ANNUAL REPORT

ŽELEZNICE SLOVENSKEJ REPUBLIKY

2014

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FOREWORD BY THE DIRECTOR GENERAL

Dear Ladies and Gentlemen,

The 2014 can be viewed as a challenging but at the same time a successful year. ŽSR has fulfilled the essential objective of ensuring the operation of railway infrastructure while managing balanced business result. In 2014, was achieved positive outcome of economy, profit amounted to 4,832 thousand EUR.

I do regard as crucial in the past year the approval of several strategic documents which indicate the further direction of ŽSR towards 2020, including railroad legislation changes in connection with the new European standards. In October 2014, the European Commission approved the Operational Programme Integrated Infrastructure 2014-2020. This program allows the Slovak Republic and ŽSR to utilise more than EUR 2 billion. We managed to conclude a new contract for the provision of railway infrastructure with the State for the following 2014-2016 period. We also focused on analysis of target rail passenger service timetable concept which will imply a considerable portion of additional requirements for adjustment/modernization of railway infrastructure and stations throughout the period up to 2020.

At the same time, I can state that over the course of the year we continued a successful implementation of constructions under the Operational Programme Transport 2007 - 2013 programming period. The section Trenčianska Teplá - Ilava - Beluša, within the modernization of the railway track Nové Mesto nad Váhom - Púchov, was completed. We continued the implementation of the railway track modernization in the section Beluša - Púchov, the construction of Intermodal Transport Terminal Žilina, the application of GSM-R in the section Bratislava - Žilina - Čadca and ETCS implementation along the section Žilina - Čadca - SK/CZ state border, while the modernization of the railway track Považská Teplá - Bytča had commenced. We have created very good conditions for absorbing the whole volume of allocated Operational Programme Transport 2007-2013 resources.

In the area of preparation of constructions we have already started several important projects for upcoming period of the Operational Programme Integrated Infrastructure 2014-2020. Among the most important we might include finalizing the preparation of modernization of railway track Púchov - Považská Teplá, updating a feasibility study for rail track modernization Žilina - Košice - Čierna nad Tisou, developing the project of electrification of the track Haniska pri Košiciach - Veľká Ida - Moldava nad Bodvou mesto, and preparing the construction design of several integrated passenger transport terminals.

Much attention was devoted to investments from own resources with particular focus on areas of safety and increased throughput performance by removal of slow track speeds, geologically unstable sites, reconstructing of non-standardized conditions at several components of the railway infrastructure, the railway track in the section Vrútky - Varín was the largest investment project in this regard. Along with ongoing construction works within the Operational Programme Transport we solved many challenges together with operators related to managing closure timetables and several train delay related issues. Despite those negative influences towards operators, the significance of such investments is principal from the point of view of safety and increasing competitiveness of railway transport. We further concentrated on the quality of services provided for rail passengers. I would highlight reconstructions of railway stations in Trnava, Senica, Bratislava Predmestie, Tvrdošovce, Trebišov and Košice. Challenges lying ahead for the following years include the implementation of intentions aimed at enhancing standards of railway infrastructure and stations and continuation in railway station revitalization projects.

It is pleasing for our company as well as for the whole railway sector that thanks to strategic decisions of the Government of the Slovak Republic and the Ministry of Transport we saw increased transport performances especially in freight traffic. Our growing expectations for the next years are in compliance with a programme of the Government of the Slovak Republic.

Over the past six years we have attached a lot of importance to safety at level crossings. Once again, ŽSR participated in the International Level Crossing Awareness Day. We strive to improve safety both by means of investments aimed to ensure a higher degree of safety at level crossings, and also by education and public awareness campaigns.

For 2015 we have set three key objectives. The first two are based on aforementioned priorities and linked to successful material and financial completion of the Operational Programme Transport 2007-2013, and a successful start to the follow-up Operational Programme Integrated Infrastructure 2014-2020. The third objective is to maintain financial stability in 2015 and beyond.

I greatly appreciate human potential of employees of ŽSR. I acknowledge that our company has numerous railway patriots and that work in daily operation is demanding not only from a physical point of view. I would like to take this opportunity to express my gratitude to everyone for the work done, energy, time and commitment devoted for ŽSR not only in exceptional situations caused by adverse weather conditions or technical problems.

Favourable results for 2014 were reached also thanks to our business partners. I would like to express my appreciation for cooperation and ensure them that ŽSR as a consolidated, financially stable company able to pay its liabilities, will continue to develop further cooperation.

Dušan

Dipl. Ing. Dušan Šefčík

Director General, ŽSR

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 and positive cash-flow
- Modern infrastructure
- Effective traffic management
- Effective maintenance management
- Effective administration of railway infrastructure and 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.

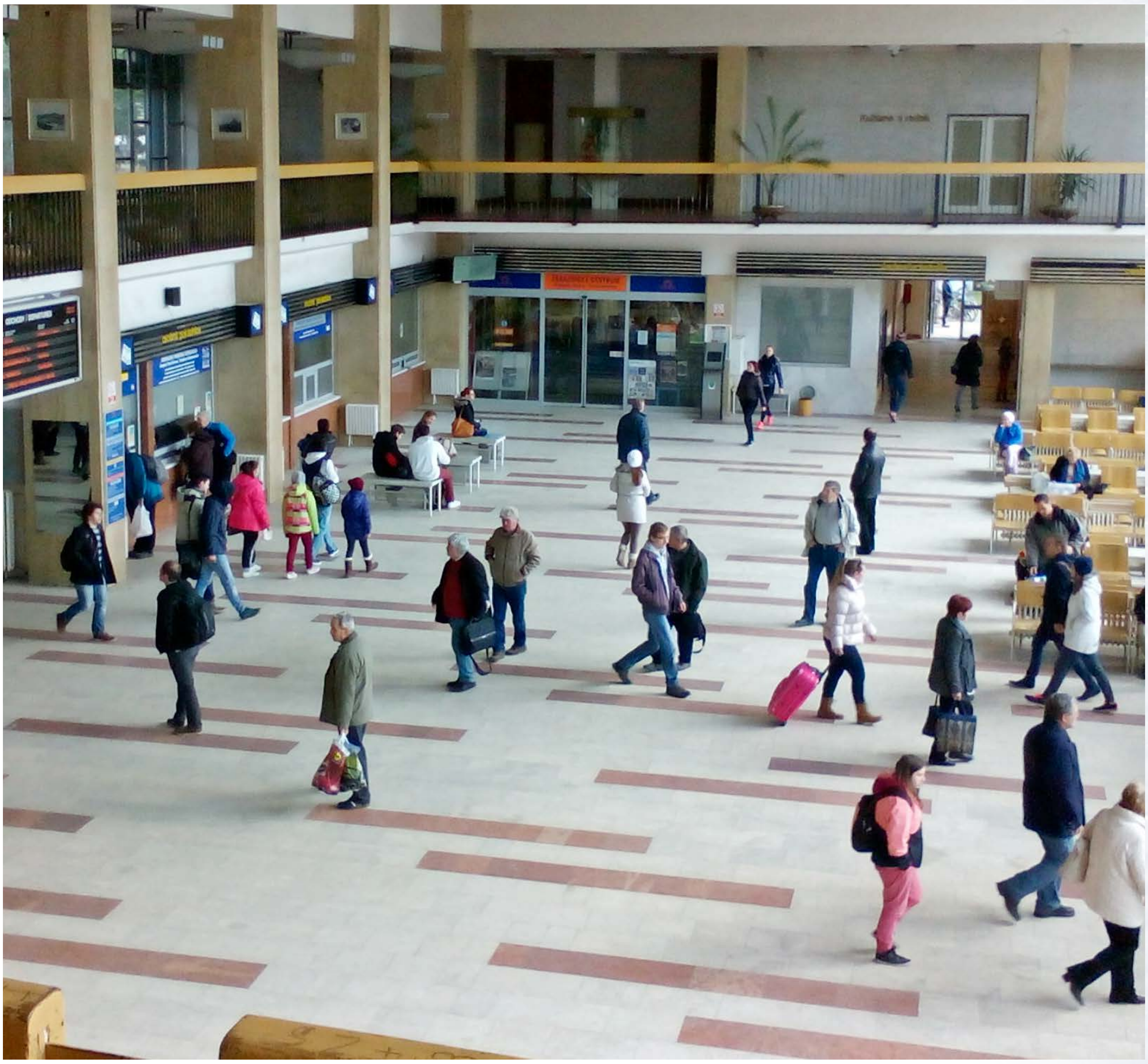
COMPANY PROFILE

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.

In accordance with 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.



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 2014

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 2014

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

INFORMATION ON THE SITUATION AND THE DEVELOPMENT OF ŽSR

I. OPERATION OF THE RAILWAY INFRASTRUCTURE

A) CONTRACT FOR THE PROVISION OF RAILWAY INFRASTRUCTURE - BALANCE

In 2014, the operation of railway infrastructure was performed in compliance with the Contract for the provision of railway infrastructure 2014-2016 concluded between ŽSR and MDVRR SR on 23 December 2013.

COMPARISON OF THE CONTRACT PARAMETERS:

Contract - Balance (thou. EUR)	2014*	2013
Costs (total Economically eligible costs)	**346,243**	**350,842**
thereof: Fixed costs	255,377	260,113
Variable costs	90,866	90,729
Revenues (total Economically eligible revenues)	**346,286**	**352,527**
thereof: State budget settlement of fixed part of EON	250,000	260,000
Compensations in terms of Resolution No. 390/2013	22,478	0
+ Profit/ - Loss	43	1,685

*Figures presented in the chart are audited and subject to protocol evaluation

Financing of fixed economically eligible costs was provided under the Contract for the provision of railway infrastructure and covered by the state budget. In year-on-year comparison subsidy for fixed economically eligible costs has been reduced by EUR 10 mil., which ŽSR reflected in austerity measures aimed at cost saving.

Variable economically eligible costs were covered by railway undertakings under payments for access to railway infrastructure in accordance with valid regulatory framework and compensation due to reduced railway infrastructure charges under the Government Resolution No. 390/2013.

B) CHARGE FOR THE ACCESS TO RAILWAY INFRASTRUCTURE

Charging scheme for the access to railway 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.

The revenues form charge for the access to railway infrastructure were significantly influenced by introduction of new rules on charges for the access to railway infrastructure under Government Resolution No. 390/2013 regarding the application of “Measures to consolidate rail freight of SR” and “Treaty on compensation and financial implications for rail freight carriers for 2010” concluded between MDVRR SR and ŽSR. On the basis of these documents compensation to the rail freight undertakings is applied and approved in the form of reduction in access charges to railway infrastructure which are paid by the State. The resolution was adopted on 10 July 2013 and shall be valid until 31 December 2016.

Charge (thou. EUR) / Period	2014 *	2013
Total	**96,176**	**92,414**
Thereof: Železničná spoločnosť Slovensko, a.s.	45,892	44,321
Železničná spoločnosť Cargo Slovakia, a.s.	40,556	40,058
Other undertakings	9,728	8,035
thereof Passenger transport	1,699	1,441
Freight transport	8,029	6,594

* 2014 figures for comparability with the previous period includes compensation for the reduction of charges for the access to railway infrastructure

In 2014, ŽSR reported revenues from the charge for the access to railway infrastructure in the amount of EUR 73,698 thousand and compensation for reduction of charge amounts to EUR 22,478 thousand Charges for the access to railway infrastructure including a compensation, report share of 56.01 % on total revenues for own performances and goods, and 26.94 % on total revenues. In year-on-year comparison we report increase of EUR 3,762 thousand.

In 2014, the services of railway infrastructure were provided to 43 railways undertaking as follows:

- 6 carriers for passenger transport,
- 37 carriers for freight transport.

RAILWAY UNDERTAKINGS´ PERFORMANCES

From the perspective of annual development as compared to 2013 the number of passenger undertakings increased by two. With launch of Timetable 2014/2015, the railway infrastructure becomes open for a new passenger undertaking - Leo Express. The volume of performances of RegioJet increased by providing transport on the route Praha - Košice and Bratislava - Košice, which in the view of upcoming period indicates an increase in performance and revenues from the charge for access to railway infrastructure. In 2014, reported increase amounted to 50 thousand train-km.

