ANNUAL REPORT 2013

Železničná spoločnosť Cargo Slovakia, a.s.

ZSSK CARGO

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APPENDIX TO THE AUDITOR'S REPORT

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Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

Appendix to the independent auditor's report
on the consistency of annual report with audited financial statements
in accordance with Act No. 540/2007 Z.z. § 23 par. 5

To the Shareholders of Železničná spoločnosť Cargo Slovakia, a.s.:

I. We have audited the financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ("the Company") as at 31 December 2013 presented in the annual report. We issued the following independent audit report dated 15 April 2014 on the financial statements:

Independent Auditors' Report

To the Shareholders of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying separate financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ('the Company'), which consist of the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of separate financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

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

i. *As set out in Note 2.1 to the financial statements, the Company reported total accumulated losses from previous years of EUR 283,244 thousand. The future of the Company depends on the implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.*

ii. *As set out in Note 22 to the financial statements, the Company recorded provisions of EUR 22,955 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.*

iii. *As set out in Note 26 to the financial statements, the Company has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.*

15 April 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Martin Ostrochovský
UDVA Licence No. 1056

We issued the following audit report dated 15 April 2014 on the consolidated financial statements:

Independent Auditors' Report

To the Shareholders of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying consolidated financial statements of Železničná spoločnosť Cargo Slovakia, a.s. and its joint venture ('the Group'), which consist of the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers those internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view, so as to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

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

i. *As set out in Note 2.1 to the consolidated financial statements, the Group reported total accumulated losses from previous years of EUR 280,402 thousand. The future of the Group depends on the implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.*

ii. *As set out in Note 22 to the consolidated financial statements, the Group recorded provisions of EUR 22,955 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate due to uncertainties involving the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Group's financial results in future accounting periods.*

iii. *As set out in Note 26 to the consolidated financial statements, the Group has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.*

15 April 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Martin Ostrochovský
UDVA Licence No. 1056

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II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Company is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. We have not audited information that has not been derived from audited financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Company as at 31 December 2013 and is in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

15 April 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Martin Ostrochovský
UDVA Licence No. 1056

FOREWORD FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Vladimír ĽUPTÁK
Chairman of the Board and CEO
Železničná spoločnosť Cargo Slovakia, a. s.

In 2013 the railway freight transport in Slovakia made a significant step which approximates business conditions in road and rail transports. Since July 2013 the Slovak Government has launched a process of consolidation of rail freight transport in Slovakia as well as a process of consolidation and development of ZSSK CARGO as the state carrier. The consolidation includes establishment of two subsidiaries - Cargo Wagon, a. s. and ZSSK Cargo Intermodal, a. s., into which renowned partners should enter through capital investments. Already in December 2013, our company evaluated preliminary proposals from candidates for purchase of shares in these two new subsidiaries. Cargo Wagon shall obtain 12,344 wagons from the parent company and will manage these wagons afterwards. Another subsidiary, ZSSK Cargo Intermodal will operate an intermodal transport. From the parent company it shall obtain 428 wagons. In both subsidiaries future partners will possess a majority share. Candidates will submit binding bids for shares in both subsidiaries after an in-depth analysis, visits to the sites and becoming familiar with the transaction documentation. After evaluation of offers a conclusion of the transaction is expected till the autumn 2014 including obtaining the necessary regulatory approvals and payment of the purchase price. By this transaction ZSSK CARGO will obtain the funds which will be used to pay a substantial part of the debt and to launch its further development.

Last year Železničná spoločnosť Cargo Slovakia, a.s., significantly improved the economy and reported a profit in amount of EUR 262,000. The achieved result was given by the increased traffic volume, better management of wagons and also by measures resulting from government material on consolidation of rail transport in Slovakia. Based on the agreement between the Slovak Republic and ŽSR there were accounted compensations on charging of railway infrastructure in 2010 for rail freight carriers.

After a decline in the volume of goods transported in 2011 and 2012 ZSSK CARGO managed to achieve that the traffic volumes have grown in the previous year. The result is all the more valuable that several railway companies in the region recorded a decline in transports. We consider as success also the fact that ZSSK CARGO has maintained its market position in a challenging competition of private carriers.

In 2013 our company transported 36.308 million tons of goods. We exceeded the plan of traffic volume for 2013 by more than 800,000 tons. We have not carried out more than 1 million tons of transports compared to the plan due to decreased requirements for transports by customers. The mentioned difference, about 2 million tons, is comprised of new transports. ZSSK CARGO was able to get these transports from the road as well as from other rail carriers or from transit transports which had previously bypassed Slovakia. Despite the growth in transports the transport distances dropped especially due to diverting traffic flows in metallurgy and acquisition of new transports over shorter distances.

Also the previous year has shown that transports regarded as stable in the past may be altered due to the market influence. Now ZSSK CARGO must strive also for transports which until recently could be considered as “certain”. Therefore we emphasize the close cooperation among the trade, operation and maintenance of rolling stock, since this brings better services to customers. In order to increase competitiveness we cooperate together with other subjects, for example we cooperate in the mutual use of the rolling stock - wagons as well as locomotives - if such cooperation is beneficial for all the parties involved. Increased emphasis is also placed on transport optimization including minimizing empty runs of wagons, since these measures lead to lower costs. Also thanks to these measures ZSSK CARGO could succeed in several major tenders for transports last year in Slovakia but also at international level.

In the future we aim to keep the current transports as well as to get new transports including transports from road infrastructure. For example, we see opportunities in transports for the construction industry related to the construction of highway network in Slovakia.

Our company also extends the fleet of motive power units capable of operation on foreign lines. We plan to modernize transshipment capacities in the Eastern Slovak Transshipment Yards and we want to increase the share of shipments paid directly by the end customers. Cargo intends to continue in providing high quality commercial and traffic services for important customers. The results in shipments for the wood processing industry show that this is the right way.

Of course, the market is alive and changing, but the company is able to react to these changes. We believe that the planned subsidiary of ZSSK CARGO for the freight wagons management can cover the fluctuations in requirements of the market in the future even better. And we also believe that the subsidiary for intermodal transport will utilize the potential of the most dynamically developing segment in transportation and the entry of a strong partner with the appropriate know-how will bring benefits for the subsidiary as well as for ZSSK CARGO.

LIST OF USED ABBREVIATIONS

AVV	General Contract of Use for Wagons (GCU)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a.s.
CIS	Commonwealth of Independent States
EDI	Electronic Data Interchange
ESTY	East Slovak Transshipment Yards
EU	European Union
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IT	Information Technologies
MÁV	Magyar Államvasutak Zrt. (Hungarian State Railways)
MPU	Motive Power Unit
MTCRD SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
PED	Mail Registry for Electronic Documents
PGV	Regulation on Use of Wagons in International Rail Transport of Goods
PIS	ŽSR Operating Information System
PLK	Polskie Linie Kolejowe (Polish Rail Line Manager)
RCA	Rail Cargo Austria
RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky
ŽS	Železničná spoločnosť, a.s.

MILESTONES OF THE YEAR 2013

- Approval of the document with a proposal of measures to consolidate the rail freight transport. The document was approved by the Slovak government and it should contribute to debt relief and consolidation of the ZSSK CARGO.
- Implementation of the project „New organizational structure of the ZSSK CARGO and implementation of measures according to the Resolution of the Government of the Slovak Republic No. 390/2013“. Preparation and implementation of an international tender for the selection of investors to subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s..
- Establishment of subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. with 100% ownership of ZSSK CARGO.
- Development of the concept of human resource development in selected professions by 2020.
- Development of the strategic document „Evaluation of the change in the traction system on the ŽSR network and its impact on ZSSK CARGO and on the natural renewal of electrical MPUs in ZSSK CARGO“.
- Year on year increase in volume of transport in ZSSK CARGO (+2.9%).
- Success in tenders for the transport announced by the ZSSK CARGO strategic customers.
- Rerouting of the part of transports of iron ore for a Slovak customer (instead of imports from Ukraine, imports of overseas ore via a Polish port - significant impact on both revenues as well as management of wagons).
- Successful cooperation in common transports on the Polish infrastructure and use of the ZSSK CARGO wagons for transports of ore, coal and coke from the ports and stations in Poland to U.S.Steel Košice Haniska pri Košiciach and to Romania.
- Getting a significant volume of transports from roads (especially timber and building materials) as well as international transits (especially iron ore and chemicals).
- Successful transits of shipments from Poland, the Czech Republic, and Germany towards the Balkans, ensuring transports of chocolate products from Switzerland to the countries of the former CIS and ensuring timber transports in the RCA wagons in cooperation with the dispatching apparatus of RCA on exports of wood to Austria.
- Introduction of electronic sending invoices through the PED storage.
- Testing of e-invoicing based on the EDI communication.
- Providing of electronic submission to a selected group of customers.
- Start of the project “Electronic communication with U.S.Steel Košice”.
- Continuation of the project “Addressing the effectiveness of single wagon consignments”.
- Preparing the transition to a new technology portal PIS ŽSR - ordering routes.
- Obtaining the Certificate of the entity in charge of maintenance (ECM) which confirms the recognition of the maintenance system of the entity in charge of maintenance within the European Union in accordance with the Directive 2004/49/EC and the EU Regulation No. 445/2011.
- Obtaining the Certificate of the functions of maintenance development, management of rolling stock maintenance, and the function of the maintenance provision.
- Monitoring and evaluation of the measures approved under the „ZSSK CARGO Mobile Vehicles Stock Development Concept for the period of 2013 – 2017“ and coordination of the Steering Committee to define the optimal needs of freight wagons and MPUs for the relevant period.
- Implementation of a pilot project concerning Multiple Unit train control and reconstruction of electrical equipment on the MPU of 363 series.
- Implementation of the digital GSM-R radio system on the selected MPUs of 131, 183, 240 and 363 series.
- Introduction of the RDS 2.125 control and diagnostic system on 2 MPUs of 125.8 series.
- Implementation of the approval technical adjustments to the PLK tracks on 10 MPUs of 131 series.
- Implementation of the approval technical adjustments to the MÁV tracks on 3 MPUs of 240 series.
- Reconstruction of a static charger and breakers on 3 MPUs of 240 series, renewal of main switches on 2 MPUs of 240 series.
- Refrigerating equipment on 5 couples of MPUs of 131 series.
- Purchase of frequency converters and gantry cranes cabins for ESTY.
- Processing of analyses aimed to assess further operation of the Locomotive Depot in Trenčianska Teplá and the Locomotive Depot in Plešivec.
- Processing of analyses aimed to assess reconstruction of heating in the Locomotive Depot in Zvolen and in the Locomotive Depot in Bratislava-Vychodné.
- Registration of the ZSSK CARGO for the collection and transportation of waste in terms of the Waste Act.

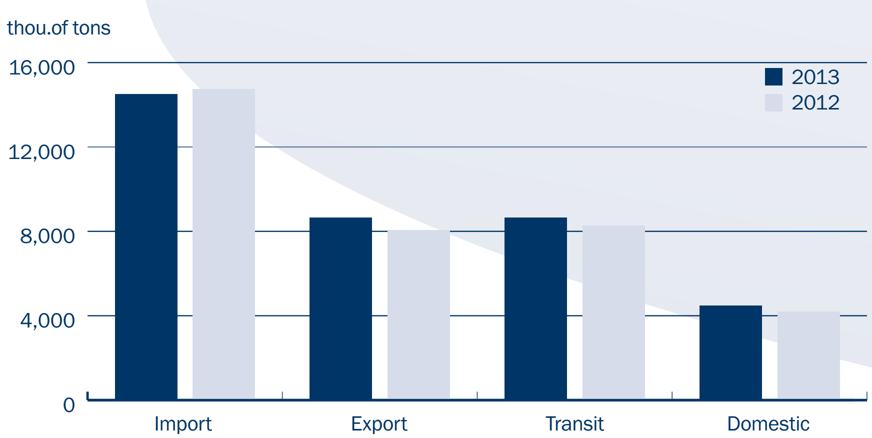
FREIGHT TRANSPORT

In 2013 our company has transported 36.308 million tons of goods which represent an increase of 1.024 million tons compared to 2012.
This positive result was achieved by obtaining nearly two million tons of new transports and increasing the volume of the existing transports. On the other hand it should be noted that compared to 2012 our company has lost transports in volume of around one million tons where about half of it passed to another rail carrier.
An encouraging finding is that the transports which avoided Slovakia in the past are coming back to our rail infrastructure. This is evidenced also by an increase in volume of transited tons by 4.6% compared to last year. A gratifying finding is an increase in the loading of goods which was transferred into an increase in exports by 7.5% and in domestic transports by 6.4%. In imports we registered a decrease in the volume of transports by 1.5%, but significant success represents the change in direction of traffic flows for our largest customer U.S. Steel Košice and achievement of longer transport distances in Slovakia.
Looking at the commodity structure of transports it is obvious that all commodities have increased year on year volumes except of metals (overall decrease in metals of 0.369 million tons with the largest share in imports) and coal (decrease in coal of 0.501 million tons in imports). The largest increase was recorded in commodities like iron ore (increase by 0.665 million tons) and timber (increase by 0.365 million tons, particularly in the collection for companies in the paper industry and in exports).

The comparison of the performances of freight transportations according to the segments:

In thousand of tons	2013	2012	2011	2010	2009	2013/12
Import	14,515	14,740	15,364	15,924	13,929	0.98
Export	8,661	8,057	8,768	9,325	8,428	1.07
Transit	8,659	8,281	8,785	8,947	7,547	1.05
Domestic	4,473	4,206	4,566	4,413	3,886	1.06
	36,308	**35,284**	**37,483**	**38,610**	**33,789**	**1.03**

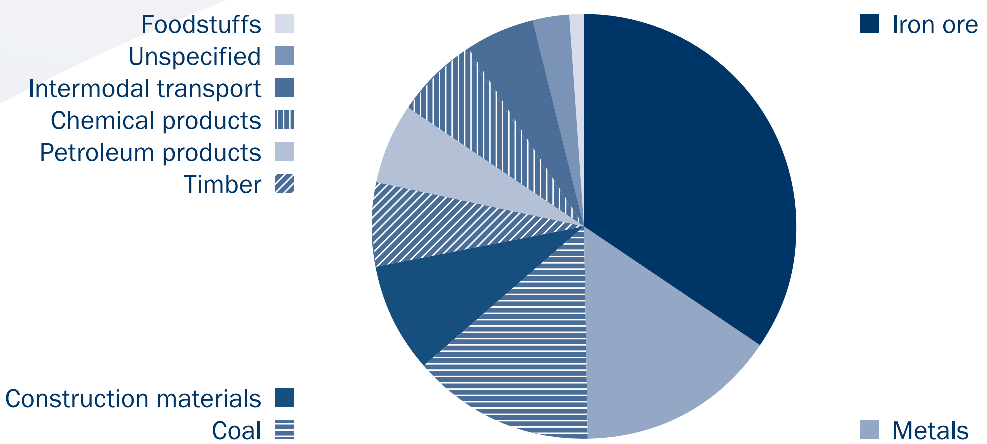
Development of freight transport in 2012 and 2013:



The comparison of the performance of freight transportations according to the commodities:

In thousand of tons	2013	2012	2011	2010	2009	2013/12
Iron ore	12,589	11,924	12,253	12,268	9,717	1.06
Metals	5,537	5,906	5,543	5,769	4,554	0.94
Coal	5,028	5,516	5,950	6,422	6,498	0.91
Construction material	3,015	2,936	3,223	3,118	2,827	1.03
Timber	2,333	1,968	2,308	2,448	1,929	1.19
Petroleum products	2,232	2,011	2,195	2,154	2,854	1.11
Chemical products	2,181	1,874	2,578	2,730	2,329	1.16
Intermodal transport	2,018	1,870	2,243	2,779	1,985	1.08
Unspecified	1,043	1,001	768	623	687	1.04
Foodstuffs	331	277	421	298	410	1.19
	36,308	**35,284**	**37,483**	**38,610**	**33,789**	**1.03**

Classification according to the commodities
Year 2013



Domestic freight transport

	2013	2012	2011	2010	2009	2013/12
Transported goods (in thous. of tons)	4,473	4,206	4,566	4,413	3,886	1.06
Operating performance (in mil. of net tkm)	787	690	712	762	700	1.14
Average forwarding distance (in km)	175.8	164.0	156.0	172.7	180.2	1.07

International Freight Transport

Import	2013	2012	2011	2010	2009	2013/12
Transported goods (in thous. of tons)	14,515	14,740	15,364	15,924	13,929	0.98
Operating performance (in mil. of net tkm)	2,243	2,374	2,613	2,686	2,159	0.94
Average forwarding distance (in km)	154.6	161.1	170.1	168.7	155.0	0.96
Export	**2013**	**2012**	**2011**	**2010**	**2009**	**2013/12**
Transported goods (in thous. of tons)	8,661	8,057	8,768	9,325	8,428	1.07
Operating performance (in mil. of net tkm)	1,108	1,110	1,202	1,404	1,171	1.00
Average forwarding distance (in km)	127.9	137.8	137.1	150.6	139.0	0.93
Transit	**2013**	**2012**	**2011**	**2010**	**2009**	**2013/12**
Transported goods (in thous. of tons)	8,659	8,281	8,785	8,947	7,547	1.05
Operating performance (in mil. of net tkm)	2,673	2,680	2,763	2,817	2,454	1.00
Average forwarding distance (in km)	308.7	323.6	314.5	314.9	325.2	0.95
International Transport in Total	**2013**	**2012**	**2011**	**2010**	**2009**	**2013/12**
Transported goods (in thous. of tons)	31,835	31,078	32,917	34,196	29,903	1.02
Operating performance (in mil. of net tkm)	6,024	6,164	6,578	6,907	5,785	0.98
Average forwarding distance (in km)	189.2	198.3	199.8	202.0	193.4	0.95

Note: Transport performance expressed in tariff net tonne-km.

