERSON RESPONSIBLE FOR PREPARATION
OF THE FINANCIAL STATEMENTS

Milota Šnegoňová
Department manager of statistics and reporting

LIST OF SIGNS AND ABBREVIATIONS

a.s.	Joint stock company
BOZP	Health and Safety Protection at Work
CER	Community of European Railway and Infrastructure Companies
DSZ	Documentation for construction intention
DRS	Documentation for construction implementation
DSP	Documentation for construction permission
DÚR	Documentation for planning decision
DVZ	Documentation for contractor selection
EON	Economically eligible costs
EOV	Economically eligible revenues
ERA	European Railway Agency
ERDF	European Regional Development Fund
EÚ	European Union
GVD	Train Traffic Diagram
hrtkm	Gross-ton kilometre
IKD	Integrated rail transport
ISPA	EU Fund
KZ	Collective Agreement
MDVRR SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
MZV	Extraordinary water quality deterioration – abbreviation is in terms of Decree of the Ministry of Environment of the SR
ND	freight transport
NR SR	National Council of the Slovak Republic
OD	Passenger transport
OSŽD	Organization for Co-operation between Railways
PD	project documentation
PEÚ	pre-electrification modifications
RNE	RailNetEurope
v.j.	Switching unit
vlkm	Train-kilometre
VOJ ŽSR	Internal Organizational Unit of Železnice Slovenskej republiky
SR	Slovak Republic
ŠR	State budget
ŠRT	broad-gauge line
TEN-T	EU Fund – linking airport to railway network
TSI	Technical Specifications for Interoperability
UAB	Universal automatic block
UIC	International Union of Railways
ÚRŽD	Railway Regulatory Authority
ŽI	Railway Infrastructure
Z.z.	Collection of Laws
žkm	Railway kilometre
ŽSR	Železnice Slovenskej republiky
žst.	Railway station
ŽV	Rolling stock




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