To this trend also contributes the implementation of measures in terms of the Slovak government decision on free rail transport for pupils, full-time students and pensioners valid as of 17 November 2014 and the introduction of additional trains to cover increased demand in passenger transport - in 2014, reported increase amounted to 69 thousand train-km.

Performances in passenger transport have long-term stable level with a slight upward trend.

Development of performance in freight transport has been stable in year on year comparison. Modest growth is associated with a higher amount of transported goods and motivating influence of Resolution No. 390/2013.

Performance / Period	2014	2013	Annual increase %
Passenger transport (thou. trkm)	32,075	31,570	1.57
(mil. grtkm)	8,746	8,508	2.72
Freight transport (thou. trkm)	14,219	14,075	1.01
(mil. grtkm)	17,981	17,632	1.94
Total (thou. trkm)	**46,294**	**45,645**	**1.40**
(mil. grtkm)	**26,727**	**26,140**	**2.20**

C) RAILWAY INFRASTRUCTURE

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

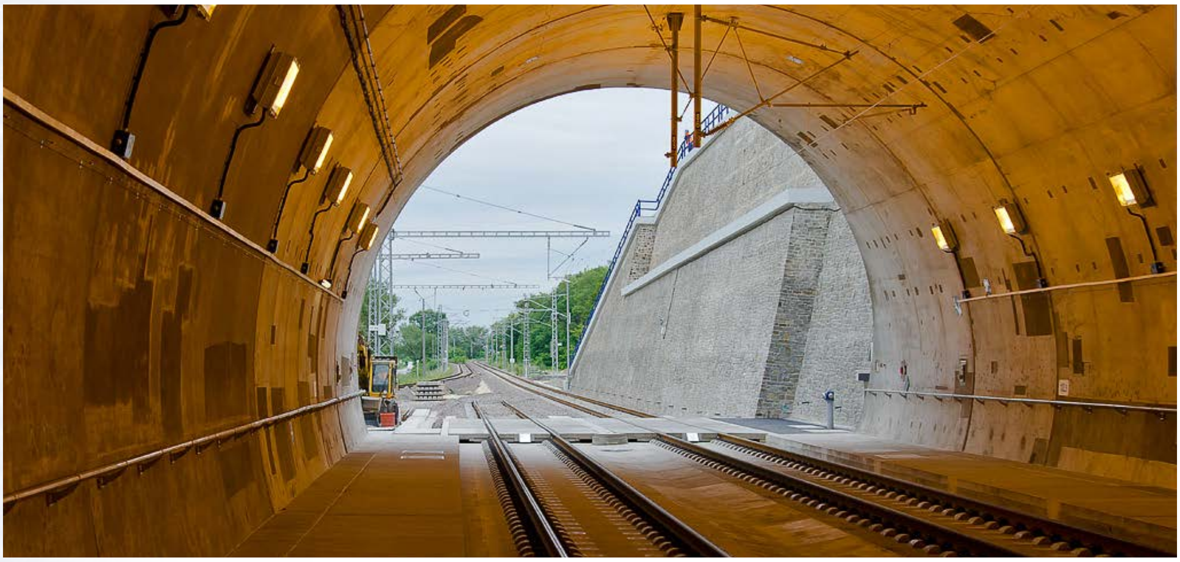
Parameter/Year	2014	2013
RAILWAY TRACKS AND STRUCTURES		
Construction length of operated lines (km)	3,582	3,595
Construction length of managed lines (km)	3,627	3,631
Construction length of lines (km)	6,872	6,888
Number of switches	8,448	8,484
Number of bridges	2,314	2,314
Total length of bridges (m)	51,555	51,316
Number of tunnels	76	76
Total length of tunnels (m)	45,004	45,004

Figure indicated for “Construction length of managed lines” is inclusive of lines with suspended service due to poor technical condition. Non-operated lines with a total length of 45.544 km include:

- Turňa nad Bodvou - MÁV 3.139 km;
- Komárno - Kolárovo 25.908 km;
- Žabokrecká spojka 1.279 km;
- Plavecký Mikuláš - Plavecké Podhradie including operating post Plavecký Mikuláš 5.395 km;
- Breznička - Katarínska Huta 9.823 (traffic was suspended in 2014).

In 2014, track operation resumed in section Michaľany - Lastovce in the length of 0.719 km therefore its length was included in “Construction length of lines”.

The data do not contain construction length of cancelled lines: Devínske Jazero - Stupava, Rimavská Sobota - Poltár and Košice Children‘s Historical Railway – Čermeľka cancelled in 2014.



Parameter/Year	2014	2013
SIGNALLING SYSTEMS		
Track signalling systems		
Automatic block (km)	552	670
Automatic block system (km)	495	512
Semi-automatic block (km)	612	762
Lines with telephone communication system (km)	1,546	1,556
Station signalling systems (no.)	471	475
Remote controlled interlocking operated by dispatcher (km)	361	323
Train signalling systems (km)	748	851
Level crossings (no.)	2,131	2,149
Hump signalling systems (no.)	240	240

Year-on-year changes in figures “Track signalling systems” and “Station signalling systems” result from the corridor development and changes in the organization of the transport operation of ŽSR within systemizing of operating posts.

Parameter/Year	2014	2013
ELECTRICAL EQUIPMENT		
Electrified lines (km)	1,586	1,586
Extended length of catenary (km)	5,008	5,008
Power and switching stations (no.)	92	92

II. ECONOMIC AND FINANCIAL INDICATORS

A) BUSINESS RESULT OF ŽSR

ŽSR achieved in 2014 a positive financial result. Year-on-year development of costs was significantly influenced by settlement of provision for impairment for a receivable of ZSSK CARGO in 2013 of EUR 57,947 thousand under Government Resolution No. 390/2013 and Supplement No. 2 to the Agreement on liability recognition.

Year-on-year increase in revenues was affected by a reduction in subsidies for the operation of railway infrastructure - lower fixed payment of economically eligible costs under Contract for provision of railway infrastructure 2014, where was a decrease of EUR 10 million compared to 2013.

(thou. EUR)	2014	2013
Costs	454,413	435,798
Revenues	459,245	480,992
VH (+ Profit, - Loss)	**4,832**	**45,194**
Other comprehensive income components	-1,585	-1,429
Other comprehensive income (+ Profit,- Loss)	**3,247**	**43,765**

Non-current assets compared to last year increased by EUR 106,595 thousand mainly due to the acquisition of tangible fixed assets and current assets compared with the previous year decreased by EUR 177,407 thousand mainly due to credit claims of ZSSK CARGO for railway infrastructure performances in 2010 with a commitment of compensation granted under „ Treaty on compensation and financial implications for rail freight carriers for 2010“ and reducing eligibility for investment grants and recognition of the part of liabilities arising from the „Agreement on the termination of contract for the provision of a non-refundable financial means“ of EUR 94,909 million.

Assets as of 31 December	2014	2013
Long-term assets	**3,265,945**	**3,159,350**
thereof:		
Long-term tangible assets	3,153,391	3,041,301
Short-term assets	**102,700**	**280,107**
thereof:		
Short-term receivables from commercial activity	14,278	74,443
Inventories	9,351	10,166
Cash and Cash Equivalents	62,012	104,673
Total Assets	**3,368,645**	**3,439,457**

Long-term liabilities compared to the previous year increased by EUR 57,626 thousand, which was mainly due to refinancing and loan recognition within long-term liabilities. Current liabilities are decreased by EUR 135,759 thousand as compared to 31 December 2013, because of the lower amount of investment obligations, payment obligations to cargo carriers due to the impact of financial compensation for 2010 and the recognition of the loan within the long-term liabilities.

Liabilities as of 31 December	2014	2013
Equity	**1,626,319**	**1,618,998**
thereof:		
Registered capital	760,234	760,337
Capital funds	489,238	484,814
Long-term liabilities	**1,482,109**	**1,424,483**
thereof:		
Loans, State and EU subsidies	1,373,522	1,318,316
Short-term liabilities	**260,217**	**395,976**
thereof:		
Short-term liabilities from commercial activity	99,283	149,696
Total Liabilities	**3,368,645**	**3,439,457**

B) STRUCTURE OF CAPITAL PARTICIPATION IN COMPANIES AS OF 31 DECEMBER 2014

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

- Stabilita: company administrates supplementary pension insurance,
- ŽPSV: company mainly provides construction and assembly works,
- Breitspur Planungs: is a company engaged in preparation of broad-gauge railway connection project,
- Betamat Zvolen: is a business which enterprises in the area of spare parts and installation of security devices.

C) FINANCIAL INDICATORS

As of 31 December	unit	2014	2013
Business result		**4,832**	**45,194**
Liquidity Indicators			
Current liquidity		0.52	1.08
Total liquidity – average		0.57	1.12
Expenditure Indicators			
Expenditures	%	98.95	90.60
Wage expenditures	%	31.91	29.90
Indebtedness Indicators			
Self-financing indicators	%	82.25	79.28
Total indebtedness	%	17.75	20.72
Debt-to-equity Ratio	%	21.57	26.13
Labour Productivity Indicator			
From revenues	EUR/emp.	32,549	33,519
From performance	trkm/emp.	3,281	3,181

The change in the both liquidity ratios was due to a decrease in the volume of funds and receivables. Although the liquidity of ŽSR depends on balance of financial assets, but in a far greater extent on the future cash flows. Liquidity ratios are significantly influenced as at least 50 % of the reported liabilities will be paid from the state budget provided in the form of current and capital subsidies.

III. HUMAN RESOURCES

Year-on-year trend in employment was affected by the cancellation of Fire Protection Centre Bratislava as internal organizational unit of ŽSR by deletion from the Business Register as of 1 July 2014.

Development of employment	2014	2013	Difference (2014-2013)	Difference %
Registered headcount as of 31.12.	14,110	14,301	-191	-1.34
Average converted number of staff	14,109	14,350	-241	-1.68

ŽSR in 2014 continued to implement „Adaptation programme for graduates of selected schools“ and enrolled 80 graduates. In 2013, ŽSR received 60 graduates.

AGE STRUCTURE

Age structure of employees as of 31 December	2014	% share of employees	2013	% share of employees
Up to 20 years	23	0.16	19	0.13
20 - 29 years	1,091	7.73	1,066	7.45
30 - 39 years	2,298	16.29	2,530	17.69
40 - 49 years	4,780	33.88	4,925	34.44
50 - 59 years	5,305	37.60	5,188	36.28
over 60 years	613	4.34	573	4.01
ŽSR total	**14,110**	**100.00**	**14,301**	**100.00**

The average age of ZSR employees was 46 years. The number of staff increase in the age band 20-29 years was influenced by the adoption of schol leavers.