Changes in the average transport distance in 2013 compared to the previous year were caused by the acquisition or re-routing of several major transports with significantly different transport distance compared to the average transport distance in 2012. For example, in domestic transports there were obtained long distance transports of building materials, in international transports there was achieved a redirection in raw material imports and in exports of metallurgical products for shorter transport distances and acquisition of new transports over short distances, etc.

Freight Traffic Performance

(mil. gross tkm)	2013	2012	2011	2010	2009	2013/12
Electric Traction	10,998	11,608	12,797	13,301	11,785	0.95
Diesel Traction	1,561	1,645	1,838	2,156	1,440	0.95
Total Traffic Performance	12,559	13,253	14,635	15,457	13,225	0.95

Freight Operation Performance

(mil. net tkm)	2013	2012	2011	2010	2009	2013/12
Electric Traction	6,052	6,258	6,761	7,037	6,094	0.97
Diesel Traction	728	759	837	984	657	0.96
Total Operating Performance	6,780	7,016	7,598	8,021	6,751	0.97

Note: Operating performance is calculated in real net tkm.

Ratio of Operating and Traffic Performance in Freight Transport

(%)	2013	2012	2011	2010	2009	2013/12
net tkm / gross tkm	53.99	52.94	51.91	51.90	51.04	1.02

Train-path Kilometres in Freight Transport

(in thous. of train-path kms)	2013	2012	2011	2010	2009	2013/12
Electric Traction	7,394	7,825	8,802	9,058	8,474	0.94
Diesel Traction	2,051	2,122	2,482	2,889	2,296	0.97
Freight Transport in Total	9,445	9,947	11,284	11,947	10,770	0.95

STRUCTURE OF MPU

Development of MPU number

	2013	2012	2011	2010	2009
Electric locomotives	309	309	323	324	330
Diesel locomotives	338	338	373	372	387
Diesel coaches	1	1	1	1	2
	648	**648**	**697**	**697**	**719**

Besides MPU in personal possession mentioned in the table ZSSK CARGO uses also 12 diesel locomotives acquired through financial leasing.

Age structure of MPU

Years	Up to 15	Up to 30	Over 30	Total
Electric locomotives	7	34	268	309
Diesel locomotives	49	56	233	338
Diesel coaches	-	-	1	1
	56	**90**	**502**	**648**

STRUCTURE OF FREIGHT WAGONS FLEET

Development of number of wagons

	2013	2012	2011	2010	2009
Covered wagons	1,964	1,952	2,141	2,190	2,327
Open wagons	6,694	6,808	6,860	7,125	7,215
Flat wagons	3,311	3,076	2,973	2,891	2,952
Other freight wagons	1,473	1,473	1,474	1,482	1,522
	13,442	**13,309**	**13,448**	**13,688**	**14,016**

Besides above-mentioned wagons in personal possession, ZSSK CARGO rented 1,104 wagons through the financial leasing as at 31. December 2013. Financial leasing was used also in the previous years.

Number of wagons according to the international specifications and their age structure

Years	Up to 15	Up to 30	Over 30	Total
E - ordinary open high-sided wagon	581	3,451	1,688	5,720
F - special open wagon	-	-	974	974
G - ordinary covered wagon	-	235	74	309
H - special covered wagon	713	107	479	1,299
K - ordinary flat wagon	14	18	213	245
L - special flat wagon	242	-	3	245
R - ordinary flat bogie wagon	532	241	936	1,709
S - special flat bogie wagon	325	353	434	1,112
T - wagon with opening roof	-	261	95	356
U - special wagon	-	123	91	214
Z - tank wagon	-	545	714	1,259
	2,407	**5,334**	**5,701**	**13,442**

CAPITAL INVESTMENTS OF ZSSK CARGO

(accounting balance as at 31.12.2013 in EUR)

Company	Number of equities (pcs)	Type	Share(%)	Value of Capital Investments
Intercontainer - Interfrigo s. c. Brussels, Belgium	385	paper	0.03	7,610.33
Bureau Central de Clearing s. c. r. l. Brussels, Belgium	4	paper	2.96	2,974.72
BULK TRANSSHIPMENT SLOVAKIA, a.s.	41,964	paper	40	1,530,903.54
Cargo Wagon, a.s.	25	paper	100	27,500.00
ZSSK CARGO Intermodal, a.s.	25	paper	100	27,500.00
				1,596,488.59

INTEGRATED MANAGEMENT SYSTEM

In 2013 requirements of the OHSAS 18001 standard were applied in all workplaces of our company in order to ensure satisfaction of our customers in terms of quality and to minimize the risk of harm to the health of our employees as well as the risk of damages and losses caused by occupational diseases. Another objective was to introduce consistency and planning in the field of occupational health and safety (OH&S).

Through the successful certification, recertification and supervisory audits, the independent certification company TÜV SÜD Slovakia confirmed that our integrated management system is still being improved, well maintained and kept functional.

We hold these certificates:

- According to the ISO 9001 standards for the following products:
  - Railway freight transport (logistic trains)
  - Maintenance and repairs of rolling stock
  - Procurement and Purchase Processes. Methods and Analysis Processes. Storage Processes and Services. Fleet of vehicles Processes and Services.
  - East Slovak Transshipment Yards
  - Ensuring Professional qualification and education of employees
- According to the OHSAS 18001 standards:
  - Managerial system of work safety and health protection at work.

HUMAN RESOURCES

As at 31.12.2012, the company employed 6,822 people. Via mobility and optimization the number of registered employees was 6,331 as at 31.12.2013. As compared with the year 2012, an employment decrease by 491 people (7.2%) is indicated.

Age structure

Age structure	2013	2012	2011	2010	2009	2013-12
18 - 29	245	303	378	516	532	(58)
30 - 39	992	1,148	1,509	1,852	2,044	(156)
40 - 49	2,144	2,351	2,814	3,191	3,356	(207)
50 - 62	2,939	3,008	3,341	3,955	3,887	(69)
over 62	11	12	12	32	7	(1)
	6,331	**6,822**	**8,054**	**9,546**	**9,826**	**(491)**

- The largest decrease in the number of employees (207 employees – 42.16%) was found in the age category 40 - 49 years of the total number of employees decrease (491 employees).
- The largest number of employees (2,939 – 46.42%) was found in the age category 50 - 62 years.

As at 31.12.2013, the average age of employees was 47.84.

Employees by education

Education	2013	2012	2011	2010	2009	2013-12
Elementary	126	148	171	235	265	(22)
Apprentice school	2,212	2,426	3,000	3,603	3,814	(214)
Completed tech. vocational	3,329	3,566	4,169	4,919	5,046	(237)
University	664	682	714	789	701	(18)
	6,331	**6,822**	**8,054**	**9,546**	**9,826**	**(491)**

- The largest decrease in the number of employees was found in the category completed tech. vocational (237 employees – 48.27%) of the total number of employees decrease (491).
- Despite the stated decrease, the ZSSK CARGO continues to employ 3,329 employees (52.58%) in this category.

The average wage for the year 2013 was 818.02 EUR which represents an 2.64% increase as compared with the year 2012.

In 2013 the Company successfully completed certification audit for managerial system of work safety and health protection at work according to the OHSAS 18001 standard and acquired a certificate confirming that work safety and health protection at all work places of ZSSK CARGO is operated in accordance with mentioned standards.

RISKS

In 2013 further changes were brought to the transport market. ZSSK CARGO was making its business in an environment that is constantly subject to significant changes and, therefore, it was forced to respond to these changes. Each change brought various inherent risks which to a greater or lesser extent influenced achievement of the main company objectives.

- The global financial and economic crisis has left impacts that persist to these days. Despite the gradual recovery of both the Slovak as well as EU economies, including the recovery of the steel industry, ZSSK CARGO failed to increase the volume of transports to the pre-crisis level. At the same time there were changes in transporting requirements from major customers. This had an impact on the performance and economic indicators of the company.
- In 2013 there was an increase in performance of competing rail operators, particularly in the transport of block trains and in intermodal transport. At the same time also foreign national carriers are providing transports on the Slovak rail transport market. Above factors created increased pressures on pricing policies of individual carriers including ZSSK CARGO. This led to a decline in revenues from transports. ZSSK CARGO eliminated the soaring performance of competing rail operators between the years 2008 - 2012, but was unable to stop the decreasing trend in the share on the Slovak rail transport market.
- In relation to the application of the Principles of State Transport Policy of the Slovak Republic in the field of harmonization of the business conditions for all transport means and due to support of ecological transports, some transports began to move from road to rail. Reduction of charges for the use of railway infrastructure, as well as introduction of toll in the road transport began to manifest their effects. But there is still a high burden of single consignments and the company reviewed the network of tariff points within the ŽSR infrastructure.
- ZSSK CARGO as a subject of public procurement has reached a partial cost savings on procurement of goods, works and services. Application of the principles of public procurement had an impact on extending the procurement period, decreasing flexibility and competitiveness of the company in its core business.
- Again, investment projects in 2013 were affected by a lack of available funds. There have been implemented mostly the projects contracted in the previous years or projects focused on serviceability of the ZSSK CARGO workplaces and equipment. The amount of investments for renewal, which was the lowest since the company establishment in 2005, again did not even cover the normal level of asset replacement and therefore did not ensure the development of the company to the necessary extent.
- In the field of revision repairs of freight wagons in 2013 ZSSK CARGO failed to eliminate slippage that arose in previous years and, therefore, the company was forced to hire a certain amount of freight wagons necessary to cover the business and operational needs of the company.
- In 2013 ZSSK CARGO had excessive fleet of freight wagons and MPUs which the company was able to place on the market only partially.
- In 2013 the rail traffic was affected by continued extensive closures by ŽSR. This had a negative impact on the efficiency of rail transport, on transports of goods and on the increasing need for wagons, MPUs and operational staff.

EXPECTED FUTURE DEVELOPMENT

Based on the approved Resolution of the Government of the Slovak Republic No. 390/2013 dated of 10 July 2013 an implementation process of several measures was initiated in order to enable an economic consolidation and further development of ZSSK CARGO. In 2014 there are expected sales of shares in two subsidiaries to qualified partners and establishing their further cooperation so as to improve the economy and reduce the total debt of the company. At the same time the company will continue in streamlining and optimizing its internal processes. Next year the company expects stabilization in transports and sales compared to the last year. This may be adversely affected by external factors, particularly by advantages of road transport, very slow recovery of the economy and tight competition.

PARTICULAR INFORMATION ON THE YEAR 2013

Due to the preparation for an entry of a strategic investor into ZSSK CARGO, the business and operational activities as well as investment and development activities were dampened in the previous period and at the same time the process of dealing with the high debt burden of the company was delayed. This process was re-launched in 2013 by the Resolution of the Government of the Slovak Republic. Implementation of measures for economic consolidation of the company is expected mainly in 2014.

The company spends financial resources to eliminate possible negative environmental impacts of repair works.

In 2013 the company did not spend any financial resources on research and development.

The company does not have any branches abroad.

In 2013 the company established two subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. where on 31 December 2013 the company owned 100% of the share capital.

Since the end of the accounting period on 31 December 2013 there were no events that have a significant effect on the fair presentation of facts reported in the attached financial statements.

The achieved accounting profit for 2013 in amount of EUR 262 thousand will be proposed to cover losses of previous years after the mandatory allocation to the statutory reserve fund.

SELECTED ECONOMIC INDICATORS

According to the data from the separate financial statement

In thousand of EUR	2013	2012
Total assets	657,859	678,110
Long-term tangible property	517,166	605,716
Assets held for sale	-	3,629
Equity	119,630	119,368
Loans (short-term + long-term)	275,244	255,961
Revenues	369,132	315,169
Costs	(357,415)	(326,014)
Profit/ (loss) out of financial operations	(11,373)	(13,057)
Income tax	(82)	(45)
Economic result	**262**	**(23,947)**

Independent Auditor’s Report and separate Financial Statements prepared in accordance with International financial reporting standards as adopted by the European Union

Year ended 31 December 2013

ZSSK CARGO

INDEPENDENT AUDITOR'S REPORT

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Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

Independent Auditors' Report

To the Shareholders of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying separate financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ('the Company'), which consist of the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of separate financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

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Emphasis of Matter

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

i. As set out in Note 2.1 to the financial statements, the Company reported total accumulated losses from previous years of EUR 283,244 thousand. The future of the Company depends on the implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

ii. As set out in Note 22 to the financial statements, the Company recorded provisions of EUR 22,955 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

iii. As set out in Note 26 to the financial statements, the Company has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.