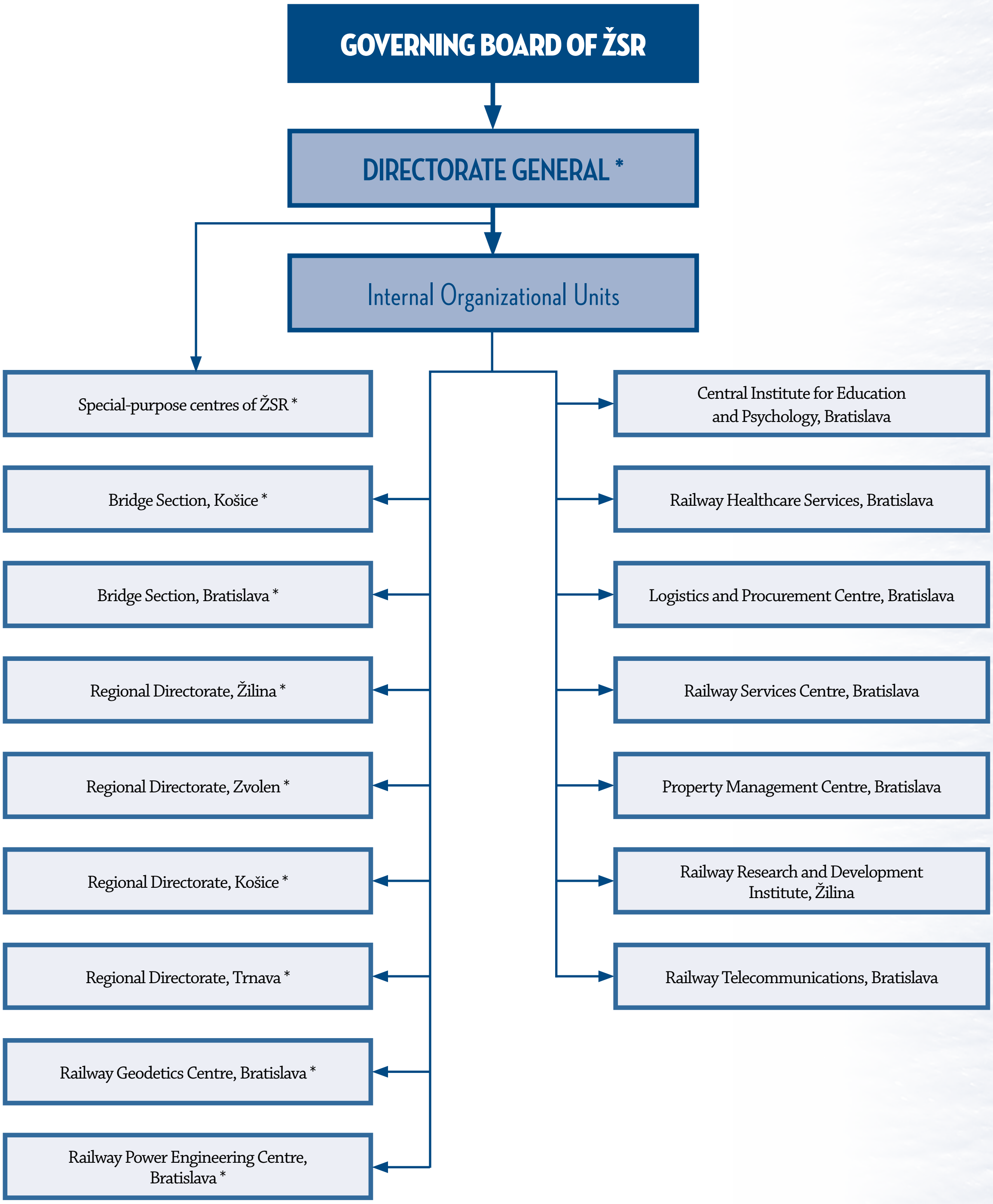
EDUCATION LEVEL

Education structure of employees as of 31 December	2014	2013
Elementary education	471	526
Secondary education	3,883	4,050
Complete secondary education	7,349	7,413
University education	2,407	2,312
ŽSR total	**14,110**	**14,301**

Education structure of employment reports increased share of employees with university education and complete secondary education (+1 %). It was affected by recruitment of graduates but also due to enhanced employees´ qualification by distance studying.

ORGANIZATIONAL STRUCTURE

Organizational Structure of Železnice Slovenskej republiky as of 31 December 2014



*Internal Organizational Units of ŽSR not incorporated in the Business Register.

Železnice Slovenskej republiky had no independent organizational unit abroad in 2014.

IV. SAFETY

In accordance with applicable legislation (Act of NRSR 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.

ACCIDENTS ON ŽSR NETWORK

Type of accident	2014 Total / ŽSR	2013 Total / ŽSR	Difference Total / ŽSR
Train collision	3/2	10/7	-7/-5
Train derailment	2/1.5	4/3	-2/-1.5
Collision with level crossings users	49/0	46/0	+3/0
Rolling stock fire accidents	8/0	10/0	-2/0
Injuries by rolling stock	141/1	126/2.9	+15/-1.9
Shunting accidents	29/11	39/17.5	-10/-6.5
Consequences of accidents			
Level crossing fatalities	11	10*	+1
Unauthorized persons fatalities	109	99	+10
Staff fatalities	0	1	-1
Passenger fatalities	0	0	0

* One employee of ZSSK

OCCUPATIONAL INJURIES REPORT

SUBJECT:	2014	2013	Difference
Total occupational injuries:	**34**	**44**	**-10**
thereof Major occupational injuries			
fatal	0	1	-1
Major injuries	1	3	-2
Number of missed calendar work days:	**2,585**	**4,215**	**-1,630**
Average number of employees:	**14,109.47**	**14,349.97**	**-240.50**
Number of injuries per 1000 employees:	**2.410**	**3.066**	**-0.656**

V. RESEARCH AND DEVELOPMENT

EXPENDITURE ON RESEARCH AND DEVELOPMENT ASSIGNMENTS

Operational processes / Drawing (thou. EUR)	2014	2013
- Research expenditure	221	81
- Development expenditure	33	107
Total	**254**	**188**

THE MOST SIGNIFICANT ASSIGNMENTS ACCOMPLISHED IN 2014:

- **Systemization of technical documentation in the energy and electrical engineering areas and its connection with IS EE** - Comprehensive survey was conducted on the status of digital technical documentation and analysis of existing systems for creating, managing and accessing digital technical documentation in EE sector and proposal for a new unified system was commissioned,
- **Verification of interferences between different traction systems** – Measurements were carried out to verify the main conclusions of the study of the University of Žilina elaborated within addressing the role of R&D „Investigation of electromagnetic interference with overlapping unidirectional traction 1.5 and 3.5 kV alternating traction 25k, 50Hz“.
- **Development of a measuring system for measuring the deflection of bridge structures during load tests in inaccessible terrain clearance** – Development of measuring equipment capable of measuring the deflection of bridge structures in the stress tests through inaccessible terrain and the water flows without increasing the cost of using appropriate measurement methods,
- **Reconciliation and control of compliance with technological procedures in the field of welding and welding of rails, switches and parts of the superstructure on infrastructure of ŽSR** - Knowledge of controls (41 controls in 2014) were regularly discussed at the permanent working group on defectoscopy, welding, grinding and BK.
- **Application of advanced techniques for the measurement of low pressure to ensure the performance of the accredited KL1 Vrútky** - Four work procedures were developed for calibration of deformation pressure gauges for Calibration Laboratory KL1 Vrútky,
- **Measurement of noise parameters for determining the draft measures by MDVRR SR** - Stage 2 - final report shall contain the conditions and results of measurements of noise coaches when starting locomotives and also the reflection of noise from the facades, Scale to measure the amount of buffer rail vehicles - was developed and produced calibration scale for exact buffing equipment in the performance of regular technical inspection of rolling stock pursuant to Regulation No. 351/2010 Coll.
- **Rebuilding of TV measurement wagon to portable defectoscopic device** - Final report was prepared containing a comparison of the current and a new required state.

VI. ENVIRONMENT PROTECTION

OVERVIEW OF ECOLOGICAL ACCIDENTS

In 2014, ŽSR recorded extraordinary deterioration of water (MZV) - environmental incidents with an adverse impact on the environment, which were attributed to undertaking. The most serious accident happened on 12 September 2014 at Červená Skala. 2,400 liters of diesel leaked into the ground following damage to fuel tank of a motive power unit. The costs of removing the accident were borne by an undertaking.

AIR POLLUTION

In accordance with the legal obligation, was in 2014 calculated by the medium sources a fee for air pollution in the competence od ZSR amonted to EUR 3,602 thousand.

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 under decisions of public administration authorities,
- Reinstating of groundwater in the area of railway station Brezno (oil substances in soil and oil substances on the groundwater table) and protection of the watercourse in the Hron River under decisions of public administration authorities.

IMPACT OF ŽSR ACTIVITIES ON THE ENVIRONMENT

Operation activities of ŽSR produces waste both for the category „Others" as well as for the category „Dangerous" in amounts dependent on the performance of individual sectors.

Noise and vibration also present adverse impact on the environment and quality of people´s life, thus ŽSR addressed several complaints in this regard (Bratislava Východné, Bratislava Petržalka, Žilina marshalling yard, Kostoľany nad Hornádom,...).

VII. SIGNIFICANT EVENTS – MILESTONES 2014

RELATIONS WITH THE STATE

ŽSR concluded with the Slovak Republic represented by the Ministry of Transport, Construction and Regional Development, a three-year contract for a fixed period, from 1 January 2014 to 31 December 2016. On 23 December 2014, Supplement No. 1 to the Contract was signed, which regulates the provision of funds for the railway infrastructure for 2015. The contract contains agreed standards of railway stations aimed to increase the quality of infrastructure.

In 2014, ŽSR commented on the document „Proposal for Act amending and supplementing Act No. 513/2009 Coll. on Railroads and on amendments of some acts, and amending and supplementing certain laws" sent by MDVRR SR. The proposal has implemented Directive 2012/34/EU. ŽSR proposed several modifications to the implementation of certain provisions of Directive 2012/34/EU. The set of proposals and observations also contained a number of comments on the Act No. 513/2009 Coll. on Railroads and on amendments of some acts, and to Act No. 514/2009 Coll. on the Transport on Railroads as amended based on application practice. Currently, further round of comments is underway.

GOVERNMENT RESOLUTION NO. 390/2013

Under the Government Resolution No. 390/2013 at the end of 2013 was to sign bilateral agreements on compensation and financial implications for 2010 for freight railway undertakings arising from the introduction of new regulatory rules of reimbursement of access to railway infrastructure between MDVRR SR and ŽSR.

Under the Contract, ŽSR was committed to provide in the 2014 to freight railway undertakings compensation to a maximum of EUR 74,000 thousand, upon meeting strict conditions. MDVRR took a commitment to pay such amount to ŽSR not later than 3 December 2020. In 2014, undertakings were provided compensations of EUR 22,478 thousand and subsequently claimed from MDVRR SR.

RAILWAY INFRASTRUCTURE MODERNIZATION

Railway infrastructure modernization in 2014 was completed with final stage of implementation of the Operational Programme Transport 2007-2013 and projects preparation for upcoming period within European Commission approved Operational Programme Integrated Infrastructure 2014-2020 (OPII). Transport investments within OPII should aim to integrate different modes of transport and building quality infrastructure - continued modernization of the TEN-T Core Network in the Corridors no. V and VI and preliminary design work of Corridor IV (in accordance with the Regulation of the European Parliament and the Council No. 1315/2013 of 11 December 2013).

Preliminary list of major projects with implementation beginning in 2016:

1. ŽSR, Modernisation of railway track Púchov - Žilina, for speed up to 160 kph, Stage II - (section Považská Teplá /without/ - Žilina /without/)
2. ŽSR, Completion of Marshalling yard Žilina-Teplička and interconnecting railway infrastructure in node of Žilina, project documentation of DSP, DRS and DVZ.

In 2014, investment projects amounted to EUR 277.111 million (EUR 325.4 mil. in 2013) mainly focused on the modernization of railway infrastructure. The investments were financed from EU funds and state co-funded in the amount of EUR 121.006 million (EUR 162.174 mil. in 2013), from state subsidies in the amount of EUR 47.130 (EUR 39.431 million in 2013) from own resources of ŽSR of EUR 98.993 million (EUR 115.464 million in 2013).

Investments were allocated to the components of railway infrastructure - railway stations, railway substructure, superstructure, overhead contact lines, interlocking equipment, retaining walls and construction of railway bridges.

The most important investment projects and major investment activities in 2014 include:

- Modernization of railway track Nové Mesto nad Váhom – Púchov, - EUR 96.7 million
  - o Stage III. (Zlatovce - Trenčianska Teplá) - EUR 51.6 million
  - o Stage IV. and V. (Trenčianska Teplá - Ilava - Beluša) - EUR 15.4 million
  - o Stage VI. (Beluša - Púchov) - EUR 29.7 million
- Modernization of the railway track Púchov - Žilina for track-speed up to 160 kph - EUR 31.3 million
  - o Stage I. - section Púchov - Považská Teplá – EUR 4.7 million
  - o Stage II. - section Považská Teplá - Bytča – EUR 26.6 million
- ETCS implementation in Corridor VI: Žilina - Čadca - CZ/SK state border, and GSM-R implementation on network of ŽSR, section Bratislava - Žilina - Čadca - SK/CZ state border - EUR 10.5 million
- Terminals of Intermodal Passenger Transport - EUR 11.2 million
  - Bratislava, Leopoldov, Košice and Žilina - EUR 10.9 million
  - Moldava nad Bodvou - EUR 0.3 million

RAIL FREIGHT CORRIDORS

Rail freight corridors (RFC) were established under the Regulation No. 913/2010/EU concerning a European rail network for competitive freight. ŽSR is included in the following corridors:

- **Rail Freight Corridor No. 5 (RFC 5) – Baltic-Adriatic**

  Gdynia – Warsaw – Katovice – Ostrava/Žilina – Bratislava/Vienna/Klagenfurt – Udine – Venice/Terst/Bologna/Ravenna/Graz – Maribor – Ljubljana – Koper/Terst to be implemented from 10 November 2015;

  The corridor management in being prepared in the form of European association of economic interests based in Warsaw and co-financed with EU funds (2013-2015 TEN-T). Request for co-funding of the corridor for the period 2016-2020 from the Commission´s programme CEF (Connecting Europe Facility) is being prepared.