15 April 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Martin Ostrochovský
UDVA Licence No. 1056

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
Revenues			
Transportation and related revenues	3	283,241	292,057
Other revenues	4	85,891	23,112
		369,132	**315,169**
Costs and expenses			
Consumables and services	5	(163,896)	(171,353)
Staff costs	6	(87,977)	(94,853)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	(103,676)	(68,748)
Other operating revenues (expenses), net	7	(1,866)	8,940
		(357,415)	**(326,014)**
Finance costs			
Interest expense	8	(11,235)	(13,557)
Other finance revenues (costs), net	9	(138)	(216)
Interest income		-	716
		(11,373)	**(13,057)**
Income tax	11	(82)	(45)
Profit (Loss) for the period		**262**	**(23,947)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**262**	**(23,947)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	13	517,166	605,716
Intangible assets	12	12,514	14,867
Investment in joint venture	14	1,541	1,541
Investment in subsidiaries	14	55	-
Other non-current assets	10	-	218
		531,276	**622,342**
Current assets			
Inventories	15	8,559	8,634
Trade and other receivables	16	117,953	43,444
Cash and cash equivalents	17	71	61
		126,583	**52,139**
Assets held for sale	25	-	3,629
		126,583	**55,768**
TOTAL ASSETS		**657,859**	**678,110**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Other funds	18	1,228	1,228
Accumulated losses	18	(283,244)	(283,506)
Total equity		**119,630**	**119,368**
Non-current liabilities			
Subordinated debt	19	117,220	136,720
Interest-bearing loans and borrowings	20	15,153	-
Employee benefits	21	14,062	14,243
Provisions	22	22,148	31,935
Trade and other payables	23	-	104,466
Finance lease liabilities	24	39,004	70,522
Other non-current liabilities	23	155	162
		207,742	**358,048**
Current liabilities			
Subordinated debt	19	19,500	19,500
Interest-bearing loans and borrowings	20	123,371	99,741
Employee benefits	21	682	676
Provisions	22	11,019	4,782
Trade and other payables	23	161,297	59,662
Finance lease liabilities	24	14,618	16,333
		330,487	**200,694**
Liabilities directly associated with assets held for sale	25	-	-
Total liabilities		**538,229**	**558,742**
TOTAL EQUITY AND LIABILITIES		**657,859**	**678,110**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2012	**401,646**	**-**	**1,228**	**(259,559)**	**143,315**
Loss for the period	-	-	-	(23,947)	**(23,947)**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	(23,947)	**(23,947)**
At 31 December 2012	**401,646**	**-**	**1,228**	**(283,506)**	**119,368**
Profit for the period	-	-	-	262	**262**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	262	**262**
At 31 December 2013	**401,646**	**-**	**1,228**	**(283,244)**	**119,630**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
Cash flows from operating activities			
Profit / (Loss) before tax		344	(23,902)
Adjustments for:			
Non-cash items			
■ Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	103,676	68,748
■ Loss (gain) on sale of property, plant and equipment	7	(2,047)	(4,386)
■ Allowance of receivables and inventories	15, 16	326	(1,680)
■ Interest expense	8	11,235	13,557
■ Interest income		-	(716)
■ Movements in provisions and employee benefits		(4,292)	(7,724)
■ Other non-cash items	4	(69,944)	-
		39,298	**43,897**
Working capital adjustments			
■ Decrease in inventories		271	5,749
■ Decrease (increase) in trade and other receivables		(4,867)	14,636
■ Increase (decrease) in trade and other payables		(2,442)	(52,348)
Cash flows from operating activities		**32,260**	**11,934**
Income tax paid	11	(82)	(45)
Net cash flows from operating activities		**32,178**	**11,889**
Investing activities			
Purchase of property, plant and equipment	12, 13	(25,124)	(31,090)
Share capital contribution in subsidiaries	14	(55)	-
Proceeds from sale of property, plant and equipment		17,969	60,055
Net cash flows from (used in) investing activities		**(7,210)**	**28,965**
Financing activities			
Proceeds from loans and borrowings	20	45,350	4,700
Repayment of loans and borrowings	20	-	(42,454)
Repayment of subordinated debt		(19,500)	(9,750)
Interest paid		(11,006)	(21,416)
Interest received		-	716
Payments of finance lease liabilities		(33,234)	(3,166)
Net cash flows used in financing activities		**(18,390)**	**(71,370)**
Net (decrease) increase in cash and cash equivalents		**6,578**	**(30,516)**
Cash and cash equivalents at 1 January	17	**(94,980)**	**(64,464)**
Cash and cash equivalents at 31 December	17	**(88,402)**	**(94,980)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

Železničná spoločnosť Cargo Slovakia, a.s. ("ZSSK CARGO" or "the Company"), a joint stock company registered in the Slovak Republic, was founded on 1 January 2005 as one of two successor companies to Železničná spoločnosť, a.s. ("ŽS"). ZSSK CARGO was incorporated with the Commercial Register of the District Court Bratislava I, Section Sa, Insert No. 3496/B at the date of its establishment, IČO 35 914 921, DIČ 20 219 200 65.

The Slovak Republic is the sole shareholder of the Company through the Ministry of Transport, Construction and Regional Development of the Slovak Republic ("MTCRD") with its registered office on Námestie slobody 6, 811 06 Bratislava. The Company does not belong to any group for consolidation purposes. The Company is not an unlimited liability partner in any other company.

The Company's predecessor, ŽS, was founded on 1 January 2002 through the demerger of Železnice Slovenskej Republiky ("ŽSR") and assumed responsibility for the provision of freight and passenger rail transport and traffic services within Slovakia, while ŽSR retained responsibility for the operation of the traffic routes. ŽS was dissolved without liquidation effective 31 December 2004 and replaced, following a second demerger, by two newly established successor companies: Železničná spoločnosť Slovensko, a.s. ("ZSSK") for passenger transportation and traffic services and ZSSK CARGO for freight transportation and traffic services.

Principal activities

ZSSK CARGO's main business is the provision of freight transportation and related services. Additionally, the Company rents properties and provides repair and maintenance, cleaning and other support services to ZSSK and other external customers. The Company is organized and managed as a single business unit and is viewed as a single operating unit by the Board of Directors for the purposes of resource allocation and assessing performance.

The registered office of ZSSK CARGO

Drieňová 24
820 09 Bratislava
Slovak Republic

These separate financial statements are filed at the Company's registered address and at the Commercial Register of the District Court Bratislava I, Záhradnícka 10, 812 44 Bratislava.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 15 April 2014. The General Meeting held on 18 June 2013 approved the Company's financial statements for the previous accounting period.

The financial statements have been prepared on the historical cost basis. These financial statements constitute the statutory accounts of ZSSK CARGO, prepared in accordance with Article 17a (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2013 to 31 December 2013.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future. The Company reported a profit of EUR 262 thousand for the year and total accumulated loss of EUR 283,244 thousand. In 2013, Company failed to meet financial covenants for one particular loan contract (note 20).

The Government of the Slovak republic approved the resolution No. 390/2013 on 10 July 2013 which sets measures to consolidate rail freight transport and its implementation should allow an economic consolidation and further development of the Company. The measures compensate a late introduction of a new regulatory framework for rail freight companies in the form of reduced fees for the use of railway infrastructure in the years 2014-2016 and also allow the Company to establish three subsidiaries in the sector of management of wagons, intermodal transport and repair and maintenance of machines and wagons and subsequently allow qualified and reputable partners to enter into those subsidiaries. The Company established two subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. in 2013. Potential investors are currently performing due dilligence. The Company expects a submission of bids for the entry into two subsidiaries in early May 2014. The aim of establishing subsidiaries is a significant debt reduction and gradual achievement of balanced budget in medium-term while continuing with other internal measures to increase the productivity and efficiency of internal processes.

The financial statements and accompanying notes are presented in thousands of Euro.

The Company's financial year is the same as the calendar year.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

At this time, due to the endorsement process of the European Union and the nature of the Company's activities, there is no difference between the IFRS policies applied by the Company and those adopted by the European Union.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as at 1 January 2013, all adopted by the European Union (hereinafter as the "EU"):

- IAS 1 Amendments to IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- IAS 19 Revised IAS 19 Employee benefits (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
- IFRS 7 Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- IFRS 1 Amendments to IFRS 1 Government Loans (effective for annual periods beginning on or after 1 January 2013);

The Company has not early adopted any standards and interpretations where adoption is not mandatory at the balance sheet date.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

Amendments to IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of these amendments did not have a significant impact on the financial position or the performance of the Company.

Amendments to IAS 19 Employee Benefits

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Past service costs are recognised when the plan amendment or curtailment occurs. Prior to the amendment, past service costs were recognised as an expense on a straight-line basis over the average period until the benefits become vested.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The adoption of this standard did not have a significant impact on the financial position or the performance of the Company.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment to IFRS 7 requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The adoption of these amendments did not have a significant impact on the financial position or the performance of the Company.

Amendments to IFRS 1 Government Loans

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IAS 39 and IAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The adoption of these amendments did not have an impact on the financial position or the performance of the Company.

Annual Improvements to IFRSs Cycle 2009 - 2011

The following standards were amended:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

These improvements are effective for annual periods beginning on or after 1 January 2013. The adoption of these improvements did not have a significant impact on the financial position or the performance of the Company.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, management has made certain judgments that have a significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however the most significant judgments relate to the following:

Environmental matters

Existing regulations, especially environmental legislation, do not specify the extent of remediation work required or the technology to be applied in resolving environmental damage. Management uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

Lease arrangements

The Company has entered into a number of lease arrangements by which it gains the right to use specific assets, primarily railway wagons, for extended periods of time. The Company has determined that under these arrangements it takes on substantially all the risks and rewards of ownership and so accounts for these arrangements as finance leases.

The Company has entered into other lease arrangements by which it gains the right to use railway wagons that are owned by other transport networks for short-term periods. The Company has determined that under these arrangements it does not take on the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

Similarly, the Company has entered into lease arrangements by which it leases railway wagons to other transport networks and third parties. The Company has determined that under these arrangements it retains the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

Sources of estimate uncertainty

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. Although these estimates are based on management’s best knowledge of current events, actual results may differ from these estimates. These issues are detailed in the respective notes, however, the most significant estimates comprise the following:

Legal claims

The Company is party to a number of legal proceedings arising in the ordinary course of business. Management uses the work of specialists and its previous experience of similar actions in making an assessment of the most likely outcome of these actions and of the need for legal provisions.

Quantification and timing of environmental liabilities

Management makes estimations as to the future cash outflows associated with environmental liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash outflows reflects management’s current assessment of priorities, technical capabilities and the urgency of such obligations. The estimates made and the assumptions upon which these estimates are made are reviewed at each balance sheet date.

Impairment of property, plant and equipment

The Company determines at each reporting date whether there is an indication that items of property, plant and equipment are impaired. Where such indications exist, the Company makes an estimate as to the recoverable amount of the assets concerned or of the cash-generating unit to which the assets are allocated. In determining value in use the Company is required to make an estimate of expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows, while net selling price is determined by reference to market developments in Slovakia and other central European countries.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Depreciable lives and residual values of property, plant and equipment

Management assigns depreciable lives and residual values to items of property, plant and equipment by reference to the organisation's latest strategic objectives. Management determines at each reporting date whether the assumptions applied in making such assignations continue to be appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These separate financial statements are presented in euro, which is the Company's functional currency.

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Property, plant and equipment

Property, plant and equipment is measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. When

parts of an item of property, plant and equipment need to be regularly replaced, they are accounted for as separate items (major components) of property, plant and equipment with a specific useful life and depreciation. Also, general overhaul repairs are measured at cost, if measurement criteria are met.

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognised.

When items of property, plant and equipment meets the criteria to be classified as held for sale, they are measured at the lower of their carrying amount and fair value less costs to sell. The Company measures an item of property, plant and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year end.

Intangible assets

Intangible assets are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis over the useful life of the assets (3-8 years).

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit and loss in the year the asset is derecognised. The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income within depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and is accounted for using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture and subsidiaries

Securities and interests in joint ventures and subsidiaries that are not classified as held for sale are measured at book value (cost less any accumulated impairment losses).

The cost of securities and interests in joint ventures is the price that was paid for the shares.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are designated on initial recognition. Financial assets are recognized initially at fair value plus, in case of financial assets not classified at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets comprise cash at bank, petty cash and cash equivalents, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of comprehensive income.

The Company has not designated any financial assets at fair value through profit or loss in the current year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest rate method (EIR) less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income for the period when the investments are derecognized or impaired, as well as through the amortization process.

As at 31 December 2013 and 2012, no financial assets have been designated as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories of financial assets. Subsequent to initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent to initial recognition available-for-sale financial assets are measured on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Company may choose to reclassify these financial assets to loans and receivables or held-to-maturity investments when this is in accordance with the applicable IFRS.

As at 31 December 2013 and 2012, no financial assets have been designated as available-for-sale financial assets.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any impairment loss and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective rate.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value less directly attributable transaction costs in case of loans and borrowings.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. This category includes derivative financial instruments entered into by the Company that do not meet criteria of hedge accounting as defined by IAS 39. Gains or losses arising on liabilities held for trading are recognised in profit or loss.

The Company has not designated any financial liabilities at fair value through profit or loss.

Loans and borrowings & subordinated debt

Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are recognized and measured at amortized cost, being the original invoice amount. The Company accrues for those expenses that have not been invoiced at the balance sheet date. Penalty interest charged on overdue payables is accounted for in trade payables.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Classification and derecognition of financial instruments

Financial assets and financial liabilities presented in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and loans and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments such as forwards, options and swaps to hedge its risks related to foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income as finance income or costs.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting recognizes the offsetting effects of changes in the fair values of the hedging instrument and the hedged item in profit/loss for the period. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedge,
- Cash flow hedge

At the inception of the hedge the Company formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method by which the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedge is expected to be highly effective in achieving offsetting of changes in fair value or cash flows attributable to the hedged risk and is assessed on an ongoing basis to determine that it has been highly effective throughout the financial reporting periods for which it was designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Fair value hedge is a hedge of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit/loss for the period.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) is recognized in profit/loss for the period. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit/loss for the period. The same method is used when the hedged item is an available-for-sale financial asset.

The adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit/loss for the period over the remaining term to maturity of the financial instrument. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognized in profit/loss for the period.

The Company discontinues fair value hedge accounting if the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Company's exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit/loss for the period.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit/loss for the period.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from other comprehensive income to profit/loss in the same period or periods during which the asset acquired or liability assumed affects profit/loss for the period. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognized in other comprehensive income are transferred to the initial cost or other carrying amount of the non-financial asset or liability.

As at 31 December 2013 and 2012, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Company makes contributions to the State health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Company has no obligation to contribute to these schemes beyond the statutory rates in force.

Also, the Company operates unfunded long-term defined benefit programmes comprising lump-sum post-employment, jubilee and disability benefits. The cost of providing these employee benefits is assessed separately for each programme using the projected unit credit method, by which the costs incurred in providing such benefits are charged to the statement of comprehensive income so as to spread the cost over the service lives of the Company's employees. The benefit obligation is measured as the present value of the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income when incurred. Amendments to these long-term defined benefit programmes are charged or credited to the statement of comprehensive income over the average remaining service lives of the related employees.

Termination payments

The employees of the Company are eligible, immediately upon termination due to organizational changes, for redundancy payments pursuant to the Slovak law and the terms of the Collective Agreement between the Company and its employees. The amount of such a liability is recorded as a provision in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provisions

A provision is recognized if the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as interest expense.

Environmental matters

Liabilities for environmental costs are recognized when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required.

Legal claims

Liabilities arising from litigation and disputes, which are calculated by using available information and assumptions, are recognized when an outflow of resources embodying economic benefits is probable and when such outflows can be reliably measured.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

As Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Revenue from transport and related services and from repair and maintenance and other such services is recognized in the period in which the services are provided, net of discounts and deductions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of a given asset. Other related expenses are recognized as an expense in the period in which they are incurred.

Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised directly in equity and not in income.

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2013	31 December 2012
Inland transport:		
■ Transport of goods	33,541	32,001
■ Wagon deposition	7,646	7,379
■ Haulage fees	1,117	1,127
	42,304	**40,507**
International transport:		
■ Import	99,838	104,216
■ Export	107,218	113,045
■ Transit	15,313	16,372
	222,369	**233,633**
Other transport related revenues:		
■ Usage of wagons under RIV, PGV and AVV regimes	8,713	6,163
■ Wagon rentals	3,306	5,052
■ Cross-border services	3,573	3,737
■ Other	2,976	2,965
	18,568	**17,917**
	283,241	**292,057**

4. OTHER REVENUES

In thousands of EUR	31 December 2013	31 December 2012
Repairs and maintenance	6,499	8,573
Operational performance	3,641	5,911
Property rentals	3,699	4,001
Other	72,052	4,627
	85,891	**23,112**

Other revenues included revenues charged to ZSSK of EUR 8,561 thousand (2012: EUR 12,583 thousand) for repair and maintenance, operational performance, property rental and other support services.

The line "Other" includes a compensation from ŽSR in amount of EUR 69,947 thousand. On 10 July 2013, the Government of the Slovak Republic (No.390/2013) approved the compensation system for freight rail companies due to late introduction of new regulations of charges for the access to railway infrastructure since 1 January 2011. In December 2013, a contract between ŽSR and MTCRD SR on the compensation of financial impacts on rail freight companies for the year 2010 was put in force. Based on the decision of the Government of the Slovak Republic and the contractual arrangements between ŽSR and MTCRD SR, the Company submitted an application for the compensation on 31 December 2013, which was approved by ŽSR on 20 January 2014 and subsequently granted.

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2013	31 December 2012
Network fees	(46,105)	(44,229)
Traction electricity	(34,541)	(33,338)
Traction crude oil	(16,387)	(18,415)
Wagon rentals	(13,021)	(13,617)
Materials	(10,845)	(14,596)
IT services and telecommunication charges	(7,810)	(9,284)
Other energy costs	(6,052)	(5,535)
Third party transhipment services	(5,545)	(5,368)
Foreign segments	(4,261)	(8,589)
Cross-border services	(4,047)	(4,161)
Rentals	(3,737)	(3,575)
Repair and maintenance	(3,308)	(3,368)
Security services	(2,172)	(1,600)
Travelling and entertainment	(1,266)	(1,289)
Advisory and consultancy fees	(1,254)	(558)
Cleaning of cars, property, waste disposal	(632)	(684)
Medical care	(424)	(484)
Training	(161)	(194)
Other	(2,328)	(2,469)
	(163,896)	**(171,353)**

Consumables and services include amounts charged by ŽSR of EUR 88,300 thousand (2012: EUR 89,950 thousand), primarily relating to the usage of ŽSR's network (the Company has a one year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and also to the purchase of traction energy (refer to Note 26).

6. STAFF COSTS

In thousands of EUR	31 December 2013	31 December 2012
Wages and salaries	(62,034)	(65,093)
Social security costs	(26,854)	(26,967)
Employee benefits (Note 21; 25)	21	1,154
Termination payments (Note 22)	890	(3,947)
	(87,977)	**(94,853)**

Employee numbers at 31 December 2013 were 6,331 (2012: 6,822), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2013 were 6,515 (2012: 7,015).
The average salary in 2013 amounted to EUR 818 (2012: EUR 796).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2013	31 December 2012
Reversal of provision for environmental matters, net (Note 22; 25)	715	9,849
Profit on sale of property, plant, equipment and inventories (Note 25; 26)	2,934	5,730
Provision for legal cases and onerous contracts (Note 22)	(520)	(2,575)
Allowance for doubtful debts	(563)	(666)
Insurance of assets	(1,972)	(2,553)
Other	(2,460)	(845)
	(1,866)	**8,940**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2013	31 December 2012
Interest on loans and borrowings	(3,349)	(2,661)
Interest on subordinated debt	(5,244)	(7,158)
Interest charges on finance lease liabilities	(2,075)	(3,607)
Unwinding of discount on provisions and employee benefits	(567)	(131)
	(11,235)	**(13,557)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2013	31 December 2012
Foreign exchange losses, net	14	(21)
Other revenues (costs)	(152)	(195)
	(138)	**(216)**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2013	31 December 2012
Prepaid expenses	-	218
	-	**218**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 82 thousand (2012: EUR 45 thousand). A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2013	31 December 2012
Profit (Loss) before tax	262	(23,947)
Tax charge at statutory tax rate of 23% (2012: 19%)	60	(4,550)
Tax paid abroad	(82)	(45)
Forfeit tax loss carry forwards	-	5,412
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(2,246)	6,869
Non-deductible expenses	2,186	(7,731)
Total income tax	**(82)**	**(45)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2013 an income tax rate of 22% applicable in future accounting period was used, for the year ended 31 December 2012: 23%):

In thousands of EUR	31 December 2013	31 December 2012
Deferred tax assets		
Tax loss carried forward	25,114	61,885
Provision for environmental matters	5,050	5,487
Provision for employee benefits	3,244	3,432
Allowance for trade and other receivables	1,124	1,055
Allowance for inventories	256	313
Provision for legal cases	2,005	2,050
Termination payments	242	908
Other overdue liabilities (over 36 months)	19,565	-
Other	2,750	1,356
	59,350	**76,486**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments)	(9,238)	(24,179)
Other	(57)	(6)
	(9,295)	**(23,185)**
Valuation allowance	**(50,055)**	**(52,301)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 50,055 thousand (2012: EUR 52,301 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Company will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

The Company's income tax losses carried forward arose in the year 2009 and amount to EUR 114,153 thousand. Under Slovak tax legislation a Company is entitled to carry forward tax losses incurred prior to 31 December 2009 for five years. The carry forwards expire as follows:

In thousands of EUR	31 December 2013	31 December 2012
2013	-	50,823
2014	114,153	140,460
2017	-	66,533
2018	-	-
2019	-	11,251
Total tax loss carry forwards	**114,153**	**269,067**

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2013	**28,373**	**474**	**28,847**
Additions	-	1,029	1,029
Disposals	(22)	(142)	(164)
Transfers	910	(910)	-
At 31 December 2013	**29,261**	**451**	**29,712**
Accumulated amortization			
At 1 January 2013	**(13,838)**	**(142)**	**(13,980)**
Charge for the period	(3,382)	-	(3,382)
Disposals	22	142	164
At 31 December 2013	**(17,198)**	**-**	**(17,198)**
Net book value at 31 December 2013	**12,063**	**451**	**12,514**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2012	**27,218**	**491**	**27,709**
Additions		1,138	1,138
Disposals	-	-	-
Transfers	1,155	(1,155)	-
At 31 December 2012	**28,373**	**474**	**28,847**
Accumulated amortisation			
At 1 January 2012	**(10,752)**	**(142)**	**(10,894)**
Charge for the period	(3,086)	-	(3,086)
Disposals	-		
At 31 December 2012	**(13,838)**	**(142)**	**(13,980)**
Net book value at 31 December 2012	**14,535**	**332**	**14,867**

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2013	**92,555**	**900,686**	**4,468**	**997,709**
Additions	-	124	23,971	24,095
Disposals	(15,712)	(35,838)	(15)	(51,565)
Transfers – Assets held for sale	-	-	-	-
Transfers	944	23,775	(24,719)	-
At 31 December 2013	**77,787**	**888,747**	**3,705**	**970,239**
Accumulated depreciation				
At 1 January 2013	**(28,914)**	**(362,545)**	**(534)**	**(391,993)**
Additions	(3,763)	(55,155)	-	(58,918)
Disposals	3,447	35,607	-	39,054
Transfers – Assets held for sale	-	-	-	-
Impairment loss	125	(41,341)	-	(41,216)
At 31 December 2013	**(29,105)**	**(423,434)**	**(534)**	**(453,073)**
Net book value at 31 December 2013	**48,682**	**465,313**	**3,171**	**517,166**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2012	**92,422**	**906,894**	**3,314**	**1,002,630**
Additions	-	-	29,952	29,952
Disposals	(94)	(34,996)	(6)	(35,096)
Transfers – Assets held for sale	223	-	-	223
Transfers	4	28,788	(28,792)	-
At 31 December 2012	**92,555**	**900,686**	**4,468**	**997,709**
Accumulated depreciation				
At 1 January 2012	**(27,182)**	**(333,531)**	**(538)**	**(361,251)**
Charge for the period	(1,864)	(61,816)	-	(63,680)
Disposals	61	34,737	-	34,798
Transfers – Assets held for sale	143	-	-	143
Impairment loss	(72)	(1,935)	4	(2,003)
At 31 December 2012	**(28,914)**	**(362,545)**	**(534)**	**(391,993)**
Net book value at 31 December 2012	**63,641**	**538,141**	**3,934**	**605,716**

Land and buildings consists of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative building, Machines, equipment and other assets include locomotives and wagons, cranes, trucks, cars and other vehicles, tools and equipment used in repair and maintenance, boilers and other heating equipment and office equipment, including computers, printers and other IT equipment.

The Company recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2013.

In relation to the establishment of subsidiaries, in which a transfer of the company's assets during 2014 is expected, the Company assessed the net book value of such assets (wagons, assets related to the operation of intermodal transport terminals) and an expert´s value reports have been prepared. The company has recorded impairment for selected assets in amount of EUR 41,738 thousand based on the expert´s opinion and future operational and market utilization as at 31 December 2013.

The impairment test required by IAS 36 was performed by management of the Company at the year end. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell of an asset was determined as its selling price adjusted for costs associated with the sale of the asset. The value in use of the asset was determined by discounted cash flows method. The Company as a whole is considered as a single cash generating unit.

No impairment losses have been identified based on the impairment test when comparing the recoverable amounts of the assets and carrying values. The relevant cash flows were estimated based on the 2014 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 13 years which is an average remaining useful life of the cash generating unit's assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 8.71% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Company as at the day of preparation of a financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has increased an impairment loss by EUR 41,216 thousand due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues' decrease in 2013.

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 21,217 thousand (net book value EUR 17,240 thousand), wagons with an aggregate acquisition value of EUR 111,724 thousand (net book value EUR 87,885 thousand) and computing technology with a total acquisition value of EUR 2,772 thousand (net book value EUR 441 thousand).

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 2,223 thousand (EUR 17,676 thousand at 31 December 2012) and with a net book value of EUR 2,056 thousand (EUR 14,473 thousand at 31 December 2012) is registered by the State as protected for cultural purposes.

Property, plant, equipment and inventories are insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand (EUR 247,778 thousand in 2012) and (iii) to a maximum of EUR 306,148 thousand (EUR 559,993 thousand in 2012). In addition, motor vehicles have third party and accident insurance cover, the cost of which is immaterial.

The Company classified certain assets as held for sale as at 31 December 2012 (Note 25).

14. INVESTMENT IN JOINT VENTURE AND SUBSIDIARIES

The Company has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. (formerly DURBAN a.s.) which is involved in the transshipment of iron ore in Cierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Company decided to consider this investment as a joint venture.

The Company established two subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. with share capital of 25 thousand EUR in 2013. The Company has a 100% in both companies and presents them as subsidiaries. As of 31 December 2013 share capital and reserve fund contribution were paid in full. As of 31 December 2013 both subsidiaries are dormant with no operation.

Details of the Company's joint venture and subsidiaries at 31 December 2013 are as follows:

Corporate name	Registration country	Ownership 2013	Carrying amount of investment 2013	Equity 2013	Profit/ Loss 2013
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a.s.	Slovak Republic	40%	1,541	10,961	1,714
Investments in subsidiaries					
Cargo Wagon, a.s.	Slovak Republic	100%	27,5	26	(1)
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27,5	26	(1)
Total investment in subsidiaries			**55**		

Details of the Company's joint ventures at 31 December 2012 are as follows:

Corporate name	Registration country	Ownership 2012	Carrying amount of investment 2012	Equity 2012	Profit/ Loss 2012
Company's joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a.s.	Slovak Republic	40%	1,541	9,247	1,599

15. INVENTORIES

In thousands of EUR	At cost 2013	At lower of cost or net realizable value 2013	At cost 2012	At lower of cost or net realizable value 2012
Electrical materials	3,481	2,860	3,738	3,170
Machine and metal-working materials	3,433	2,920	3,809	3,066
Diesel fuel	1,742	1,742	1,362	1,362
Chemicals and rubber	679	658	629	601
Protective tools	281	280	281	281
Other	107	99	175	154
	9,723	**8,559**	**9,994**	**8,634**

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2013	31 December 2012
Domestic trade receivables	32,592	27,134
Foreign trade receivables	12,629	12,465
VAT receivables	3,885	4,149
Other receivables	73,956	4,283
Allowance for impaired trade and other receivables	(5,109)	(4,587)
	117,953	**43,444**

At 31 December 2013 overdue receivables amounted to EUR 6,240 thousand (EUR 9,375 thousand at 31 December 2012).
Trade receivables are non-interest bearing and are generally due within 30-90 days.
Other receivables included a compensation claim against the ŽSR amounting to EUR 69,947 thousand at 31 December 2013; further details are in note 4.
For details of related party receivables, refer to Note 26.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
Year	Total	Neither past due nor impaired	< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2013	**117,953**	116,765	1,182	1	1	4	-
2012	**43,444**	41,681	1,366	8	19	35	335

17. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

In thousands of EUR	31 December 2013	31 December 2012
Cash at banks and on hand and cash equivalents	71	61
Bank overdrafts	(88,473)	(95,041)
	(88,402)	**(94,980)**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2013 Overdraft limit	31 December 2013 Drawn down	31 December 2012 Overdraft limit	31 December 2012 Drawn down
Všeobecná úverová banka, a.s.	*23,500*	**22,565**	*23,500*	**21,541**
Tatra banka, a.s.	*21,870*	**20,852**	*30,870*	**24,994**
Citibank Europe, a.s.	*20,000*	**18,390**	*13,278*	**11,276**
Slovenská sporiteľňa, a.s.	*20,000*	**14,479**	*20,000*	**9,963**
UniCredit Bank Slovakia, a.s.	*17,593*	**12,188**	*17,593*	**15,046**
Volksbank Slovensko, a.s.	-	**-**	*20,000*	**12,219**
Československá obchodná banka, a.s.	-	**-**	*5,000*	**-**
	102,963	**88,473**	*130,241*	**95,041**

18. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Company, held through MTCRD, made through the contribution of certain assets and liabilities of the Company's predecessor, ŽS, and comprises 121 registered ordinary shares, each with a nominal value of EUR 3,319,391.8874. All of these shares are issued and fully paid.

Legal reserve fund

On the Company's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Company's registered capital, again through an in-kind contribution. Slovak legislation requires that the legal reserve fund be increased by amounts at least equal to 10% of annual net profit up to an amount equal to 20% of the Company's registered capital. Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can only be used to cover losses or increase registered capital.

Based on the decision of the sole shareholder of 9 November 2010, the statutory reserve fund was utilized to cover the losses of the Company.

Other funds

Other funds represent the difference between the value of the assets and liabilities contributed by the State on the Company's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Company's registered capital and legal reserve fund, adjusted by an amount of EUR 4,216 thousand to restate an error in the initial valuation of the assets contributed by the State identified in 2006.

During 2008 the Company received an additional capital contribution of EUR 12,149 thousand from MTCRD, this being a previously unpaid part of the initial equity contribution made on the Company's incorporation. In addition, the Company was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Settlement of loss from previous accounting period

The settlement of the 2012 statutory result was approved by the Company's General Meeting on 18 June 2013 and was booked to accumulated losses.

19. SUBORDINATED DEBT

Subordinated debt of EUR 165,970 thousand represents funding from the Ministry of Finance, approved by the Government on 4 March 2009 and received on 6 April 2009, to support the Company's operations. Under the terms of the original agreement, the first principal repayment was due in February 2011 and the loan has to be repaid in full by February 2019. Under Supplement No. 6 to the subordinated debt agreement dated 22 August 2012 the first repayment was due and paid in August 2012 and the total balance is to be paid by August 2020. The company has paid two principal payments in total amount of EUR 19,500 thousand during 2013. The fair value of the subordinated debt is EUR 136,720 thousand as at 31 December 2013. The loan bears interest at the rate of 6M EURIBOR + interest margin of 3.2%.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2013	31 December 2012
Long-term loans			
Secured			
ING Bank N.V.	31 July 2019	17,146	-
Total		**17,146**	**-**
Short-term portion of loans	2014	**1,993**	-
Long-term portion of loans		**15,153**	-
Short-term loans			
Secured			
Privatbanka, a.s.	9 June 2014	10,000	-
Slovenská záručná a rozvojová banka, a.s.	30 November 2014	10,000	-
Sberbank Slovensko, a.s.	31 October 2014	7,905	-
Československá obchodná banka, a.s.	30 May 2014	5,000	4,700
Short-term loans		**32,905**	**4,700**
Short-term portion of loans (see above)		**1,993**	**-**
Overdrafts (Note 17)		**88,473**	**95,041**
Short-term portion of loans		**123,371**	**99,741**
Total		**138,524**	**99,741**

All loans are denominated in EUR, except as otherwise noted in the table above.