  Currently preparatory work is ongoing for the processing of all the documents necessary for the corridor´s implementation.

- **Rail Freight Corridor No. 7 (RFC 7)**

  Prague - Vienna/Bratislava - Budapest/Bucharest - Constanta/Vidin - Sofia - Thessaloniki - Athens was implemented on 10 November 2013;
  Corridor activities are covered by membership fees of participating infrastructure managers. Corridor´s OSS is established in Hungary (VPE).

- **Rail Freight Corridors No. 9 (RFC 9)**

  Prague – Horní Lideč – Žilina – Košice – Čierna nad Tisou (Slovakia-Ukraine border) was implemented on 10 November 2013;
  Corridor activities are conducted in a low cost manner by a mutual settlement of costs. Seat of corridor´s OSS operates on a yearly rotating scheme and currently this year the seat is in Slovakia (ŽSR).

MEMBERSHIP IN THE AGREEMENT ON INTERNATIONAL GOODS TRAFFIC BY RAIL (SMGS)

SMGS is a tool delivering enhanced rail industry competitiveness to the European countries. The Slovak Republic by accession to the SMGS Agreement obtained a real opportunity to influence the provision of international freight transport by rail in the direction of Eastern Europe and throughout Asia, acquired all the rights entitled to SMGS participants, including the indication of its border crossings, container terminals, freight stations for unloading or boogie change of wagons for different track gauges in SMGS annexes.

By supplementing data to the SMGS Manual, the Slovak Republic maintains the right to perform consignment note transcription, which otherwise would have passed to Ukraine. Also, by entering information in other lists, the Slovak Republic maintains the right to perform activities under which all the freight shipments operating procedures at border stations are performed.

RATING

In 2014, a renowned rating agency awarded ŽSR the A2 issuer rating and the long-term national rating Aa1.sk. ŽSR has maintained stable rating outlook.

PERSONNEL AND ORGANIZATIONAL CHANGES

As of 1 July 2014, Director General of ŽSR appointed Mr. Milan Kubiček to the position of Deputy Director General for Operation.

Transformation of the fire protection of railways resulted in subsequent dissolution of the Railway Fire Protection Centre Bratislava and deletion from the Business Register as of 1 July 2014.

COLLECTIVE AGREEMENT

Collective Agreement of ŽSR for 2014 has been adopted and is valid from 1 January 2014 to 31 December 2014 with yearly increase in wages by 3 % as compared with 2013.

Prolongation of validity of the Collective Agreement of ŽSR for 2014 until 31 March 2015 in terms of Supplement No. 1 to the Collective Agreement of ŽSR for 2014 was signed on 18 December 2014.

VIII. EVENTS AFTER 31/12/2014

Minister of Transport, Construction and Regional Development of the Slovak Republic revoked Mr. Štefan Hlinka as of 31 December 2014 from the position of Director General of ŽSR, and as of 01.01.2015 Mr. Dušan Šefčík was appointed to the position of Director General of Železnice Slovenskej republiky. As of 1 January 2015, Director General of ŽSR appointed Mr. Rastislav Glasa to the positon of Deputy Director General for Economy.

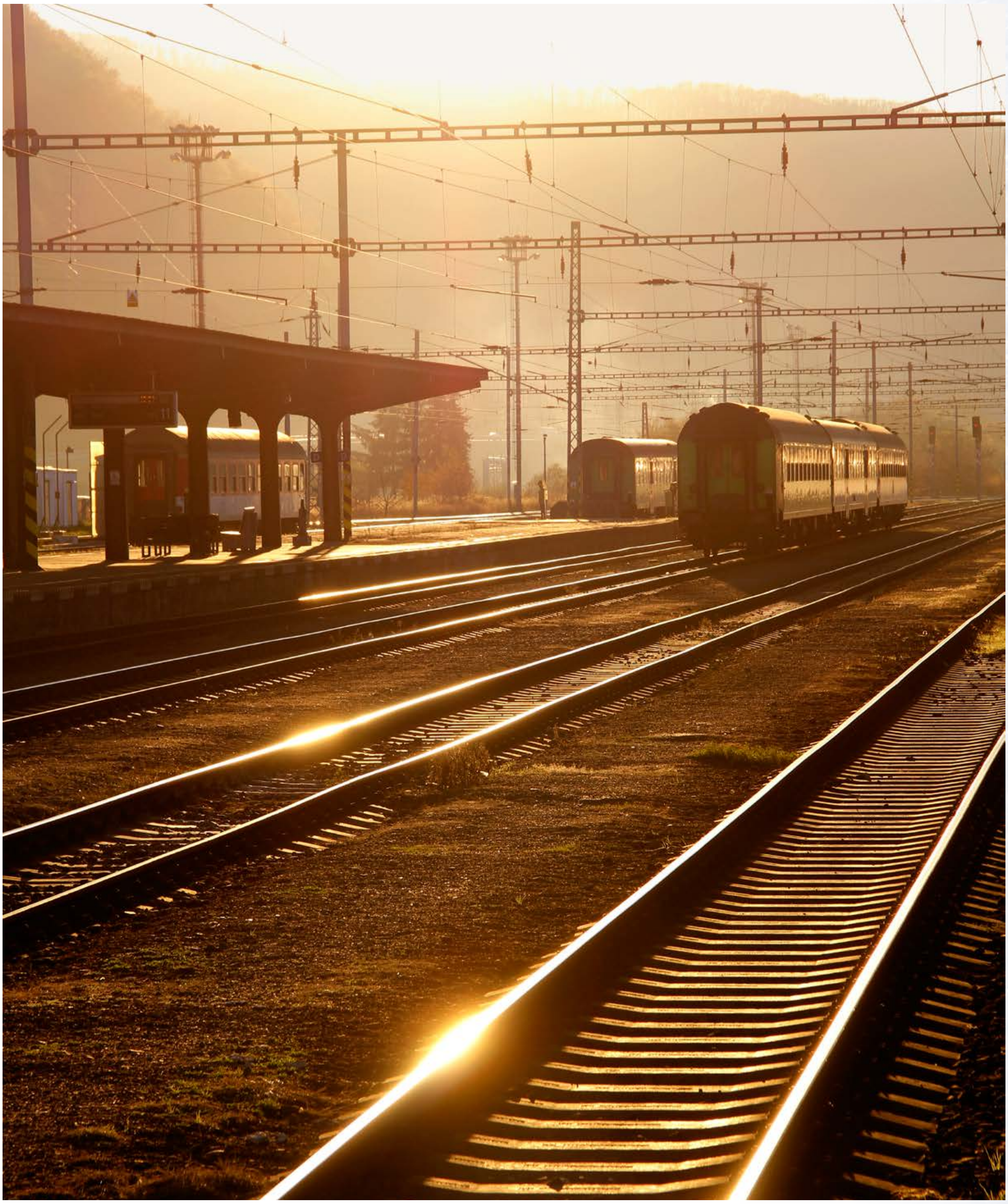
As of 28 February 2015, Mr. Jaroslav Mikla terminates his duties as Chairman and Member of the Governing Board of ŽSR and Minister of Transport, Construction and Regional Development of the Slovak Republic appointed Mr. Štefan Hlinka as of 1 March 2015 as Chairman and Member of the Governing Board of ŽSR.

On 25 February 2015, an agreement came into force on the termination of provision of non-refundable financial contribution for the project of railway track modernisation Nové Mesto nad Váhom – Púchov, the section Zlatovce – Trenčianska Teplá in the amount of EUR 94,909 thousand. In terms of the agreement, company as of 31 December 2014 registers liability for return of a subsidy. Project funding in the amount of provided contribution for railway track modernisation of the section Zlatovce – Trenčianska Teplá is subject to negotiations with MDVRR SR.

On 12 March 2015, the Collective Agreement was signed by the representatives of twelve trade union organizations and Director General of ŽSR. The contract is valid from 1. 3. 2015 to 31. 12. 2016.

IX. SETTLEMENT OF BUSINESS RESULT 2014

Železnice Slovenskej republiky for the accounting period of 2014 reported the business result - profit of 4,832,419.86 EUR used to undistributed profit of previous years.



COMPLIANCE OF THE ANNUAL REPORT WITH ANNUAL FINANCIAL STATEMENT

BDR
auditorská 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, 2014 enclosed in the accompanying annual report, to which we have on March 2, 2015 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, 2014, 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 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. 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. 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.
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 60.30% of receivables as at 31 December 2014 (as at 31 December 2013: 51.12%) 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.
4. As described in Note 5 and Note 24 to the accompanying Financial Statements, change in liabilities in the amount of € 67,502 thousand was due to settlement of compensation for freight carriers under the Government Resolution No. 390/2013 and Contract on compensation of financial impact for the year 2010 for rail freight carriers resulting from the new pricing mechanism for access to railway infrastructure ("Contract on Compensation") in the amount of € 73,980 thousand and due to lower capital trade liabilities in the amount of € 56,839 thousand.
   As at 31 December 2014 the Company reports liability for repayment of subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of € 94,909 thousand, effective from 25

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
Banská Bystrica: telefón: 048/41 53 116, 41 53 114, fax: 048/41 53 117
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

February 2015. Financing of the section "Zlatovce – Trenčianska Teplá" in the amount of granted subsidy is the subject of negotiation with Ministry of Transport. The liability for repayment of subsidy is recognized in the amount less claims for capital subsidies in the amount of € 41,309 thousand. The account balance of liabilities is in the amount of € 53,600 thousand.

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, 2014. 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 2, 2015

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An Independent member firm of Moore Stephens International Limited

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

Ing. Miroslav Čiampor
Responsible auditor
Licence UDVA No. 1068

SEPARATE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2014

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, 2014, 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, 2014, 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:

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Banská Bystrica, March 2, 2015

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

Ing. Miroslav Čiampor
Responsible auditor
Licence UDVA No. 1068

CONTENTS

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	3,153,391	3,041,301
Real Estate Investment	7	36,240	39,711
Intangible Assets	8	4,443	2,770
Financial Investment	9	3,404	3,404
Non-Current receivables	10	68,467	72,164
Total Non-Current Assets		**3,265,945**	**3,159,350**
CURRENT ASSETS			
Inventories	11	9,351	10,166
Trade receivables	12	14,278	74,443
Other receivables and assets	13	17,059	90,825
Cash and Cash Equivalents	14	62,012	104,673
Total Current assets		**102,700**	**280,107**
TOTAL ASSETS		**3,368,645**	**3,439,457**
EQUITY AND LIABILITIES			
EQUITY			
Registered capital		760,234	760,337
Capital funds		489,238	484,814
Legal reserve fund		21,904	21,904
Earnings from previous periods		350,111	306,749
Profit for accounting period		**4,832**	**45,194**
Accumulated earnings		354,943	351,943
Total Equity	15	**1,626,319**	**1,618,998**
NON-CURRENT LIABILITIES			
Loans	5,16	62,743	334
State and EU subsidies	17	1,310,779	1,317,982
Provisions	19,20	80,152	76,477
Deferred tax liability	31	27,553	20,877
Other non-current liabilities	21	882	8,813
Total Non-Current Liabilities		**1,482,109**	**1,424,483**
CURRENT LIABILITIES			
Short-term loans and curr. portion of long-term loans	5,16	333	67,423
Short-term state and EU subsidies	17	63,828	61,924
Trade liabilities	22	99,283	149,696
Payables to the public institutions	23	8,605	8,324
Other liabilities	24	67,708	87,722
Provisions and accruals	18,19,20	20,460	20,887
Total Current liabilities		**260,217**	**395,976**
TOTAL EQUITY AND LIABILITIES		**3,368,645**	**3,439,457**