All loans presented in the table above are secured by promissory notes with a value of EUR 108,161 thousand (EUR 82,381 thousand at 31 December 2012), and with a nominal value of EUR 155,044 thousand (EUR 121,666 thousand as of 31 December 2012) except for the loan from ING Bank N.V.. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons "Shimmns". The long-term debt is related to the transformation of a financial lease contract to a loan because of the exit of the leasing company from Slovakia and the contract has been taken over by ING Bank N.V.. For further details refer to Note 24. Under the terms of a loan agreement the Company is required to meet a financial debt ratio covenant. The covenant is derived from the Company's management accounts. At 31 December 2013 the Company did not comply with the covenant for a loan in the amount of EUR 22,565 thousand (EUR 21,542 thousand as of 31 December 2012). The Company received a waiver from the bank on 28 Octover 2013 confirming the fact that earlier repayment of an overdraft would not be requested.

The fair value of interest-bearing loans and borrowings amounts to EUR 138,524 thousand (EUR 99,741 thousand at 31 December 2012).

All interest-bearing loans and borrowings bear interest at floating rates which range from 2.214% to 3.434% (1.991% to 3.311% in 2012) except the loan from Privatbank, a.s., which is generated interest by fix rate.

The loan from Sberbank Slovakia, a.s. EUR 7,905 thousand. EUR is presented under short-term loans as at 31 December 2013 due to transformation of overdraft to short-term instalment credit in 2013. As at 31 December 2012 the loan from Sberbank Slovensko, a.s. (Volksbank Slovensko, a.s.) of EUR 12,219 thousand was presented as overdraft (Note 17).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2013	**11,414**	**3,382**	**123**	**14,919**
Current service cost	432	123	-	555
Interest expense	434	128	5	567
Actuarial gains and losses	38	217	(84)	171
Utilization of benefits	(319)	(389)	(14)	(722)
Transfers	-	-	-	-
Past service cost	(746)	-	-	(746)
At 31 December 2013	**11,253**	**3,461**	**30**	**14,744**
Current 31 December 2013	241	433	8	682
Non-current 31 December 2013	11,012	3,028	22	14,062
At 31 December 2013	**11,253**	**3,461**	**30**	**14,744**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2012	**10,633**	**3,505**	**184**	**14,322**
Current service cost	604	193	3	800
Interest expense	459	151	9	619
Actuarial gains and losses	226	(91)	(46)	89
Utilization of benefits	(423)	(381)	(36)	(838)
Transfers	-	-	-	-
Past service cost	(87)	6	10	(72)
At 31 December 2012	**11,414**	**3,382**	**123**	**14,919**
Current 31 December 2012	274	371	31	676
Non-current 31 December 2012	11,140	3,011	92	14,243
At 31 December 2012	**11,414**	**3,382**	**123**	**14,919**

The principal actuarial assumptions used were as follows:	2013	2012
Discount rate (% p.a.)	3,50	3,80
Future salary increases (%)	1,20	0,00
Mortality probability (male) (%)	0,04 – 2,26	0,04 – 2,43
Mortality probability (female) (%)	0,02 – 0,88	0,02 – 0,91

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2013	**23,858**	**8,912**	**3,947**	**36,717**
Additions	13	611	1,100	1,724
Unwinding of discount	-	-	-	-
Reversals	(728)	(91)	(1,259)	(2,078)
Utilization	(188)	(320)	(2,688)	(3,196)
Transfers	-	-	-	-
At 31 December 2013	**22,955**	**9,112**	**1,100**	**33,167**
Current 31 December 2013	9,919	-	1,100	11,019
Non-current 31 December 2013	13,036	9,112	-	22,148
At 31 December 2013	**22,955**	**9,112**	**1,100**	**33,167**

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2012	**24,450**	**6,352**	**745**	**31,547**
Additions	25	2,695	3,947	6,667
Unwinding of discount	1,214	-	-	1,214
Reversals	(1,231)	(120)	-	(1,351)
Utilization	(600)	(15)	(745)	(1,360)
Transfers	-	-	-	-
At 31 December 2012	**23,858**	**8,912**	**3,947**	**36,717**
Current 31 December 2012	835	-	3,947	4,782
Non-current 31 December 2012	23,023	8,912	-	31,935
At 31 December 2012	**23,858**	**8,912**	**3,947**	**36,717**

Environmental matters

In 2013, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentalnych sluzieb, s.r.o. (previously operating under the name, Life & Waste, s.r.o.). As a result of this analysis, and based on the findings of Centrum environmentalnych sluzieb, s.r.o., the Company has estimated that costs of EUR 22,955 thousand (EUR 23,858 thousand at 31 December 2012) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Expenditures will be incurred through 2014 – 2016. A discount rate of 3.5% p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant being cases with REFIN B.A., Ltd. in the amount of EUR 6,217 thousand and with I4NEXT, Ltd. in the amount of EUR 2,643 thousand.

23. TRADE AND OTHER PAYABLES, AND OTHER NON-CURRENT LIABILITIES

In thousands of EUR	31 December 2013	31 December 2012
Domestic trade payables	134,206	142,450
Foreign trade payables	7,390	6,206
Payables due to employees	5,960	6,041
Payables due to social institutions	3,506	3,347
Other payables	10,235	6,084
	161,297	**164,128**

At 31 December 2013 overdue trade payables amounted to EUR 2,645 thousand (EUR 4,071 thousand at 31 December 2012). For details of related party payables, refer to Note 26.
The social fund payable is included in other non-current liabilities. Movements in the social fund during the period are shown in the table below:

In thousands of EUR	31 December 2013	31 December 2012
At 1 January	**162**	**134**
Additions	601	624
Utilization	(608)	(597)
At 31 December	**155**	**162**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2013 the Company has finance lease commitments relating to the acquisition of 1,104 wagons, 2 powered vehicles and hardware equipment (1,354 wagons and 12 powered vehicles and hardware equipment at 31 December 2012). Due to exit of a lease company from Slovakia in 2013, a finance lease contract has been taken over by an affiliated bank company and it has been transformed into a long-term loan contract (Note 20).

All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR, except for leasing from AAE. Future minimum lease payments under finance leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2013		31 December 2012	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	16,173	14,618	18,856	16,333
After one year but not more than five years	38,397	36,837	66,693	61,292
More than five years	2,257	2,167	9,422	9,230
Total minimum lease payments	**56,827**	**53,622**	**94,971**	**86,855**
Less: future finance charges	(3,205)	-	(8,116)	-
Present value of minimum lease payments	**53,622**	**53,622**	**86,855**	**86,855**

Investing commitments

The Company's investment expenditure for the period from 1 January 2014 to 31 December 2014 (1 January 2013 to 1 December 2013) is as follows:

In thousands of EUR	31 December 2013	31 December 2012
Land and buildings	34	46
Machines, equipment and other assets	389	437
Intangible assets	20	73
	443	**556**

Expenditures of EUR 443 thousand (EUR 556 thousand at 31 December 2012) are committed under contractual arrangements.

Contingent liabilities

ČD CARGO, a.s. filed a lawsuit against the Company claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Company's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008. A payment order for the amount claimed was issued on 14 May 2009 by the District Court Bratislava II and delivered to the Company on 30 June 2009. The Company appealed this payment order in the period stipulated by law and the court rescinded the order. Under Slovak legislation, trade practices of neighbouring countries and international agreements, the usage of wagons for international transportation is not deemed to be a rental arrangement and is, therefore, exempt from VAT. Consequently, supported by their legal advisors, management has concluded that the probability of ČD CARGO, a.s. succeeding in this legal action against the Company is remote and therefore no provision has been recorded in these financial statements.

The Company reports an administrative procedure conducted by the Antimonopoly Office of the Slovak Republic regarding a possible misuse of the dominant position in 2005-2010 on the market of sale and rental of electric locomotives capable of operation in the Slovak Republic and on the market of fuel stations. The Antimonopoly Office charged a penalty of EUR 10,254 thousand. The company had appealed the penalty on 6 September 2013. The appeal was subsequently complemented on 6 December 2013. Based on the analysis, the Company's management is convinced of success in this legal case, therefore no provision has been recorded in these financial statements.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2013	**3,629**	**-**	**-**	**3,629**
Disposals	(3,629)	-	-	(3,629)
Transfers	-	-	-	-
At 31 December 2013	**-**	**-**	**-**	**-**

Assets held for sale as at 31 December 2012 included land completing of the sale of the assets from 2012. The land was sold to a related party for EUR 4,299 thousand in February 2013.

26. RELATED PARTY DISCLOSURES

Related parties of the Company comprise all companies under common ownership (meaning under the control of the State), the Company's joint venture and the Board of Directors.

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2013 and 2012:

In thousands of EUR	31 December 2013			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	83,867	88,300	70,173	114,985
ZSSK	20,391	5,042	2,221	607
Slovenská záručná a rozvojová banka	-	6	-	10,000
Ministry of finance	-	5,244	-	136,720
Slovenský plynárenský priemysel	-	340	-	3
BTS (joint venture)	1,214	5,892	296	1,629
Other related parties	497	748	17	278

In thousands of EUR	31 December 2012			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,573	89,950	450	109,603
ZSSK	71,462	5,508	2,445	846
Ministry of finance	-	7,158	-	156,220
Slovenský plynárenský priemysel	-	410	-	(1)
BTS (joint venture)	927	5,743	197	1,492
Other related parties	464	971	19	8

The Company's major contractual relationships with ŽSR and ZSSK are for fixed one year periods and are subject to an annual renewal process. Purchases from ŽSR include primarily network fees and traction electricity. Sales to ŽSR comprise transport services, while sales to ZSSK include gains on sale of property, plant, equipment, the repair of passenger wagons and track vehicles and the sale of diesel oil.

Statutory and supervisory bodies

Members of the Company's statutory and supervisory bodies as registered in the Commercial Register at the District Court Bratislava I at 31 December 2013 are as follows:

Board of Directors:

Ing. Vladimír Ľupták, chairman (since 26 April 2012)
Ing. Jaroslav Daniška (since 26 April 2012)
Ing. Peter Fejfar (since 26 April 2012)

Supervisory Board:

Ing. Martin Čatloš, chairman (since 11 September 2012)
Ing. Radovan Majerský, PhD. (since 11 September 2012)
Bc. Anton Andel (since 2 February 2010)
Ján Baláž (since 2 February 2010)
Ing. Pavol Gábor (since 11 September 2012)
Ing. Štefan Hlinka (since 11 September 2012)

Emoluments of the members of the Board of Directors and Supervisory Board

The Board of Directors' total remuneration approximated EUR 27 thousand (EUR 25 thousand in 2012). The total remuneration of members of the Supervisory Board amounted to EUR 9 thousand (EUR 22 thousand in 2012).

Loans granted

No loans have been granted to key management and members of the Board of Directors and Supervisory Board.

27. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise interest-bearing loans and borrowings, overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade and other receivables and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to the Company's long-term and short-term borrowings and overdrafts with floating interest rates. The Company has a broad portfolio of borrowings bearing a range of fixed and floating interest rates.

The following table demonstrates the sensitivity of the Company's profit before taxes for the period of 12 months after the reporting date to a reasonable change in interest rates of 50 basis points higher/lower, with all other variables held constant. There is no impact on the Company's equity.

In thousands of EUR	31 December 2013	31 December 2012
EURIBOR (+0.5%)	520	666
EURIBOR (-0.5%)	(375)	(267)

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy. The amounts available in the form of credit facilities as at 31 December 2013 and 2012 consist of the following:

In thousands of EUR	31 December 2013	31 December 2012
Long-term loan facilities available	-	-
Short-term loan facilities available	8,578	28,592
Total loan facilities available	**8,578**	**28,592**

As at 31 December 2013 the Company did not have any banks guarantees (EUR 0 thousand at 31 December 2012).

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Subordinated debt	-	9,750	9,750	78,000	39,220	**136,720**
Long-term loans	-	-	-	11,203	3,950	**15,153**
Trade and other payables	2,645	77,963	80,689	-	-	**161,297**
Obligations under finance leases	-	986	13,632	36,837	2,167	**53,622**
Short-term loans	-	12,188	111,183	-	-	**123,371**
	2,645	100,887	215,254	126,040	45,337	**490,163**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Subordinated debt	-	9,750	9,750	78,000	58,720	**156,220**
Long-term loans	-	-	-	-	-	**-**
Trade and other payables	4,071	48,136	7,454	104,468	-	**164,129**
Obligations under finance leases	-	718	15,615	61,292	9,230	**86,855**
Short-term loans	-	4,702	95,039	-	-	**99,741**
	4,071	63,306	127,858	243,760	67,950	**506,945**

Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Company has three major customers, US Steel Košice, Budamar Logistics and Express Slovakia, sales to which represent 46% of transport and related revenues (55% in 2012), but management is confident, based on historic experience, projections for the future and contracts in place, that the Company is not overly exposed to credit risk in respect of these three customers. The Company's procedure is to ensure that sales are made to customers with appropriate credit histories and that acceptable credit limits are not exceeded.

The value of financial assets, recognised in the balance sheet reduced by impairment losses reflects the Company's maximum exposure to credit risk.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Company monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes subordinated debt provided by related parties and finance lease obligations, divided by total equity. In 2013 the ratio has deteriorated in comparison with the previous period.

In thousands of EUR	31 December 2013	31 December 2012
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	15,153	-
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	123,371	99,741
Debt	**138,524**	**99,741**
Equity	**119,630**	**119,369**
Debt to equity ratio (%)	**116%**	**84%**

28. EVENTS AFTER THE BALANCED SHEET DATE

No events occurred subsequent to 31 December 2013 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

Independent auditor's report and consolidated financial statements prepared in accordance with International financial reporting standards as adopted by the European Union

Year ended 31 December 2013

INDEPENDENT AUDITOR'S REPORT

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Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

Independent Auditors' Report

To the Shareholders of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying consolidated financial statements of Železničná spoločnosť Cargo Slovakia, a.s. and its joint venture ('the Group'), which consist of the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers those internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view, so as to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

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Emphasis of Matter

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

i. As set out in Note 2.1 to the consolidated financial statements, the Group reported total accumulated losses from previous years of EUR 280,402 thousand. The future of the Group depends on the implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

ii. As set out in Note 22 to the consolidated financial statements, the Group recorded provisions of EUR 22,955 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate due to uncertainties involving the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Group's financial results in future accounting periods.

iii. As set out in Note 26 to the consolidated financial statements, the Group has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.