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2014	31 December 2013
REVENUES			
Fees for access to railway infrastructure	25	73,698	92,414
Compensation from the reduction of fees for access	25	22,478	0
Sales of additional services of railway infrastructure	25	10,032	10,268
Subsidies for railway infrastructure operation	25	250,000	260,000
Sales of track electric energy		59,726	71,615
Sales of non-track electric energy		3,907	5,102
Sales of IT services		3,411	3,135
Sales of telecommunication services		3,018	3,028
Revenues from real estate investments		8,541	8,211
Sales of other services	26	9,338	11,976
Own work capitalized		10,007	8,875
Other revenues	27	5,089	6,368
Total revenues		**459,245**	**480,992**
OPERATING COSTS			
Materials and consumables		-26,275	-27,844
Track electric energy costs		-68,021	-83,618
Other energy costs		-7,166	-6,901
Repair and maintenance		-17,396	-16,251
Services	28	-17,703	-20,551
Payroll costs	29	-216,290	-211,811
Depreciation and amortization		-164,013	-158,102
Release of subsidy for non-current assets		74,280	72,248
Other operating costs, net	30	-2,831	39,786
Total operating costs		**-445,415**	**-413,044**
PROFIT FROM OPERATIONS		**13,830**	**67,948**
FINANCIAL COSTS / INCOME			
Interest from loans		-920	-4,326
Other financial costs / income		-1,268	2,360
Total financial costs		-2,188	-1,966
PROFIT before tax		11,642	65,982
Income tax	31	-90	-203
Deferred income tax	31	-6,720	-20,585
NET PROFIT after tax		**4,832**	**45,194**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations		-2,032	-1,832
Deferred tax related to re-measurements		447	403
COMPREHENSIVE PROFIT FOR PERIOD		**3,247**	**43,765**

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 2013	**760,337**	**479,265**	**21,121**	**310,524**	**1,571,247**
Profit for the period	0	0	0	45,194	45,194
Non-cash increase in capital	0	4,986	0	0	4,986
Creation of Legal reserve fund	0	0	783	-783	0
Allocation to Social fund	0	0	0	-1,000	-1,000
Other comprehensive income	0	563	0	-1,992	-1,429
As at 31 December 2013	**760,337**	**484,814**	**21,904**	**351,943**	**1,618,998**
As at 1 January 2014	**760,337**	**484,814**	**21,904**	**351,943**	**1,618,998**
Profit for the period	0	0	0	4,832	4,832
Non-cash increase in capital	0	4,580	0	0	4,580
Disposal of land	-103	0	0	0	-103
Other comprehensive income	0	-156	0	-1,832	-1,988
As at 31 December 2014	**760,234**	**489,238**	**21,904**	**354,943**	**1,626,319**

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

STATEMENT OF CASH FLOWS

	Note	31 December 2014	31 December 2013
Profit before tax		**11,642**	**65,982**
Adjustments by non-cash transactions		**104,151**	**156,232**
Depreciation and amortization		164,013	158,102
Dividends and other profit sharing recorded against revenues		-319	-1,110
Interest recorded against expenses		920	4,326
Interest recorded against revenues		-1,041	-1,745
Gain / loss from the sale of property, plant and equipment		-682	330
Change in provisions		3,898	2,595
Amortization of state subsidies		-74,280	-72,248
Effect on changes in working capital		**-36,826**	**14,536**
Changes in receivables and other assets		138,199	-97,528
Changes in liabilities		-175,840	110,219
Changes in inventories		815	1,845
Cash flow from operating activities		**67,325**	**170,768**
Expenditure on income tax		-90	-203
Interest received		367	1,021
Interest paid		-1,383	-6,392
Net cash flows from operating activities		**66,219**	**165,194**
Acquisition of property, plant and equipment and non-current intangible assets		-272,108	-307,427
Subsidies for acquisition of non-current assets		163,890	212,340
Cash receipts from the sale of property, plant and equipment and non-current intangible assets		2,909	2,395
Net cash flows from investment activities		**-105,309**	**-92,692**
Cash receipts from dividends and other profit sharing		319	1,110
Cash receipts from loans borrowing		62,976	32,919
Expenditure on loans borrowing		-66,258	-159,334
Repayment of liabilities related to financial leasing		-607	-709
Net cash flows from financial activities		**-3,570**	**-126,014**
Net increase / decrease in cash and cash equivalents		**-42,660**	**-53,512**
Cash and cash equivalents at the beginning of the year	14	**104,671**	**158,183**
Cash and cash equivalents at the end of the year	14	**62,011**	**104,671**

The Company for clearer presentation reclassified liability to subsidies for acquisition of non-current assets under Agreement on termination of the Contract for the provision of the grant in the amount of EUR 94,909 thousand.

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.

General Director, Ing. Dušan Šefčík, manages the overall activities of ŽSR and is held responsible for its performance and results to the Administrative Board. Ing. Štefan Hlinka was General Director to 31 December 2014. 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 2014 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 through fixed economic allowed costs. 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 2014 the Company reported a net profit of EUR 4,832 thousand (for the year ended 31 December 2013: profit of EUR 45,194 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 2013 were approved by Administrative Board of ŽSR on 27 March 2014 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 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, while 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 and intangible 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. Acquisition cost also includes induced investments and interest costs related to the acquisition.

Assets under constructions represent non-current tangible assets and intangible assets and are reported at acquisition cost. This includes the costs directly related to acquisition of assets. 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 tangible and intangible assets is depreciated using the straight-line method over its expected economic useful life. Depreciation and amortization commences on the first day of the month following the date the asset was put into use. Useful life for various types on non-current intangible and tangible assets are as follows:

- buildings	40 and 50 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The value originally assigned to the item of property, plant and equipment is divided relative to its significant parts and each part is depreciated separately.

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.

An asset is removed from the statement of financial position on disposal or when it is withdrawn from use. The gain or loss on disposal are recognized in profit or loss of operating activities.

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 assets under constructions or departs significantly from its planned completion, it reviews the potential decrease in value and records impairment.

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 recovery. 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 and 50 years. Real Estate Investments – land – 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. Revenues related to financial investments, such as dividends, are recognized after the entry into the legal entitlement to dividends in the income statement within the financial income.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis and includes acquisition cost plus costs related to the acquisition. Inventory is written down for any impairment of value equal to the difference between the acquisition cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. The Company writes down slow moving and obsolete inventory based on the age structure of the periodic review and assessment of management.

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.

The discount rate of receivables is determined in accordance with IAS 36 – Impairment of Assets. As an asset-specific rate is not directly available from the market, estimate was used in accordance with Appendix A to IAS 36. Estimate takes into account the time value of money for the periods until the end of the asset's useful life, expectations about possible variations in the amount or timing of those cash flows, the price for bearing the uncertainty and other factors (such as insolvency). The discount rate of liabilities is determined in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets. The discount rate is a pre-tax rate, that reflects current market assessment of the time value of money and the risks specific to the liability. The estimate of discount rate takes into account other market borrowing rates. Based on the above information, the discount rate of receivables and liabilities as at 31 December 2014 is set to 2% (as at 31 December 2013: 3 %).

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. Receivables are recognized in the statement of financial position as non-current or current assets according to maturity.

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. The Company also determines the bad debt allowance on the age structure of receivables. 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. Capital funds also comprise re-measurements of post-employment benefits in accordance with IAS 19 based on the actuarial methods and deferred tax related to re-measurements of post-employment benefits.

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 representing 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. Actuarial profits and losses from post-employment benefits are recognized in equity, others actuarial profits and losses are recognized 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 and has issued authorization for demolition as at the end of the reporting date. Disposal of buildings are perform 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 recognized in rendering of services and goods net of value added tax and discounts. The Company recognizes revenue from fees for access to railway infrastructure, sales of additional services of railway infrastructure, sales of energy, revenue from real estate investments and other services on an accrual basis. 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.

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 EUR 5,000 thousand recorded in current period. If balance of costs and income adjustments, recorded in current period, exceed the determined value of EUR 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

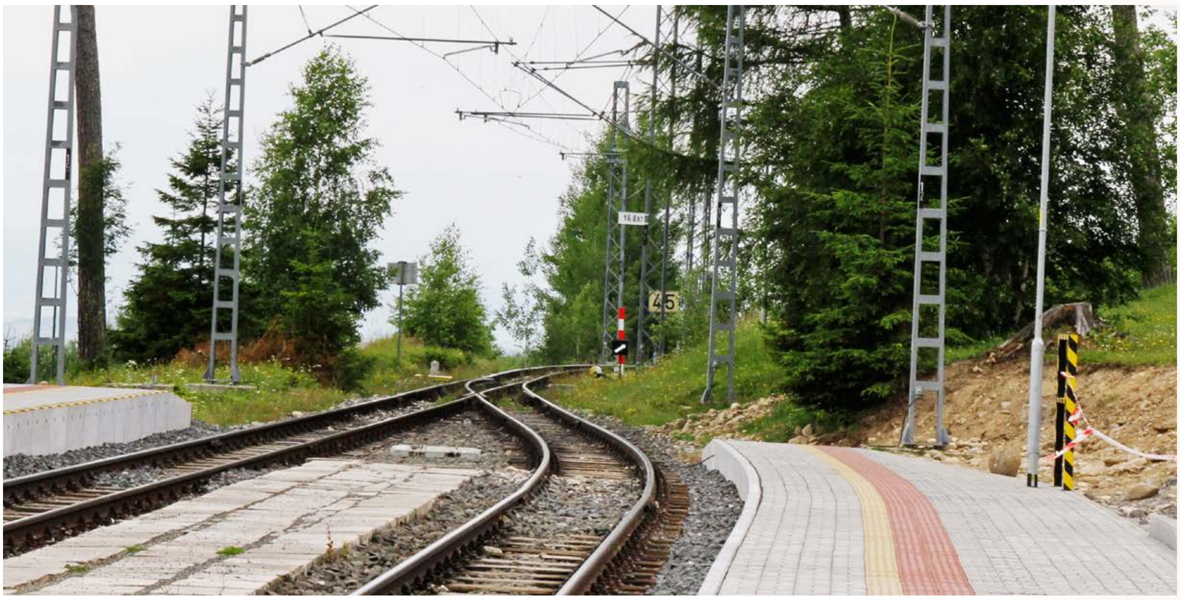
Income tax includes current income tax and deferred income tax.

Current income tax is calculated from accounting profit in accordance with Slovak regulations in the amount of 22 % after adjustments to some of 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. Deferred tax is recognized as income or expense excluding deferred tax recognized in equity.

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.

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 legalized 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 19).

Provision for legal claim

The Company is involved in a number of legal actions that are brought against the company in the connection with legal claims. Management relies on own professional assessment upon assessing the forecasted results (Note 19).

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 19).

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 20).

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has adopted the following new and revised standards IFRS and IFRIC interpretations during the accounting period:

- amendment to IFRS 10 - 'Consolidated Financial Statements', effective from 1 January 2014
- amendment to IFRS 12 - 'Disclosure of Interests in Other Entities', effective from 1 January 2014
- amendment to IAS 27 - 'Separate Financial Statements', effective from 1 January 2014
- amendment to IAS 32 - 'Financial Instruments: Presentation', effective from 1 January 2014
- amendment to IAS 36 - 'Impairment of Assets', effective from 1 January 2014
- amendment to IAS 39 - 'Financial Instruments: Recognition and Measurement', effective from 1 January 2014
- IFRIC 21 - 'Levies', effective from 1 January 2014
- amendment to IAS 19 - 'Employee Benefits', effective from 1 July 2014

The Company has not applied any standards issued after 31 December 2014 in preparing the financial statements:

- amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, effective from 1 January 2016
- amendment to IAS 27 - 'Separate financial statements' regarding the equity method, effective from 1 January 2016
- IFRS 15 - 'Revenue from contracts with customers', effective from 1 January 2017
- IFRS 9 - 'Financial instruments', effective from 1 January 2018

Amendments to IFRS 10 and IAS 28

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendment to IAS 27 - 'Separate financial statements'

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 15 - 'Revenue from contracts with customers'

This new standard establishes the principle that revenue is recognized in transaction in the transaction price when a customer obtains control of a good or service. Any separable bonded good or services are recognize separately and rebates or refunds have to be allocated to each item. Acquisition costs of contracts with customers have to be capitalized and amortized over the period of economic benefits of the contract with the customer.

IFRS 9 - 'Financial instruments'

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

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

The Company reviews the potential impacts of the application of certain standards.

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 60.30 % of receivables as at 31 December 2014 (as at 31 December 2013: 51.12 %) 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 2014	31 December 2013
Receivables within maturity	**163,929**	**306,792**
Up to 1 month	15,078	84,243
From 1 to 3 months	11,313	51,873
From 3 to 12 months	19,034	78,891
From 1 to 5 years	44,400	17,630
Over 5 years	74,104	74,155
Receivables overdue	**9,777**	**9,699**
Total receivables	**173,706**	**316,491**

Change in receivables as at 31 December 2014 compared to 31 December 2013 in the amount of EUR 142,785 thousand was due to offsetting of receivables and liabilities against Železničná spoločnosť Cargo Slovakia, a. s. in the amount of EUR 57,947 thousand under Appendix No. 2 to Settlement Agreement of Payables and also due to not-recognized claims for capital subsidies in receivables (for the year 2013 in the amount of EUR 72,583 thousand) because these claims are recognized in other liabilities (Note 24).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations at maturity. The Company manages liquidity to ensure that the funds will be always available at maturity, in both normal and abnormal conditions. The Company plans cash flows that are revised at occurrence of risk events and externalities for liquidity risk management with operational resources. The Company afterwards evaluate the progress in real cash flows.

The following table shows loans and Company's payables by maturity period (payables do not include accounts of subsidies and accruals):

	Loans and borrowings		Payables	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Payables within maturity	**63,076**	**67,757**	**282,610**	**345,405**
On demand	0	0	0	0
Up to 1 month	69	129	37,572	119,695
From 1 to 3 months	28	31	37,143	69,886
From 3 to 12 months	236	67,263	99,683	49,657
From 1 to 5 years	62,743	330	48,755	55,373
Over 5 years	0	4	59,457	50,794
Payables overdue	**0**	**0**	**5,186**	**9,893**
Total payables	**63,076**	**67,757**	**287,796**	**355,298**

Change in liabilities in the amount of EUR 67,502 thousand was due to settlement of compensation for freight carriers under the Government Resolution No. 390/2013 and Contract on compensation of financial impact for the year 2010 for rail freight carriers resulting from the new pricing mechanism for access to railway infrastructure ("Contract on Compensation") in the amount of EUR 73,980 thousand and due to lower capital trade liabilities in the amount of EUR 56,839 thousand (Note 22, Note 24).

As at 31 December 2014 the Company reports liability for repayment of subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of EUR 94,909 thousand, effective from 25 February 2015. Financing of the section "Zlatovce – Trenčianska Teplá" in the amount of granted subsidy is the subject of negotiation with Ministry of Transport. The liability for repayment of subsidy is recognized in the amount less claims for capital subsidies in the amount of EUR 41,309 thousand. The account balance of liabilities is in the amount of EUR 53,600 thousand (Note 24).

Market risk

Interest rate risk

Operating income and operating cash flows are independent of changes in market interest rates. The Company has no significant interest bearing assets except for cash and cash equivalents.

All of the Company's bank loans had a floating interest rate bound to the 6-month EURIBOR. The Company does not use derivative financial instruments for securing interest rate risks.

Sensitivity analysis to interest rate risk

For loans with floating rate, sensitivity analysis is prepared assuming that the amount of liability outstanding as at the reporting date will be outstanding for the whole year. Change in 6-month Euribor by + 1% / 6-month Euribor at zero level, which payables against the bank bearing the interest rate would be equal to margin, provided that the other variables remain unchanged, the profit of the Company changes as follows:

Increase (decrease) of interest rate in % p. a.	Impact on profit before tax for 1 year period in EUR '000
6ME + 1% / 6ME rate = 0% p. a.	-627 / +108

As at 31 December there have been no changes in methods and assumptions from the previous period.

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.

The gearing ratio at year-end:

	31 December 2014	31 December 2013
Debt (Note 16)	63,076	67,757
Cash and cash equivalents (Note 14)	62,012	104,673
Net debt	1,064	-36,916
Equity	1,626,319	1,618,998
Ratio Net debt to Equity	0.07%	0.00%

6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
COST				
As at 1 January 2013	3,903,567	846,373	515,151	5,265,091
Additions	14,132	7,308	345,839	367,279
Disposals	-17,951	-19,577	-51,800	-89,328
Transfers	227,005	40,647	-267,652	0
Transfer to investments in real estate (Note 7)	-3,359	0	0	-3,359
Transfer from investments in real estate (Note 7)	2,157	0	0	2,157
As at 31 December 2013	**4,125,551**	**874,751**	**541,538**	**5,541,840**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2013	1,748,282	591,677	35,383	2,375,342
Additions	95,033	59,312	4,564	158,909
Disposals	-15,821	-17,127	-12,200	-45,148
Transfers	6,313	5,123	0	11,436
As at 31 December 2013	**1,833,807**	**638,985**	**27,747**	**2,500,539**
NET BOOK VALUE				
As at 1 January 2013	2,155,285	254,696	479,768	2,889,749
As at 31 December 2013	**2,291,744**	**235,766**	**513,791**	**3,041,301**
COST				
As at 1 January 2014	4,125,551	874,751	541,538	5,541,840
Additions	54,356	12,462	302,594	369,412
Disposals	-30,418	-38,674	-71,451	-140,543
Transfers	119,417	38,396	-157,813	0
Transfer to investments in real estate (Note 7)	-2,434	0	0	-2,434
Transfer from investments in real estate (Note 7)	7,335	0	0	7,335
As at 31 December 2014	**4,273,807**	**886,935**	**614,868**	**5,775,610**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2014	1,833,807	638,985	27,747	2,500,539
Additions	99,975	65,976	4,454	170,405
Disposals	-17,872	-35,179	-3,917	-56,968
Transfers	3,224	5,019	0	8,243
As at 31 December 2014	**1,919,134**	**674,801**	**28,284**	**2,622,219**
NET BOOK VALUE				
As at 1 January 2014	2,291,744	235,766	513,791	3,041,301
As at 31 December 2014	**2,354,673**	**212,134**	**586,584**	**3,153,391**

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 EUR 61,698 thousand (as at 31 December 2013: EUR 63,919 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 2014 title to land with an administrative value of EUR 638 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2013: EUR 951 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 EUR 3,942 thousand (as at 31 December 2013: EUR 4,036 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. The Company also manages land in the amount of 31,615 thousand, reported on acquisition account and the Company is heavily involved with their transfer into use. During the year 2014, land were transferred into use in the amount of EUR 8,507 thousand (as at 31 December 2013: EUR 8,618 thousand).

Finance lease liabilities (Note 16) of the Company are protected by lessor ownership rights to the leased assets with a book value of EUR 1,937 thousand (as at 31 December 2013: EUR 2,585 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company is in the amount of EUR 1,322,384 thousand (as at 31 December 2013: EUR 1,237,629 thousand). Temporary unused assets in original cost are in the amount of EUR 29,662 thousand (as at 31 December 2013: EUR 29,377 thousand) and in carrying value in the amount of EUR 16,326 thousand (as at 31 December 2013: EUR 16,649 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2014. 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.

Progress in allowances for property, plant and equipment:

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
As at 1 January 2013	4,407	0	35,382	39,789
Creation	525	0	4,564	5,089
Reversal	0	0	-7,139	-7,139
Reversal of impairment loss	-1,354	0	-5,061	-6,415
As at 31 December 2013	**3,578**	**0**	**27,746**	**31,324**
As at 1 January 2014	3,578	0	27,746	31,324
Creation	119	0	4,445	4,564
Reversal	0	0	-3,024	-3,024
Reversal of impairment loss	-308	0	-883	-1,191
As at 31 December 2014	**3,389**	**0**	**28,284**	**31,673**

The value of assets under construction is reduced by the difference resulting from the recalculation of long-term retained sums under contracts of work to present value. Due to change in discount rate in 2014, the Company recognized and recorded difference from the reduction of discount rate in the statement of comprehensive income in the amount of EUR 164 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 EUR 40,000 thousand for natural hazards with the exception of floods). ŽSR have also liability insurance.

7 REAL ESTATE INVESTMENTS

	Year 2014	Year 2013
COST		
As at 1 January	**61,225**	**61,935**
Additions	0	0
Disposals	-1,589	-1,912
Transfer from Property, Plant and Equipment (Note 6)	2,434	3,359
Transfer to Property, Plant and Equipment (Note 6)	-7,335	-2,157
As at 31 December	**54,735**	**61,225**
ACCUMULATED DEPRECIATION / IMPAIRMENT		
As at 1 January	**21,514**	**21,505**
Additions	971	315
Disposals	-1,842	-1,094
Transfers	-2,148	788
As at 31 December	**18,495**	**21,514**
NET BOOK VALUE		
As at 1 January	**39,711**	**40,430**
As at 31 December	**36,240**	**39,711**

The following table presents assets disclosed at fair value:

Assets	Level 1	Level 2	Level 3
Hospital	0	0	18,560
Land	0	0	16,372
Buildings	0	0	14,951

Real estate investments are recorded estate properties rented as a whole or offered for rent, for instance hospitals and clinics, apartment buildings and offices, hostels, guard houses, garages, stops and land related.

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – inputs for the asset or liability that are not based on observable market data

Valuation techniques used to derive fair values at the level 3

The fair value of real estate investment at level 3 as at 31 December 2014 is in the amount of EUR 49,883 thousand (as at 31 December 2013: EUR 50,046 thousand). The fair value of real estate investments was determined by qualified estimate for the bulk of assets. In case of buildings, estimate has been evaluated for individual assets 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 "fisher 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. Simplified method of positional differentiation was used in case of land.

For lack of information about market prices, acquisition cost and replacement cost method was used for certain types of assets or certain localities.

Based on the indicated facts, the Company recognized reversal of impairment of real estate investment in the amount of EUR 1,277 thousand. The Company discounted future cash flows to their present value in assessing value in use. In 2014 discounted cash flow is higher than carrying value of an asset due to reduction of discount rate and there is a reversal of impairment loss (as at 31 December 2013 the Company recorded allowance for real estate investment in the amount of 1,277 thousand). Costs related with real estate investments represent the amount of EUR 975 thousand (as at 31 December 2013: EUR 1,162 thousand) and revenues related with real estate investments represent the amount of EUR 2,333 thousand (as at 31 December 2013: EUR 2,377 thousand).

8 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
COST				
As at 1 January 2013	38	16,416	29	16,483
Additions	14	596	1,892	2,502
Disposals	0	-155	-455	-610
Transfers	0	0	0	0
As at 31 December 2013	**52**	**16,857**	**1,466**	**18,375**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2013	36	14,964	29	15,029
Additions	15	716	0	731
Disposals	0	-155	0	-155
Transfers	0	0	0	0
As at 31 December 2013	**51**	**15,525**	**29**	**15,605**
NET BOOK VALUE				
As at 1 January 2013	2	1,452	0	1,454
As at 31 December 2013	**1**	**1,332**	**1,437**	**2,770**
COST				
As at 1 January 2014	52	16,857	1,466	18,375
Additions	0	2,734	903	3,637
Disposals	0	-2,375	-512	-2,887
Transfers	0	1,162	-1,162	0
As at 31 December 2014	**52**	**18,378**	**695**	**19,125**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2014	51	15,525	29	15,605
Additions	0	1,452	0	1,452
Disposals	0	-2,375	0	-2,375
Transfers	0	0	0	0
As at 31 December 2014	**51**	**14,602**	**29**	**14,682**
NET BOOK VALUE				
As at 1 January 2014	1	1,332	1,437	2,770
As at 31 December 2014	**1**	**3,776**	**666**	**4,443**

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 2014. According to IAS 36 – Impairment of Assets, as at 31 December 2014 the Company recorded allowance for assets under construction in the amount of EUR 29 thousand (as at 31 December 2013: EUR 29 thousand).

9 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2014	Total 2013
Opening balance as at 1 January	**1,009**	**2,240**	**155**	**3,404**	**3,404**
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
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 2014 is as follows:

Name	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Stabilita, d. d. s., a. s., Košice (Note 34)	5,165	619	Slovakia	55.26	Management of supplementary pension funds
ŽPSV a. s., Čaňa (Note 34)	7,244	686	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Wien	1,918	-262	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	206	57	Slovakia	10.00	Installation, maintenance, and repair of telecomm. equipment
HIT RAIL, b. v., Amsterdam, Netherland	3,250	39	Netherland	4.00	Implementation of the interconnection of information systems within the UIC, develop. of international data transmission application HERMES VPN

The Company Stabilita, d. d. s., a. s. has 100% share in subsidiary Stabilita Service, s. r. o. that carries out technical and service activities and provides an economic asset management for the parent company. Other companies do not have any shares in other companies.