15 April 2014
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Martin Ostrochovský
UDVA Licence No. 1056

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
Revenues			
Transportation and related revenues	3	283,241	292,057
Other revenues	4	85,891	23,112
		369,132	**315,169**
Costs and expenses			
Consumables and services	5	(163,896)	(171,353)
Staff costs	6	(87,977)	(94,853)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	(103,676)	(68,748)
Other operating revenues (expenses), net	7	(1,868)	8,940
		(357,417)	**(326,014)**
Finance costs			
Interest expense	8	(11,235)	(13,557)
Other finance revenues (costs), net	9	(138)	(216)
Interest income		-	716
Share of the profit of the joint venture		686	615
		(10,687)	**(12,442)**
Income tax	11	(82)	(45)
Profit (Loss) for the period		**946**	**(23,332)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**946**	**(23,332)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	13	517,166	605,716
Intangible assets	12	12,514	14,867
Investment in joint venture	14	4,385	3,699
Other non-current assets	10	-	218
		534,065	**624,500**
Current assets			
Inventories	15	8,559	8,634
Trade and other receivables	16	117,951	43,444
Cash and cash equivalents	17	126	61
		126,638	**52,139**
Assets held for sale	**25**	**-**	**3,629**
		126,638	**55,768**
TOTAL ASSETS		**660,701**	**680,268**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Other funds	18	1,228	1,228
Accumulated losses	18	(280,402)	(281,348)
Total equity		**122,472**	**121,526**
Non-current liabilities			
Subordinated debt	19	117,220	136,720
Interest-bearing loans and borrowings	20	15,153	-
Employee benefits	21	14,062	14,243
Provisions	22	22,148	31,935
Trade and other payables	23	-	104,466
Finance lease liabilities	24	39,004	70,522
Other non-current liabilities	23	155	162
		207,742	**358,048**
Current liabilities			
Subordinated debt	19	19,500	19,500
Interest-bearing loans and borrowings	20	123,371	99,741
Employee benefits	21	682	676
Provisions	22	11,019	4,782
Trade and other payables	23	161,297	59,662
Finance lease liabilities	24	14,618	16,333
		330,487	**200,694**
Liabilities directly associated with assets held for sale	25	**-**	**-**
Total liabilities		**538,229**	**558,742**
TOTAL EQUITY AND LIABILITIES		**660,701**	**680,268**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2012	**401,646**	**-**	**1,228**	**(258,016)**	**144,858**
Loss for the period	-	-	-	(23,332)	(23,332)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(23,332)	(23,332)
At 31 December 2012	**401,646**	**-**	**1,228**	**(281,348)**	**121,526**
Profit for the period	-	-	-	946	946
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	946	946
At 31 December 2013	**401,646**	**-**	**1,228**	**(280,402)**	**122,472**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of EUR	Note	31 December 2013	31 December 2012
Cash flows from operating activities			
Profit / (Loss) before tax		1,028	(23,287)
Adjustments for:			
Non-cash items			
■ Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	103,676	68,748
■ Loss (gain) on sale of property, plant and equipment	7	(2,047)	(4,386)
■ Allowance of receivables and inventories	15,16	326	(1,680)
■ Interest expense	8	11,235	13,557
■ Interest income		-	(716)
■ Share of the profit of the joint venture		(686)	(615)
■ Movements in provisions and employee benefits		(4,292)	(7,724)
■ Other non-cash items	4	(69,944)	-
		39,296	**43,897**
Working capital adjustments			
■ Decrease in inventories		271	5,749
■ Decrease (increase) in trade and other receivables		(4,865)	14,636
■ Increase (decrease) in trade and other payables		(2,442)	(52,348)
Cash flows from operating activities		**32,260**	**11,934**
Income tax paid	11	(82)	(45)
Net cash flows from operating activities		**32,178**	**11,889**
Investing activities			
Purchase of property, plant and equipment	12, 13	(25,124)	(31,090)
Proceeds from sale of property, plant and equipment		17,969	60,055
Net cash flows from (used in) investing activities		**(7,155)**	**28,965**
Financing activities			
Proceeds from loans and borrowings	20	45,350	4,700
Repayment of loans and borrowings	20	-	(42,454)
Repayment of subordinated debt		(19,500)	(9,750)
Interest paid		(11,006)	(21,416)
Interest received		-	716
Payments of finance lease liabilities		(33,234)	(3,166)
Net cash flows used in financing activities		**(18,390)**	**(71,370)**
Net (decrease) increase in cash and cash equivalents		**6,633**	**(30,516)**
Cash and cash equivalents at 1 January	17	**(94,980)**	**(64,464)**
Cash and cash equivalents at 31 December	17	**(88,347)**	**(94,980)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

Železničná spoločnosť Cargo Slovakia, a.s. ("ZSSK CARGO" or "the Company"), a joint stock company registered in the Slovak Republic, was founded on 1 January 2005 as one of two successor companies to Železničná spoločnosť, a.s. ("ŽS"). ZSSK CARGO was incorporated with the Commercial Register of the District Court Bratislava I, Section Sa, Insert No. 3496/B at the date of its establishment, IČO 35 914 921, DIČ 20 219 200 65.

The Slovak Republic is the sole shareholder of the Company through the Ministry of Transport, Construction and Regional Development of the Slovak Republic ("MTCRD") with its registered office on Námestie slobody 6, 811 06 Bratislava. The Company does not belong to any group for consolidation purposes. The Company is not an unlimited liability partner in any other company.

The Company's predecessor, ŽS, was founded on 1 January 2002 through the demerger of Železnice Slovenskej Republiky ("ŽSR") and assumed responsibility for the provision of freight and passenger rail transport and traffic services within Slovakia, while ŽSR retained responsibility for the operation of the traffic routes. ŽS was dissolved without liquidation effective 31 December 2004 and replaced, following a second demerger, by two newly established successor companies: Železničná spoločnosť Slovensko, a.s. ("ZSSK") for passenger transportation and traffic services and ZSSK CARGO for freight transportation and traffic services.

Principal activities

ZSSK CARGO's main business is the provision of freight transportation and related services. Additionally, the Company rents properties and provides repair and maintenance, cleaning and other support services to ZSSK and other external customers. The Company is organized and managed as a single business unit and is viewed as a single operating unit by the Board of Directors for the purposes of resource allocation and assessing performance.

The registered office of ZSSK CARGO

Drieňová 24
820 09 Bratislava
Slovak Republic

These consolidated financial statements are filed at the Company's registered address and at the Commercial Register of the District Court Bratislava I, Záhradnícka 10, 812 44 Bratislava.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 15 April 2014. The General Meeting held on 18 June 2013 approved the Company's financial statements for the previous accounting period.

The financial statements have been prepared on the historical cost basis. These financial statements constitute the statutory accounts of ZSSK CARGO, prepared in accordance with Article 17a (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2013 to 31 December 2013.

The financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future. The Group reported a profit of EUR 946 thousand for the year and total accumulated loss of EUR 280,402 thousand. In 2013, Group failed to meet financial covenants for one particular loan contract (note 20).

The Government of the Slovak republic approved the resolution No. 390/2013 on 10 July 2013 which sets measures to consolidate rail freight transport and its implementation should allow an economic consolidation and further development of the Group. The measures compensate a late introduction of a new regulatory framework for rail freight companies in the form of reduced fees for the use of railway infrastructure in the years 2014-2016 and also allow the Group to establish three subsidiaries in the sector of management of wagons, intermodal transport and repair and maintenance of machines and wagons and subsequently allow qualified and reputable partners to enter into those subsidiaries. The Group established two subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. in 2013. Potential investors are currently performing due dilligence. The Group expects a submission of bids for the entry into two subsidiaries in early May 2014. The aim of establishing subsidiaries is a significant debt reduction and gradual achievement of balanced budget in medium-term while continuing with other internal measures to increase the productivity and efficiency of internal processes.

The financial statements and accompanying notes are presented in thousands of Euro.

The Group's financial year is the same as the calendar year.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

At this time, due to the endorsement process of the European Union and the nature of the Group's activities, there is no difference between the IFRS policies applied by the Group and those adopted by the European Union.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as at 1 January 2013, all adopted by the European Union (hereinafter as the "EU"):

- IAS 1 Amendments to IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- IAS 19 Revised IAS 19 Employee benefits (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
- IFRS 7 Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- IFRS 1 Amendments to IFRS 1 Government Loans (effective for annual periods beginning on or after 1 January 2013);

The Group has not early adopted any standards and interpretations where adoption is not mandatory at the balance sheet date.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Amendments to IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of these amendments did not have a significant impact on the financial position or the performance of the Group.

Amendments to IAS 19 Employee Benefits

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Past service costs are recognised when the plan amendment or curtailment occurs. Prior to the amendment, past service costs were recognised as an expense on a straight-line basis over the average period until the benefits become vested.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The adoption of this standard did not have a significant impact on the financial position or the performance of the Group.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment to IFRS 7 requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The adoption of these amendments did not have a significant impact on the financial position or the performance of the Group.

Amendments to IFRS 1 Government Loans

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IAS 39 and IAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The adoption of these amendments did not have an impact on the financial position or the performance of the Group.

Annual Improvements to IFRSs Cycle 2009 - 2011

The following standards were amended:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

These improvements are effective for annual periods beginning on or after 1 January 2013. The adoption of these improvements did not have a significant impact on the financial position or the performance of the Group.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, management has made certain judgments that have a significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however the most significant judgments relate to the following:

Environmental matters

Existing regulations, especially environmental legislation, do not specify the extent of remediation work required or the technology to be applied in resolving environmental damage. Management uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

Lease arrangements

The Group has entered into a number of lease arrangements by which it gains the right to use specific assets, primarily railway wagons, for extended periods of time. The Group has determined that under these arrangements it takes on substantially all the risks and rewards of ownership and so accounts for these arrangements as finance leases.

The Group has entered into other lease arrangements by which it gains the right to use railway wagons that are owned by other transport networks for short-term periods. The Group has determined that under these arrangements it does not take on the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

Similarly, the Group has entered into lease arrangements by which it leases railway wagons to other transport networks and third parties. The Group has determined that under these arrangements it retains the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. Although these estimates are based on management’s best knowledge of current events, actual results may differ from these estimates. These issues are detailed in the respective notes, however, the most significant estimates comprise the following:

Legal claims

The Group is party to a number of legal proceedings arising in the ordinary course of business. Management uses the work of specialists and its previous experience of similar actions in making an assessment of the most likely outcome of these actions and of the need for legal provisions.

Quantification and timing of environmental liabilities

Management makes estimations as to the future cash outflows associated with environmental liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash outflows reflects management’s current assessment of priorities, technical capabilities and the urgency of such obligations. The estimates made and the assumptions upon which these estimates are made are reviewed at each balance sheet date.

Impairment of property, plant and equipment

The Group determines at each reporting date whether there is an indication that items of property, plant and equipment are impaired. Where such indications exist, the Group makes an estimate as to the recoverable amount of the assets concerned or of the cash-generating unit to which the assets are allocated. In determining value in use the Group is required to make an estimate of expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows, while net selling price is determined by reference to market developments in Slovakia and other central European countries.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Depreciable lives and residual values of property, plant and equipment

Management assigns depreciable lives and residual values to items of property, plant and equipment by reference to the organisation's latest strategic objectives. Management determines at each reporting date whether the assumptions applied in making such assignations continue to be appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Group's functional currency.

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Property, plant and equipment

Property, plant and equipment is measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. When

parts of an item of property, plant and equipment need to be regularly replaced, they are accounted for as separate items (major components) of property, plant and equipment with a specific useful life and depreciation. Also, general overhaul repairs are measured at cost, if measurement criteria are met.

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognised.

When items of property, plant and equipment meets the criteria to be classified as held for sale, they are measured at the lower of their carrying amount and fair value less costs to sell. The Group measures an item of property, plant and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year end.

Intangible assets

Intangible assets are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis over the useful life of the assets (3-8 years).

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit and loss in the year the asset is derecognised. The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income within depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and is accounted for using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture and subsidiaries

Securities and interests in joint ventures and subsidiaries that are not classified as held for sale are measured at book value (cost less any accumulated impairment losses).

The cost of securities and interests in joint ventures is the price that was paid for the shares.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are designated on initial recognition. Financial assets are recognized initially at fair value plus, in case of financial assets not classified at fair value through profit or loss, directly attributable transaction costs. The Group's financial assets comprise cash at bank, petty cash and cash equivalents, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of comprehensive income.

The Group has not designated any financial assets at fair value through profit or loss in the current year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest rate method (EIR) less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income for the period when the investments are derecognized or impaired, as well as through the amortization process.

As at 31 December 2013 and 2012, no financial assets have been designated as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories of financial assets. Subsequent to initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent to initial recognition available-for-sale financial assets are measured on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity investments when this is in accordance with the applicable IFRS.

As at 31 December 2013 and 2012, no financial assets have been designated as available-for-sale financial assets.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any impairment loss and principal repayment

or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective rate.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value less directly attributable transaction costs in case of loans and borrowings.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. This category includes derivative financial instruments entered into by the Group that do not meet criteria of hedge accounting as defined by IAS 39. Gains or losses arising on liabilities held for trading are recognised in profit or loss.

The Group has not designated any financial liabilities at fair value through profit or loss.

Loans and borrowings & subordinated debt

Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are recognized and measured at amortized cost, being the original invoice amount. The Group accrues for those expenses that have not been invoiced at the balance sheet date. Penalty interest charged on overdue payables is accounted for in trade payables.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Classification and derecognition of financial instruments

Financial assets and financial liabilities presented in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and loans and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forwards, options and swaps to hedge its risks related to foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income as finance income or costs.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting recognizes the offsetting effects of changes in the fair values of the hedging instrument and the hedged item in profit/loss for the period. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedge,
- Cash flow hedge

At the inception of the hedge the Group formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method by which the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedge is expected to be highly effective in achieving offsetting of changes in fair value or cash flows attributable to the hedged risk and is assessed on an ongoing basis to determine that it has been highly effective throughout the financial reporting periods for which it was designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Fair value hedge is a hedge of the Group's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit/loss for the period.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) is recognized in profit/loss for the period. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit/loss for the period. The same method is used when the hedged item is an available-for-sale financial asset.

The adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit/loss for the period over the remaining term to maturity of the financial instrument. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognized in profit/loss for the period.

The Group discontinues fair value hedge accounting if the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit/loss for the period.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit/loss for the period.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from other comprehensive income to profit/loss in the same period or periods during which the asset acquired or liability assumed affects profit/loss for the period. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognized in other comprehensive income are transferred to the initial cost or other carrying amount of the non-financial asset or liability.

As at 31 December 2013 and 2012, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Group makes contributions to the State health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Group has no obligation to contribute to these schemes beyond the statutory rates in force.

Also, the Group operates unfunded long-term defined benefit programmes comprising lump-sum post-employment, jubilee and disability benefits. The cost of providing these employee benefits is assessed separately for each programme using the projected unit credit method, by which the costs incurred in providing such benefits are charged to the statement of comprehensive income so as to spread the cost over the service lives of the Group's employees. The benefit obligation is measured as the present value of the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income when incurred. Amendments to these long-term defined benefit programmes are charged or credited to the statement of comprehensive income over the average remaining service lives of the related employees.

Termination payments

The employees of the Group are eligible, immediately upon termination due to organizational changes, for redundancy payments pursuant to the Slovak law and the terms of the Collective Agreement between the Group and its employees. The amount of such a liability is recorded as a provision in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provisions

A provision is recognized if the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as interest expense.

Environmental matters

Liabilities for environmental costs are recognized when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required.

Legal claims

Liabilities arising from litigation and disputes, which are calculated by using available information and assumptions, are recognized when an outflow of resources embodying economic benefits is probable and when such outflows can be reliably measured.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

As Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Revenue from transport and related services and from repair and maintenance and other such services is recognized in the period in which the services are provided, net of discounts and deductions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of a given asset. Other related expenses are recognized as an expense in the period in which they are incurred.

Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised directly in equity and not in income.

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2013	31 December 2012
Inland transport:		
■ Transport of goods	33,541	32,001
■ Wagon deposition	7,646	7,379
■ Haulage fees	1,117	1,127
	42,304	**40,507**
International transport:		
■ Import	99,838	104,216
■ Export	107,218	113,045
■ Transit	15,313	16,372
	222,369	**233,633**
Other transport related revenues:		
■ Usage of wagons under RIV, PGV and AVV regimes	8,713	6,163
■ Wagon rentals	3,306	5,052
■ Cross-border services	3,573	3,737
■ Other	2,976	2,965
	18,568	**17,917**
	283,241	**292,057**

4. OTHER REVENUES

In thousands of EUR	31 December 2013	31 December 2012
Repairs and maintenance	6,499	8,573
Operational performance	3,641	5,911
Property rentals	3,699	4,001
Other	72,052	4,627
	85,891	**23,112**

Other revenues included revenues charged to ZSSK of EUR 8,561 thousand (2012: EUR 12,583 thousand) for repair and maintenance, operational performance, property rental and other support services.