10 NON-CURRENT RECEIVABLES

	31 December 2014	31 December 2013
Non-current trade receivables	36,553	2,028
Advances given	7,515	7,495
Receivables from sale of flats	413	549
Other non-current receivables	29	35
State receivables	73,980	81,635
Allowances for receivables	**-50,023**	**-19,578**
Total non-current receivables	**68,467**	**72,164**

Non-current trade receivables increased due to reclassification of current receivables to non-current receivables from Železničná spoločnosť Cargo Slovakia, a. s. for access to railway infrastructure for the year 2010 under Appendix No. 3 to Settlement Agreement of Payables (Note 12). State receivables decreased by EUR 7,655 thousand mainly due to recognition of claims for capital subsidy to retained sums under contracts of work in the liability for repayment of subsidy (Note 24).

Progress in allowances for non-current receivables:

Balance as at 31 December 2013	**19,578**
Creation	0
Reversal	5,101
Reclassify current allowances to non-current allowances	35,546
Balance as at 31 December 2014	**50,023**

Allowances to non-current receivables are recorded because of precautionary principle. Allowance to Železničná spoločnosť Cargo Slovakia, a. s. was reclassified to non-current allowances in the amount of EUR 35,546 thousand under Appendix No. 3 to Settlement Agreement of Payables. Non-current receivables are through the allowances measured at amortised cost using the effective interest rate method. The interest rate was derived in accordance with IAS 36 and were taken into account other market rate borrowings.

11 INVENTORIES

	Cost 2014	Book Value 2014	Cost 2013	Book Value 2013
Products of engineering and metal industry	6,903	2,611	7,228	2,703
Products of electro-technical industry	3,326	1,748	3,476	1,866
Products of steel industry	2,981	1,610	3,268	2,267
Products of chemical industry	1,329	1,035	1,437	1,153
Personal protective equipment and uniforms	1,539	1,460	1,022	955
Building materials and products of wood industry	551	409	689	489
Other materials	944	478	1,072	733
Total inventories	**17,573**	**9,351**	**18,192**	**10,166**

The Company recorded allowances for slow moving and obsolete inventories following comparison of valuation with net realizable value as at 31 December 2014.

Progress in allowances for inventories:

Balance as at 31 December 2013	**8,026**
Creation	4,358
Disposal of inventories	121
Dissolution of relevance	4,041
Balance as at 31 December 2014	**8,222**

12 CURRENT TRADE RECEIVABLES

	31 December 2014	31 December 2013
Trade receivables	35,075	122,792
Advances given	138	176
Other trade receivables	2,629	10,462
Allowances for receivables	-23,564	-58,987
Total current receivables	**14,278**	**74,443**

Current trade receivables decreased by EUR 60,165 thousand due to offsetting of receivables from Železničná spoločnosť Cargo Slovakia, a. s. in the amount of EUR 57,947 thousand (Note 5) and due to reclassify receivable to non-current receivables in the amount of EUR 35,546 thousand under Appendix No. 3 to Settlement Agreement of Payables (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 2013	**58,987**	**3,358**
Creation	488	155
Reclassify from short-term to long-term	35,546	0
Reversal because of receivable write-off	207	64
Reversal because of full or partial collection	158	7
Balance as at 31 December 2014	**23,564**	**3,442**

13 OTHER RECEIVABLES AND ASSETS

	31 December 2014	31 December 2013
Other receivables	1,092	2,528
State receivables	14,716	86,472
Allowances for receivables	-315	-494
Prepaid expenses	1,566	2,319
Total other receivables	**17,059**	**90,825**

Other state receivables decreased by EUR 7,232 thousand due to lower receivable from excess VAT and due to not-recognized claims for capital subsidies in receivables (Note 5, Note 24).

Progress in allowances for other receivables:

Balance as at 31 December 2013	**494**
Creation	139
Reversal because of receivables write-off	308
Reversal because of full or partial collection	10
Balance as at 31 December 2014	**315**

14 CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	739	733
Cash in bank	19,564	2,014
Short-term deposit	41,709	101,926
Total cash and cash equivalents	**62,012**	**104,673**

Total cash and cash equivalents decreased mainly due to expenditures in the investment activities from own resources.

Interest rates on current accounts range from 0.00 % p. a. up to 0.45 % p. a., those on short-term deposits from 0.06 % p. a. up to 1.30 % p. a.. Temporarily free funds are recovered in banks and branches of foreign banks in the Slovak Republic.

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

	31 December 2014	31 December 2013
Cash and cash equivalents	62,012	104,673
Credit cards	-1	-2
Total cash and cash equivalents	**62,011**	**104,671**

15 REGISTERED CAPITAL

Registered capital is in the amount of EUR 800,170 thousand (as at 31 December 2013: EUR 800,170 thousand) and unregistered changes in capital are in the amount of EUR -39,936 thousand (as at 31 December 2013: EUR -39,833 thousand).

Based on the Administrative Board Decision dated 27 March 2014, profit from previous accounting period in the amount of EUR 45,194 thousand was used to retained earnings from previous years.

16 LOANS

	31 December 2014	31 December 2013
SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS		
6ME + margin, maturity 20 May 2014 / 3 October2014	0	26,480
6ME + margin, maturity 26 September 2014	0	10,000
6ME + margin, maturity 3 October 2014	0	29,540
	0	66,020
Interest on loans	1	792
Credit cards	1	2
Short-term finance lease	331	609
Total Short-term loans and current portion of long-term loans	**333**	**67 423**
LOANS		
Euro		
6ME + margin, maturity 3 October 2019	62,740	0
	62,740	0
Long-term finance lease	3	334
Total Long-term loans	**62,743**	**334**
Total loans	**63,076**	**67,757**

The Company reports bank loans as at 31 December 2014 in the amount of EUR 62,740 thousand (as at 31 December 2013: EUR 66,812 thousand). Loans reported as at 31 December 2013 were refinanced in the amount of principles during the year 2014, whereby interests to loans were paid. New loan come from reputable bank in Slovak republic, without security, bearing interest with floating interest rate linked to the 6-month Euribor. Part of the loan agreement is a commitment of the Company to comply with certain loan covenants (Note 5).

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 2014	31 December 2013	31 December 2014	31 December 2013
Up to 1 year	415	737	331	609
From 1 to 5 years	170	591	3	334
5 years and more	0	0	0	0
	585	1,328	334	943
Less future finance costs	-251	-385	0	0
Present value of minimum lease payments	334	943	334	943
DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION:				
Short-term finance lease	0	0	331	609
Long-term finance lease	0	0	3	334

Fair value of finance lease liabilities equals their book value.

17 STATE AND EU SUBSIDIES

	31 December 2014	31 December 2013
Investment subsidies from EU – State Budget funds	160,671	160,676
Investment subsidies from EU – EU funds	665,683	659,145
Investment subsidies – ISPA program - State Budget funds	122,680	129,784
Investment subsidies – ISPA program - EU funds	68,615	76,224
Investment subsidies – others	314,395	279,969
Subsidy – share repurchase	1,525	1,525
Investment subsidy - claim	41,038	72,583
Total state and EU subsidies	**1,374,607**	**1,379,906**
of which short-term portion	63,828	61,924

The Company draws subsidies for funding projects to modernize, reconstruction and construction of railway infrastructure and safety of operation.

18 ACCRUALS

	31 December 2014	31 December 2013
Received free of charge depreciable non-current asset	16,269	16,967
Other accrued income	564	505
Prepaid expenses	15	26
Total accruals	**16,848**	**17,498**

19 PROVISIONS

	31 December 2014	31 December 2013
Environmental burden – long-term portion	45,050	43,947
– short-term portion	834	834
Legal claims	2,824	2,614
Provisions for demolition of buildings	614	508
Total provisions	**49,322**	**47,903**

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2013	**44,781**	**2,614**	**508**	**47,903**
Creation	146	542	167	855
Interest expense	1,676	0	0	1,676
Cancellation as not justified	0	170	53	223
Reversal due to provision drawing	719	162	8	889
Balance as at 31 December 2014	**45,884**	**2,824**	**614**	**49,322**

Environmental burden provision

In accordance with environmental rules the Company performed revision of created provision. In 2014, 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 1 – 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 2.0 % as at 31 December 2014 (as at 31 December 2013: 3.0 %).

Environmental burden provision as at 31 December 2014 is in the amount of EUR 45,884 thousand (as at 31 December 2013: EUR 44,781 thousand).

Interests from discounting are in the amount of EUR 1,676 thousand, as a result of the passage of time in the amount of EUR 217 thousand (as at 31 December 2013: EUR 272 thousand) and due to changes in the discount rate to 2.0 % in the amount of EUR 1,459 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 EUR 2,824 thousand (as at 31 December 2013: EUR 2,614 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 2014 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 as at 31 December 2014 is in the amount of EUR 614 thousand (as at 31 December 2013: EUR 508 thousand).

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.).

20 EMPLOYEE BENEFITS

	31 December 2014	31 December 2013
Employee benefit - long -term portion	32,278	29,916
- short-term portion	2,164	2,047
Total employee benefit	**34,442**	**31,963**

Progress in employee benefit:

	Year 2014	Year 2013
Balance as at 1 January	**31,963**	**28,486**
Creation	2,494	3,159
of which creation of short-term provision	2,164	2,047
of which creation of long-term provision	330	1,112
Reversal due to provision drawing	1,739	1,514
Dissolution due to unrealized provision	308	0
Remeasurement of post-employment benefit	2,032	1,832
Balance as at 31 December	**34,442**	**31,963**

Employee benefit provision

As at 31 December 2014 the Company recorded a provision in the amount of EUR 34,442 thousand (as at 31 December 2013: EUR 31,963 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 29).

The Company has programs with pre-set benefits based on which pays out a one-off retirement bonus amounting to EUR 90 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 EUR 100 (up to 10 years) to EUR 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	2,4 % p. a.
Future salary increases	in 2015 by 1.12 % p. a., in 2016 and in subsequent years by 1.12 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2008-2012

Costs of health and social insurance, resulting from the laws amendments 461/2003 Coll. and 580/2004 Coll. effective from 1 January 2014, are part of the calculated values of liabilities.

Description of the risks

The Company has no assets to cover liability and thus avoids the risk of investing funds, on the other hand, there is no valorisation of assets to cover liabilities.

Amount of sensitivity of „employment benefits“ to assumptions

- change in discount by +100bps for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in decrease of liability by 8.76 %
- change in wage by +100bps for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 1.68 %
- decrease of fluctuation by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 0.85 %
- decrease in mortality assumptions by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 1.04 %

The structure of employee benefit costs

	Employment benefits	Post-employment benefits	Total
Balance as at 31 December 2013	**5,467**	**26,496**	**31,963**
Current and past service cost	**233**	**1,064**	**1,297**
current service cost	233	1,064	1,297
past service cost	0	0	0
Interest expense	**192**	**927**	**1,119**
Re-measurements	**435**	**2,032**	**2,467**
- changes in demographic assumptions	0	0	0
- changes in financial assumptions	421	2,050	2,471
- resulting from practice	14	-18	-4
Payments program (benefits paid)	-570	-1,834	-2,404
Balance as at 31 December 2014	**5,757**	**28,685**	**34,442**

The average maturity of employment benefits is 7.40 years and the average maturity of post-employment benefits is 9.63 years.

21 OTHER NON-CURRENT LIABILITIES

	31 December 2014	31 December 2013
Social fund liabilities	881	1,398
Other non-current liabilities	1	7,415
Total other non-current liabilities	**882**	**8,813**

Other non-current liabilities decreased by EUR 7,414 thousand mainly due to reclassify long-term amount withheld under contracts of work that will be paid after completion and delivery structures for use.

Structure of social fund:

	Year 2014	Year 2013
Balance of fund as at 1 January	**1,398**	**615**
Creation	1,360	2,350
Spending	1,877	1,567
Balance as at 31 December	**881**	**1,398**

22 CURRENT TRADE PAYABLES

	31 December 2014	31 December 2013
Trade payables	95,937	147,379
Advances received	1,198	691
Other payables	2,148	1,626
Total current payables	**99,283**	**149,696**

Current payables decreased by EUR 50,413 thousand mainly due to the decrease from investing activities from EU funds due to a lower volume of investments from subsidies (Note 5).

23 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2014	31 December 2013
Payables to insurance companies	7,216	7,010
Payables to tax authorities	1,389	1,314
Total payables to public institutions	**8,605**	**8,324**

24 OTHER PAYABLES

	31 December 2014	31 December 2013
Employees	13,948	13,532
Other payables	53,760	74,190
Total other payables	**67,708**	**87,722**

Other payables decreased due to settlement of compensation for freight carriers for the year 2010 under the Government Resolution No. 390/2013 in the amount of EUR 73,980 thousand. The Company has an obligation to Ministry of Transport resulting from Agreement on termination of the Contract for the provision of the grant in the amount of EUR 94,909 thousand. This obligation is recognized in the amount less recorded claims for capital subsidies in the amount of EUR 41,309 thousand (Note 5).

25 RAILWAY INFRASTRUCTURE OPERATION

	31 December 2014	31 December 2013
Fees for access to railway infrastructure – cargo transport	26,107	46,652
– passenger transport	47,591	45,762
Compensation from the reduction of fees for access	22,478	0
Total fees for access to railway infrastructure	**96,176**	**92,414**

	31 December 2014	31 December 2013
Sales of additional services of railway infrastr. – cargo	5,774	5,968
– passenger	4,258	4,300
Total sales of additional services of railway infrastructure	**10,032**	**10,268**

	31 December 2014	31 December 2013
Subsidies for railway infrastructure operation	250,000	260,000
Total subsidies for railway infrastructure operation	**250,000**	**260,000**

Under the Government Resolution No. 390/2013 and Operating of Railway Infrastructure Contract for the year 2014-2016 concluded between Ministry of Transport and ŽSR, compensation of financial impact for rail freight carriers was provided, associated with reduction in charges for access to railway infrastructure. The compensation was complied with the condition of application of non-discriminatory access to rail cargo carriers and cleared in accordance with the terms of the contract. As at 31 December 2014, the total number of railway carriers is 43, herein the number of Slovak carriers is 32 and the number of foreign carriers is 11; the number of carriers for passenger transport is 6 and the number of carriers for freight transport is 37.

26 SALES OF OTHER SERVICES

	31 December 2014	31 December 2013
Sales of trailers turned out and other technical services	2,552	2,635
Sales for heat and steam	1,417	2,014
Sales for training, education	1,189	1,015
Sales of fire prevention and repression	913	2,780
Sales of water and sewage charges	723	731
Sales of accommodation services	539	567
Sales of lease of movable property	417	433
Sales of works canteens and catering services	346	314
Revenue from sales of products	0	95
Other services	1,242	1,392
Total sales of other services	**9,338**	**11,976**

Sales of fire prevention and repression decreased due to termination of repressive fire protection of railways.

27 OTHER REVENUES

	31 December 2014	31 December 2013
Changes in work in progress	-1	11
Re-earned material	2,420	3,556
Compensation for property damage	374	711
Other revenues from economic activities	2,296	2,090
Total other revenues	**5,089**	**6,368**

28 SERVICES RECEIVED

	31 December 2014	31 December 2013
Costs of waste disposal	-1,985	-3,938
Costs of cleaning	-3,708	-3,599
Costs of information technology	-1,228	-1,316
Costs for machineries performance with operator	-509	-1,033
Costs of complex services and heat installation	-132	-501
Paid rent and remuneration	-683	-1,143
Costs of diagnostics, metrology, project documentation, experts opinions	-1,215	-574
Costs of telecommunication services	-1,274	-855
Costs for sewage, sludge disposal	-1,099	-1,029
Materiology costs	-1,377	-1,376
Transportation if not included in the cost	-578	-817
Costs of software and software licences	-73	-75
Guarding, security and investigation services	-868	-874
IT support and consulting costs	-372	-152
of which costs of auditing services	-58	-56
Others	-2,602	-3,269
Total services received	**-17,703**	**-20,551**

Services received decreased by EUR 2,848 thousand mainly due to the adoption of austerity measures in order to comply with the planned economic indicators due to lower subsidy from Operating of Railway Infrastructure Contract by EUR 10,000 thousand.

29 PERSONNEL COSTS

	31 December 2014	31 December 2013
Salary costs	-146,674	-143,960
Social security costs	-55,672	-54,477
Other personnel costs	-13,944	-13,374
Total personnel costs	**-216,290**	**-211,811**

Average number of employees during the financial year as at 31 December 2014 was 14,109 (as at 31 December 2013: 14,350) and the Company employed 14,110 employees as at 31 December 2014 (as at 31 December 2013: 14,301 employees) of which manager employees directly responsible of general director 39 (as at 31 December 2013: 40).

30 OTHER OPERATING COSTS

	31 December 2014	31 December 2013
- Creation / + Reversal of allowances for receivables	5,144	48,077
Fare	-3,654	-3,607
Taxes and fees	-2,743	-2,836
+ Profit / - Loss from disposal of non-current assets	682	-330
Profit from sale of material	487	405
Creation of legal claims provision	-210	-72
Settlement of provision for environmental burden	573	1,159
Other costs and revenues	-3,110	-3,010
Total other operating costs, net	**-2,831**	**39,786**

31 CORPORATE INCOME TAX

A reconciliation of income tax expense computed using 22 % on net loss before taxes to the actual tax expense for the years ended 31 December is as follows:

	31 December 2014		31 December 2013	
Profit before tax according to SAS *		11,377		65,726
of which theoretical tax at	22 %	2,503	23 %	15,117
TAX EFFECT OF				
Tax unrecognized costs		8,697		23,451
Non-taxable income		-6,102		-39,350
Deferred tax		-27,553		-20,877
Tax expense		**3**		**0**

	31 December 2014	31 December 2013
Temporary differences arising between the tax bases of assets and their carrying amounts, of which:	**250,628**	**254,679**
Deductible	**-110,383**	**-116,357**
- allowances for property, plant and equipment	-31,701	-32,630
- allowances for receivables	-70,460	-75,701
- allowances for inventories	-8,222	-8,026
Taxable	**361,011**	**371,036**
- property, Plant and Equipment	352,245	362,215
- income recognized after payment	8,766	8,821
Temporary differences arising between the tax bases of liabilities and their carrying amounts, of which:	**-84 964**	**-81 133**
Deductible	**-84,964**	**-81,133**
- provisions recorded as expenses	-82,925	-79,280
- provisions recorded in equity	-2,032	-1,832
- cost recognized after payment	-7	-21
Taxable	**0**	**0**
Possibility to carry forward tax losses in future	40,424	78,652

Tax rate	22 %	23 %
Deferred tax (+assets / -liabilities):		
- deferred tax at valid tax rate, net	-36,893	-40,337
- deferred tax recorded in equity	447	421
- deferred tax from possibility to carry forward tax losses in future	8,893	18,090
Change in income tax rate to	-	22 %
Adjustment of deferred tax arising from change in tax rate (+ assets / - liability):		
- adjustment of deferred tax, net	0	1,754
- adjustment of deferred tax recorded in equity	0	-18
- adjustment of deferred tax from possibility to carry forward tax losses in future	0	-787
Total deferred tax (+ assets / -liabilities)	**-27,553**	**-20,877**
Change in deferred tax liability	-6,676	-20,182
recorded in income statement	-6,720	-20,585
recorded in equity	44	403

In the period of taxation 2014 the Company disclosed, after amortization of losses from previous periods, tax base in the amount of EUR 0 (as at 31 December 2013: tax loss of EUR 3,401 thousand). Due to the tax base the Company is obliged to pay the licence tax in the amount of EUR 2,880 under the Act No. 595/2003 Coll. on Income Tax as amended.

Withholding tax on interest from bank funds in the amount of EUR 90 thousand was deducted in tax year 2014 (as at 31 December 2013: EUR 203 thousand). From 1 January 2011, 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 asset in equity in the amount of EUR 44 thousand (as at 31 December 2013: EUR 403 thousand) and deferred tax liability in the income statement in the amount of EUR 6,720 thousand (as at 31 December 2013: EUR 20,585 thousand).

*SAS = Slovak accounting standard

32 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for environmental improvements, modernization, replacement and expansion, whereby the majority of these objectives is associated with the reduction of regional differences within the EU. The Company's capital expenditure budget for each of the years 2015 – 2017 is set out in the table below:

Year	Track and infrastructure	IT and telecom	Total
2015	472,938	5,105	478,043
2016	393,815	5,000	398,815
2017	408,676	5,000	413,676
Total	1,275,429	15,105	1,290,534

33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

34 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2014 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 14.07 % (as at 31 December 2013: 13.40 %) and 7.47 % (as at 31 December 2013: 12.69 %) of the total revenues for rendered services (Note 25).

Summary of liabilities and receivables is as follows:

	ZSSK Cargo		ZSSK Slovensko	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities	190	70,127	76	83
Receivables	55,647	115,166	4,532	6,202
Allowances	50,565	50,872	8	51

In accordance with the Operating of the Railway Infrastructure Contract, the Company receives subsidy to cover fixed portion of economic allowed costs (Note 25) in the amount of 250,000 thousand in 2014 and will be evaluated within the half of 2015. Based on this Contract and under Government Resolution No. 390/2013 dated 10 July 2013, the compensation of financial impact for rail freight carriers was provided in the amount of EUR 22,478 thousand.

Furthermore, the Company also draws investment subsidies from State in accordance with Contract for the provision of funds from the budget od Ministry of Transport No. 124/B500/2014 dated 18 March 2014 and subsequent Appendix No. 1 dated 5 December 2014 and Appendix No. 2 dated 22 December 2014 in the total amount of EUR 52,021 thousand. This transfer was used to fund investment projects within the program „Railway transport“ and within the program „Development and modernization of rail assets - ŽSR“ (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 2014 is in the amount of EUR 3,330 thousand (as at 31 December 2013: EUR 3,186 thousand).

As at 31 December 2014 the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of EUR 3 thousand (as at 31 December 2013: EUR 3 thousand) for technical services and training, revenues for the year 2014 were in the amount of EUR 29 thousand (as at 31 December 2013: EUR 39 thousand). As at 31 December 2014 and as at 31 December 2013 the Company records no liabilities to this company (Note 9).

As at 31 December 2014 the Company records receivables from associated company Betamat, a.s., Zvolen in the amount of EUR 25 thousand (as at 31 December 2013: EUR 0) and liabilities in the amount of EUR 687 thousand (as at 31 December 2013: EUR 309 thousand) for repairs, maintenance and inspection, machine performance and rolling stock, revenues for the year 2014 were in the amount of EUR 21 thousand and for the year 2013 the Company records no revenues (Note 9).

In 2014 the Company paid out employee benefits in the amount of EUR 545 thousand (in 2013: EUR 499 thousand) to the key management of the Company, of this Administrative Board in the amount of EUR 27 thousand (as at 31 December 2013: EUR 27 thousand).

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 23, Note 24, Note 25).

35 EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2014 the Company reports liability to return subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of EUR 94,909 thousand, effective from 25 February 2015. Financing of this section "Zlatovce – Trenčianska Teplá" in the amount of granted subsidy is the subject of negotiation with Ministry of Transport, Construction and regional Development of the Slovak republic (Note 5, Note 24).

Dated 28 February 2015, Ing. Jaroslav Mikla completed his duties as a chairman and a member of Administrative Board of ŽSR. Effective from 1 March 2015, Ing. Štefan Hlinka was named for the chairman and member of Administrative Board of ŽSR by minister of transport, construction and regional development of the Slovak republic (Note 1).

36 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 36 were prepared and signed on behalf of the Company on 2 March 2015:

STATUTORY AUTHORITY OF THE ENTITY	PERSON RESPONSIBLE FOR BOOKKEEPING	PERSON RESPONSIBLE FOR PREPARATION OF THE FINANCIAL STATEMENTS
Ing. Dušan Šefčík General Director	Ing. Jana Krupcová Director of financing, bookkeeping and tax division	Milota Šnegoňová Department manager of statistics and reporting

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