The line “Other” includes a compensation from ŽSR in amount of EUR 69,947 thousand. On 10 July 2013, the Government of the Slovak Republic (No.390/2013) approved the compensation system for freight rail companies due to late introduction of new regulations of charges for the access to railway infrastructure since 1 January 2011. In December 2013, a contract between ŽSR and MTCRD SR on the compensation of financial impacts on rail freight companies for the year 2010 was put in force. Based on the decision of the Government of the Slovak Republic and the contractual arrangements between ŽSR and MTCRD SR, the Group submitted an application for the compensation on 31 December 2013, which was approved by ŽSR on 20 January 2014 and subsequently granted.

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2013	31 December 2012
Network fees	(46,105)	(44,229)
Traction electricity	(34,541)	(33,338)
Traction crude oil	(16,387)	(18,415)
Wagon rentals	(13,021)	(13,617)
Materials	(10,845)	(14,596)
IT services and telecommunication charges	(7,810)	(9,284)
Other energy costs	(6,052)	(5,535)
Third party transhipment services	(5,545)	(5,368)
Foreign segments	(4,261)	(8,589)
Cross-border services	(4,047)	(4,161)
Rentals	(3,737)	(3,575)
Repair and maintenance	(3,308)	(3,368)
Security services	(2,172)	(1,600)
Travelling and entertainment	(1,266)	(1,289)
Advisory and consultancy fees	(1,254)	(558)
Cleaning of cars, property, waste disposal	(632)	(684)
Medical care	(424)	(484)
Training	(161)	(194)
Other	(2,328)	(2,469)
	(163,896)	**(171,353)**

Consumables and services include amounts charged by ŽSR of EUR 88,300 thousand (2012: EUR 89,950 thousand), primarily relating to the usage of ŽSR's network (the Group has a one year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and also to the purchase of traction energy (refer to Note 26).

6. STAFF COSTS

In thousands of EUR	31 December 2013	31 December 2012
Wages and salaries	(62,034)	(65,093)
Social security costs	(26,854)	(26,967)
Employee benefits (Note 21; 25)	21	1,154
Termination payments (Note 22)	890	(3,947)
	(87,977)	**(94,853)**

Employee numbers at 31 December 2013 were 6,331 (2012: 6,822), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2013 were 6,515 (2012: 7,015).
The average salary in 2013 amounted to EUR 818 (2012: EUR 796).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2013	31 December 2012
Reversal of provision for environmental matters, net (Note 22; 25)	715	9,849
Profit on sale of property, plant, equipment and inventories (Note 25; 26)	2,934	5,730
Provision for legal cases and onerous contracts (Note 22)	(520)	(2,575)
Allowance for doubtful debts	(563)	(666)
Insurance of assets	(1,972)	(2,553)
Other	(2,462)	(845)
	(1,868)	**8,940**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2013	31 December 2012
Interest on loans and borrowings	(3,349)	(2,661)
Interest on subordinated debt	(5,244)	(7,158)
Interest charges on finance lease liabilities	(2,075)	(3,607)
Unwinding of discount on provisions and employee benefits	(567)	(131)
	(11,235)	**(13,557)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2013	31 December 2012
Foreign exchange losses, net	14	(21)
Other revenues (costs)	(152)	(195)
	(138)	**(216)**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2013	31 December 2012
Prepaid expenses	-	218
	-	**218**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 82 thousand (2012: EUR 45 thousand). A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2013	31 December 2012
Profit (Loss) before tax	946	(23,332)
Tax charge at statutory tax rate of 23% (2012: 19%)	218	(4,433)
Tax paid abroad	(82)	(45)
Forfeit tax loss carry forwards	-	5,412
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(2,404)	6,752
Non-deductible expenses	2,186	(7,731)
Total income tax	**(82)**	**(45)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2013 an income tax rate of 22% applicable in future accounting period was used, for the year ended 31 December 2012: 23%):

In thousands of EUR	31 December 2013	31 December 2012
Deferred tax assets		
Tax loss carried forward	25,114	61,885
Provision for environmental matters	5,050	5,487
Provision for employee benefits	3,244	3,432
Allowance for trade and other receivables	1,124	1,055
Allowance for inventories	256	313
Provision for legal cases	2,005	2,050
Termination payments	242	908
Other overdue liabilities (over 36 months)	19,565	-
Other	2,750	1,356
	59,350	**76,486**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments)	(9,238)	(24,179)
Deferred tax on revaluation of joint venture	(158)	(496)
Other	(57)	(6)
	(9,453)	**(24,681)**
Valuation allowance	**(49,897)**	**(51,804)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 48,897 thousand (2012: EUR 51,804thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Group will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

The Group's income tax losses carried forward arose in the year 2009 and amount to EUR 114,153 thousand. Under Slovak tax legislation a Group is entitled to carry forward tax losses incurred prior to 31 December 2009 for five years. The carry forwards expire as follows:

In thousands of EUR	31 December 2013	31 December 2012
2013	-	50,823
2014	114,153	140,460
2017	-	66,533
2018	-	-
2019	-	11,251
Total tax loss carry forwards	**114,153**	**269,067**

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2013	**28,373**	**474**	**28,847**
Additions	-	1,029	1,029
Disposals	(22)	(142)	(164)
Transfers	910	(910)	-
At 31 December 2013	**29,261**	**451**	**29,712**
Accumulated amortization			
At 1 January 2013	**(13,838)**	**(142)**	**(13,980)**
Charge for the period	(3,382)	-	(3,382)
Disposals	22	142	164
At 31 December 2013	**(17,198)**	**-**	**(17,198)**
Net book value at 31 December 2013	**12,063**	**451**	**12,514**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2012	**27,218**	**491**	**27,709**
Additions		1,138	1,138
Disposals	-	-	-
Transfers	1,155	(1,155)	-
At 31 December 2012	**28,373**	**474**	**28,847**
Accumulated amortisation			
At 1 January 2012	**(10,752)**	**(142)**	**(10,894)**
Charge for the period	(3,086)	-	(3,086)
Disposals	-		
At 31 December 2012	**(13,838)**	**(142)**	**(13,980)**
Net book value at 31 December 2012	**14,535**	**332**	**14,867**

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2013	**92,555**	**900,686**	**4,468**	**997,709**
Additions	-	124	23,971	24,095
Disposals	(15,712)	(35,838)	(15)	(51,565)
Transfers – Assets held for sale	-	-	-	-
Transfers	944	23,775	(24,719)	-
At 31 December 2013	**77,787**	**888,747**	**3,705**	**970,239**
Accumulated depreciation				
At 1 January 2013	**(28,914)**	**(362,545)**	**(534)**	**(391,993)**
Additions	(3,763)	(55,155)	-	(58,918)
Disposals	3,447	35,607	-	39,054
Transfers – Assets held for sale	-	-	-	-
Impairment loss	125	(41,341)	-	(41,216)
At 31 December 2013	**(29,105)**	**(423,434)**	**(534)**	**(453,073)**
Net book value at 31 December 2013	**48,682**	**465,313**	**3,171**	**517,166**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2012	92,422	906,894	3,314	1,002,630
Additions	-	-	29,952	29,952
Disposals	(94)	(34,996)	(6)	(35,096)
Transfers – Assets held for sale	223	-	-	223
Transfers	4	28,788	(28,792)	-
At 31 December 2012	**92,555**	**900,686**	**4,468**	**997,709**
Accumulated depreciation				
At 1 January 2012	**(27,182)**	**(333,531)**	**(538)**	**(361,251)**
Charge for the period	(1,864)	(61,816)	-	(63,680)
Disposals	61	34,737	-	34,798
Transfers – Assets held for sale	143	-	-	143
Impairment loss	(72)	(1,935)	4	(2,003)
At 31 December 2012	**(28,914)**	**(362,545)**	**(534)**	**(391,993)**
Net book value at 31 December 2012	**63,641**	**538,141**	**3,934**	**605,716**

Land and buildings consists of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative building, Machines, equipment and other assets include locomotives and wagons, cranes, trucks, cars and other vehicles, tools and equipment used in repair and maintenance, boilers and other heating equipment and office equipment, including computers, printers and other IT equipment.

The Group recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2013.

In relation to the establishment of subsidiaries, in which a transfer of the Group's assets during 2014 is expected, the Group assessed the net book value of such assets (wagons, assets related to the operation of intermodal transport terminals) and an expert´s value reports have been prepared. The Group has recorded an impairment for selected assets in amount of EUR 41,738 thousand based on the expert´s opinion and future operational and market utilization as at 31 December 2013.

The impairment test required by IAS 36 was performed by management of the Group at the year end. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell of an asset was determined as its selling price adjusted for costs associated with the sale of the asset. The value in use of the asset was determined by discounted cash flows method. The Group as a whole is considered as a single cash generating unit.

No impairment losses have been identified based on the impairment test when comparing the recoverable amounts of the assets and carrying values. The relevant cash flows were estimated based on the 2014 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 13 years which is an average remaining useful life of the cash generating unit's assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 8.71% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Group as at the day of preparation of a consolidated financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Group has increased an impairment loss by EUR 41,216 thousand due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues' decrease in 2013.

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 21,217 thousand (net book value EUR 17,240 thousand), wagons with an aggregate acquisition value of EUR 111,724 thousand (net book value EUR 87,885 thousand) and computing technology with a total acquisition value of EUR 2,772 thousand (net book value EUR 441 thousand).

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 2,223 thousand (EUR 17,676 thousand at 31 December 2012) and with a net book value of EUR 2,056 thousand (EUR 14,473 thousand at 31 December 2012) is registered by the State as protected for cultural purposes.

Property, plant, equipment and inventories are insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand (EUR 247,778 thousand in 2012) and (iii) to a maximum of EUR 306,148 thousand (EUR 559,993 thousand in 2012). In addition, motor vehicles have third party and accident insurance cover, the cost of which is immaterial.

The Group classified certain assets as held for sale as at 31 December 2012 (Note 25).

14. INVESTMENT IN JOINT VENTURE AND SUBSIDIARIES

The Group has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. (formerly DURBAN a.s.) which is involved in the transshipment of iron ore in Cierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Group decided to consider this investment as a joint venture.

Details of the Group's joint venture at 31 December 2013 are as follows:

Corporate name	Registration country	Ownership 2013	Carrying amount of investment 2013	Equity 2013	Profit/ Loss 2013
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	4,385	10,961	1,714

The Group reported equity share in joint venture of EUR 4,385 thousand and share of profit after tax of EUR 686 thousand as at 31 December 2013.
Details of the Group's joint ventures at 31 December 2012 are as follows:

Corporate name	Registration country	Ownership 2012	Carrying amount of investment 2012	Equity 2012	Profit/ Loss 2012
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	3,699	9,247	1,599

The Group reported equity share in joint venture of EUR 3,699 thousand and share of profit after tax of EUR 615 thousand as at 31 December 2012.

The Group's share of the assets and liabilities as at 31 December 2013 and 2012 and income and expenses for the years then ended of the jointly controlled entity are as follows:

In thousands of EUR	31 December 2013	31 December 2012
Current assets	858	1,424
Non-current assets	6,316	5,324
Total assets	**7,174**	**6,748**
Current liabilities	1,162	834
Non-current liabilities	1,627	2,215
Total liabilities	**2,789**	**3,049**
Net assets	**4,385**	**3,699**

In thousands of EUR	31 December 2013	31 December 2012
Revenues	2,714	2,542
Cost of sales	(917)	(840)
Other expenses (net)	(923)	(943)
Profit before income tax	**874**	**759**
Income tax expense	(188)	(144)
Net profit (loss)	**686**	**615**

The Group established two companies during 2013, Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. with share capital EUR 25 thousand, which has a 100% share and consolidated by using the full consolidation method. Share capital and the contribution to the reserve fund has been fully paid to 31 December 2013. These Companies did not perform any activities on 31 December 2013.

Details of the Group's subsidiaries at 31 December 2013 are as follows:

	Registration country	Ownership 2013
Investments in subsidiaries		
Cargo Wagon, a.s.	Slovak Republic	100%
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%
Total investment in subsidiaries		

15. INVENTORIES

In thousands of EUR	At cost 2013	At lower of cost or net realizable value 2013	At cost 2012	At lower of cost or net realizable value 2012
Electrical materials	3,481	2,860	3,738	3,170
Machine and metal-working materials	3,433	2,920	3,809	3,066
Diesel fuel	1,742	1,742	1,362	1,362
Chemicals and rubber	679	658	629	601
Protective tools	281	280	281	281
Other	107	99	175	154
	9,723	**8,559**	**9,994**	**8,634**

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2013	31 December 2012
Domestic trade receivables	32,592	27,134
Foreign trade receivables	12,629	12,465
VAT receivables	3,885	4,149
Other receivables	73,954	4,283
Allowance for impaired trade and other receivables	(5,109)	(4,587)
	117,951	**43,444**

At 31 December 2013 overdue receivables amounted to EUR 6,240 thousand (EUR 9,375 thousand at 31 December 2012).
Trade receivables are non-interest bearing and are generally due within 30-90 days.
Other receivables included a compensation claim against the ŽSR amounting to EUR 69,947 thousand at 31 December 2013; further details are in note 4.
For details of related party receivables, refer to Note 26.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
Year	**Total**	**Neither past due nor impaired**	**< 90 days**	**90 – 180 days**	**180 – 270 days**	**270 – 365 days**	**> 365 days**
2013	**117,951**	116,763	1,182	1	1	4	-
2012	**43,444**	41,681	1,366	8	19	35	335

17. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

In thousands of EUR	31 December 2013	31 December 2012
Cash at banks and on hand and cash equivalents	126	61
Bank overdrafts	(88,473)	(95,041)
	(88,347)	**(94,980)**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Bank overdrafts as of 31 December are as follows:

	31 December 2013		31 December 2012	
In thousands of EUR	**Overdraft limit**	**Drawn down**	**Overdraft limit**	**Drawn down**
Všeobecná úverová banka, a.s.	*23,500*	**22,565**	*23,500*	**21,541**
Tatra banka, a.s.	*21,870*	**20,852**	*30,870*	**24,994**
Citibank Europe, a.s.	*20,000*	**18,390**	*13,278*	**11,276**
Slovenská sporiteľňa, a.s.	*20,000*	**14,479**	*20,000*	**9,963**
UniCredit Bank Slovakia, a.s.	*17,593*	**12,188**	*17,593*	**15,046**
Volksbank Slovensko, a.s.	-	-	*20,000*	**12,219**
Československá obchodná banka, a.s.	-	-	*5,000*	-
	102,963	**88,473**	*130,241*	**95,041**

18. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Company, held through MTCRD, made through the contribution of certain assets and liabilities of the Company's predecessor, ŽS, and comprises 121 registered ordinary shares, each with a nominal value of EUR 3,319,391.8874. All of these shares are issued and fully paid.

Legal reserve fund

On the Company's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Company's registered capital, again through an in-kind contribution. Slovak legislation requires that the legal reserve fund be increased by amounts at least equal to 10% of annual net profit up to an amount equal to 20% of the Company's registered capital. Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can only be used to cover losses or increase registered capital.
Based on the decision of the sole shareholder of 9 November 2010, the statutory reserve fund was utilized to cover the losses of the Company.

Other funds

Other funds represent the difference between the value of the assets and liabilities contributed by the State on the Company's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Company's registered capital and legal reserve fund, adjusted by an amount of EUR 4,216 thousand to restate an error in the initial valuation of the assets contributed by the State identified in 2006.
During 2008 the Company received an additional capital contribution of EUR 12,149 thousand from MTCRD, this being a previously unpaid part of the initial equity contribution made on the Company's incorporation. In addition, the Company was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Settlement of loss from previous accounting period

The settlement of the 2012 statutory result was approved by the Company's General Meeting on 18 June 2013 and was booked to accumulated losses.

19. SUBORDINATED DEBT

Subordinated debt of EUR 165,970 thousand represents funding from the Ministry of Finance, approved by the Government on 4 March 2009 and received on 6 April 2009, to support the Company's operations. Under the terms of the original agreement, the first principal repayment was due in February 2011 and the loan has to be repaid in full by February 2019. Under Supplement No. 6 to the subordinated debt agreement dated 22 August 2012 the first repayment was due and paid in August 2012 and the total balance is to be paid by August 2020. The company has paid two principal payments in total amount of EUR 19,500 thousand during 2013. The fair value of the subordinated debt is EUR 136,720 thousand as at 31 December 2013. The loan bears interest at the rate of 6M EURIBOR + interest margin of 3.2%.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2013	31 December 2012
Long-term loans			
Secured			
ING Bank N.V.	31 July 2019	17,146	-
Total		**17,146**	**-**
Short-term portion of loans	2014	**1,993**	-
Long-term portion of loans		**15,153**	-
Short-term loans			
Secured			
Privatbanka, a.s.	9 June 2014	10,000	-
Slovenská záručná a rozvojová banka, a.s.	30 November 2014	10,000	-
Sberbank Slovensko, a.s.	31 October 2014	7,905	-
Československá obchodná banka, a.s.	30 May 2014	5,000	4,700
Short-term loans		**32,905**	**4,700**
Short-term portion of loans (see above)		**1,993**	**-**
Overdrafts (Note 17)		**88,473**	**95,041**
Short-term portion of loans		**123,371**	**99,741**
Total		**138,524**	**99,741**

All loans are denominated in EUR, except as otherwise noted in the table above.

All loans presented in the table above are secured by promissory notes with a value of EUR 108,161 thousand (EUR 82,381 thousand at 31 December 2012), and with a nominal value of EUR 155,044 thousand (EUR 121,666 thousand as of 31 December 2012) except for the loan from ING Bank N.V.. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons "Shimmns". The long-term debt is related to the transformation of a financial lease contract to a loan because of the exit of the leasing company from Slovakia and the contract has been taken over by ING Bank N.V.. For further details refer to Note 24.

Under the terms of a loan agreement the Group is required to meet a financial debt ratio covenant. The covenant is derived from the Group's management accounts. At 31 December 2013 the Group did not comply with the covenant for a loan in the amount of EUR 22,565 thousand (EUR 21,542 thousand as of 31 December 2012). The Group received a waiver from the bank on 28 Octover 2013 confirming the fact that earlier repayment of an overdraft would not be requested.

The fair value of interest-bearing loans and borrowings amounts to EUR 138,524 thousand (EUR 99,741 thousand at 31 December 2012).

All interest-bearing loans and borrowings bear interest at floating rates which range from 2.214% to 3.434% (1.991% to 3.311% in 2012) except the loan from Privatbank, a.s., which is generated interest by fix rate.

The loan from Sberbank Slovakia, a.s. EUR 7,905 thousand. EUR is presented under short-term loans as at 31 December 2013 due to transformation of overdraft to short-term instalment credit in 2013. As at 31 December 2012 the loan from Sberbank Slovensko, a.s. (Volksbank Slovensko, a.s.) of EUR 12,219 thousand was presented as overdraft (Note 17).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2013	**11,414**	**3,382**	**123**	**14,919**
Current service cost	432	123	-	**555**
Interest expense	434	128	5	**567**
Actuarial gains and losses	38	217	(84)	**171**
Utilization of benefits	(319)	(389)	(14)	**(722)**
Transfers	-	-	-	**-**
Past service cost	(746)	-	-	**(746)**
At 31 December 2013	**11,253**	**3,461**	**30**	**14,744**
Current 31 December 2013	241	433	8	**682**
Non-current 31 December 2013	11,012	3,028	22	**14,062**
At 31 December 2013	**11,253**	**3,461**	**30**	**14,744**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2012	**10,633**	**3,505**	**184**	**14,322**
Current service cost	604	193	3	**800**
Interest expense	459	151	9	**619**
Actuarial gains and losses	226	(91)	(46)	**89**
Utilization of benefits	(423)	(381)	(36)	**(838)**
Transfers	-	-	-	**-**
Past service cost	(87)	6	10	**(72)**
At 31 December 2012	**11,414**	**3,382**	**123**	**14,919**
Current 31 December 2012	274	371	31	676
Non-current 31 December 2012	11,140	3,011	92	14,243
At 31 December 2012	**11,414**	**3,382**	**123**	**14,919**

The principal actuarial assumptions used were as follows:	2013	2012
Discount rate (% p.a.)	3,50	3,80
Future salary increases (%)	1,20	0,00
Mortality probability (male) (%)	0,04 – 2,26	0,04 – 2,43
Mortality probability (female) (%)	0,02 – 0,88	0,02 – 0,91

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2013	**23,858**	**8,912**	**3,947**	**36,717**
Additions	13	611	1,100	1,724
Unwinding of discount	-	-	-	-
Reversals	(728)	(91)	(1,259)	(2,078)
Utilization	(188)	(320)	(2,688)	(3,196)
Transfers	-	-	-	-
At 31 December 2013	**22,955**	**9,112**	**1,100**	**33,167**
Current 31 December 2013	9,919	-	1,100	11,019
Non-current 31 December 2013	13,036	9,112	-	22,148
At 31 December 2013	**22,955**	**9,112**	**1,100**	**33,167**

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2012	**24,450**	**6,352**	**745**	**31,547**
Additions	25	2,695	3,947	6,667
Unwinding of discount	1,214	-	-	1,214
Reversals	(1,231)	(120)	-	(1,351)
Utilization	(600)	(15)	(745)	(1,360)
Transfers	-	-	-	-
At 31 December 2012	**23,858**	**8,912**	**3,947**	**36,717**
Current 31 December 2012	835	-	3,947	4,782
Non-current 31 December 2012	23,023	8,912	-	31,935
At 31 December 2012	**23,858**	**8,912**	**3,947**	**36,717**

Environmental matters

In 2013, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentalnych sluzieb, s.r.o. (previously operating under the name, Life & Waste, s.r.o.). As a result of this analysis, and based on the findings of Centrum environmentalnych sluzieb, s.r.o., the Group has estimated that costs of EUR 22,955 thousand (EUR 23,858 thousand at 31 December 2012) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Expenditures will be incurred through 2014 – 2016. A discount rate of 3.5% p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant being cases with REFIN B.A., Ltd. in the amount of EUR 6,217 thousand and with I4NEXT, Ltd. in the amount of EUR 2,643 thousand.

23. TRADE AND OTHER PAYABLES, AND OTHER NON-CURRENT LIABILITIES

In thousands of EUR	31 December 2013	31 December 2012
Domestic trade payables	134,206	142,450
Foreign trade payables	7,390	6,206
Payables due to employees	5,960	6,041
Payables due to social institutions	3,506	3,347
Other payables	10,235	6,084
	161,297	**164,128**

At 31 December 2013 overdue trade payables amounted to EUR 2,645 thousand (EUR 4,071 thousand at 31 December 2012). For details of related party payables, refer to Note 26.

The social fund payable is included in other non-current liabilities. Movements in the social fund during the period are shown in the table below:

In thousands of EUR	31 December 2013	31 December 2012
At 1 January	**162**	**134**
Additions	601	624
Utilization	(608)	(597)
At 31 December	**155**	**162**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2013 the Group has finance lease commitments relating to the acquisition of 1,104 wagons, 12 powered vehicles and hardware equipment (1,354 wagons and 12 powered vehicles and hardware equipment at 31 December 2012). Due to exit of a lease company from Slovakia in 2013, a finance lease contract has been taken over by an affiliated bank company and it has been transformed into a long-term loan contract (Note 20).

All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR, except for leasing from AAE. Future minimum lease payments under finance leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2013		31 December 2012	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	16,173	14,618	18,856	16,333
After one year but not more than five years	38,397	36,837	66,693	61,292
More than five years	2,257	2,167	9,422	9,230
Total minimum lease payments	**56,827**	**53,622**	**94,971**	**86,855**
Less: future finance charges	(3,205)	-	(8,116)	-
Present value of minimum lease payments	**53,622**	**53,622**	**86,855**	**86,855**

IInvesting commitments

The Group's investment expenditure for the period from 1 January 2014 to 31 December 2014 (1 January 2013 to 1 December 2013) is as follows:

In thousands of EUR	31 December 2013	31 December 2012
Land and buildings	34	46
Machines, equipment and other assets	389	437
Intangible assets	20	73
	443	**556**

Expenditures of EUR 443 thousand (EUR 556 thousand at 31 December 2012) are committed under contractual arrangements.

Contingent liabilities

ČD CARGO, a.s. filed a lawsuit against the Group claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Group's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008. A payment order for the amount claimed was issued on 14 May 2009 by the District Court Bratislava II and delivered to the Group on 30 June 2009. The Group appealed this payment order in the period stipulated by law and the court rescinded the order. Under Slovak legislation, trade practices of neighbouring countries and international agreements, the usage of wagons for international transportation is not deemed to be a rental arrangement and is, therefore, exempt from VAT. Consequently, supported by their legal advisors, management has concluded that the probability of ČD CARGO, a.s. succeeding in this legal action against the Group is remote and therefore no provision has been recorded in these consolidated financial statements.

The Group reports an administrative procedure conducted by the Antimonopoly Office of the Slovak Republic regarding a possible misuse of the dominant position in 2005-2010 on the market of sale and rental of electric locomotives capable of operation in the Slovak Republic and on the market of fuel stations. The Antimonopoly Office charged a penalty of EUR 10,254 thousand. The Group had appealed the penalty on 6 September 2013. The appeal was subsequently complemented on 6 December 2013. Based on the analysis, the Group's management is convinced of success in this legal case, therefore no provision has been recorded in these consolidated financial statements.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2013	**3,629**	**-**	**-**	**3,629**
Disposals	(3,629)	-	-	(3,629)
Transfers	-	-	-	-
At 31 December 2013	**-**	**-**	**-**	**-**

Assets held for sale as at 31 December 2012 included land completing of the sale of the assets from 2012. The land was sold to a related party for EUR 4,299 thousand in February 2013.

26. RELATED PARTY DISCLOSURES

Related parties of the Group comprise all companies under common ownership (meaning under the control of the State), the Group's joint venture and the Board of Directors.

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2013 and 2012:

In thousands of EUR	31 December 2013			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	83,867	88,300	70,173	114,985
ZSSK	20,391	5,042	2,221	607
Slovenská záručná a rozvojová banka	-	6	-	10,000
Ministry of finance	-	5,244	-	136,720
Slovenský plynárenský priemysel	-	340	-	3
BTS (joint venture)	1,214	5,892	296	1,629
Other related parties	497	748	17	278

In thousands of EUR	31 December 2012			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,573	89,950	450	109,603
ZSSK	71,462	5,508	2,445	846
Ministry of finance	-	7,158	-	156,220
Slovenský plynárenský priemysel	-	410	-	(1)
BTS (joint venture)	927	5,743	197	1,492
Other related parties	464	971	19	8

The Group's major contractual relationships with ŽSR and ZSSK are for fixed one year periods and are subject to an annual renewal process. Purchases from ŽSR include primarily network fees and traction electricity. Sales to ŽSR comprise transport services, while sales to ZSSK include gains on sale of property, plant, equipment, the repair of passenger wagons and track vehicles and the sale of diesel oil.

Statutory and supervisory bodies

Members of the Group's statutory and supervisory bodies as registered in the Commercial Register at the District Court Bratislava I at 31 December 2013 are as follows:

Board of Directors:

Ing. Vladimír Ľupták, chairman
(since 26 April 2012)
Ing. Jaroslav Daniška
(since 26 April 2012)
Ing. Peter Fejfar
(since 26 April 2012)

Supervisory Board:

Ing. Martin Čatloš, chairman
(since 11 September 2012)
Ing. Radovan Majerský, PhD.,
(since 11 September 2012)
Bc. Anton Andel
(since 2 February 2010)
Ján Baláž
(since 2 February 2010)
Ing. Pavol Gábor
(since 11 September 2012)
Ing. Štefan Hlinka
(since 11 September 2012)

Emoluments of the members of the Board of Directors and Supervisory Board

The Board of Directors' total remuneration approximated EUR 27 thousand (EUR 25 thousand in 2012). The total remuneration of members of the Supervisory Board amounted to EUR 9 thousand (EUR 22 thousand in 2012).

Loans granted

No loans have been granted to key management and members of the Board of Directors and Supervisory Board.

27. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term and short-term borrowings and overdrafts with floating interest rates. The Group has a broad portfolio of borrowings bearing a range of fixed and floating interest rates.

The following table demonstrates the sensitivity of the Group's profit before taxes for the period of 12 months after the reporting date to a reasonable change in interest rates of 50 basis points higher/lower, with all other variables held constant. There is no impact on the Group's equity.

In thousands of EUR	31 December 2013	31 December 2012
EURIBOR (+0.5%)	520	666
EURIBOR (-0.5%)	(375)	(267)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy. The amounts available in the form of credit facilities as at 31 December 2013 and 2012 consist of the following:

In thousands of EUR	31 December 2013	31 December 2012
Long-term loan facilities available	-	-
Short-term loan facilities available	8,578	28,592
Total loan facilities available	**8,578**	**28,592**

As at 31 December 2013 the Group did not have any banks guarantees (EUR 0 thousand at 31 December 2012).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Subordinated debt	-	9,750	9,750	78,000	39,220	**136,720**
Long-term loans	-	-	-	11,203	3,950	**15,153**
Trade and other payables	2,645	77,963	80,689	-	-	**161,297**
Obligations under finance leases	-	986	13,632	36,837	2,167	**53,622**
Short-term loans	-	12,188	111,183	-	-	**123,371**
	2,645	100,887	215,254	126,040	45,337	**490,163**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Subordinated debt	-	9,750	9,750	78,000	58,720	**156,220**
Long-term loans	-	-	-	-	-	**-**
Trade and other payables	4,071	48,136	7,454	104,468	-	**164,129**
Obligations under finance leases	-	718	15,615	61,292	9,230	**86,855**
Short-term loans	-	4,702	95,039	-	-	**99,741**
	4,071	63,306	127,858	243,760	67,950	**506,945**

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Group has three major customers, US Steel Košice, Budamar Logistics and Express Slovakia, sales to which represent 46% of transport and related revenues (55% in 2012), but management is confident, based on historic experience, projections for the future and contracts in place, that the Group is not overly exposed to credit risk in respect of these three customers. The Group's procedure is to ensure that sales are made to customers with appropriate credit histories and that acceptable credit limits are not exceeded.

The value of financial assets, recognised in the balance sheet reduced by impairment losses reflects the Group's maximum exposure to credit risk.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes subordinated debt provided by related parties and finance lease obligations, divided by total equity. In 2013 the ratio has deteriorated in comparison with the previous period.

In thousands of EUR	31 December 2013	31 December 2012
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	15,153	-
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	123,371	99,741
Debt	**138,524**	**99,741**
Equity	**122,472**	**121,526**
Debt to equity ratio (%)	**113%**	**82%**

28. EVENTS AFTER THE BALANCED SHEET DATE

No events occurred subsequent to 31 December 2013 that might have a material effect on the fair presentation of the matters disclosed in these consolidated financial statements.

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2014.

ORGANIZATION STRUCTURE AS AT 31. 12. 2013

CONTACTS

Železničná spoločnosť Cargo Slovakia, a. s.
Drieňová 24
820 09 Bratislava
tel.: +421 2 2029 7776
fax: +421 2 4342 0389
e-mail: cargo.gr@zscargo.sk
www.zscargo.sk

Foreign representation:

General Agency in Ukraine

Železničná spoločnosť Cargo Slovakia, a.s.
General Agency in Ukraine
Ing. Jozef VIRBA
Gogolya 1, 290 604 Lviv
tel.: +380 322 971 198
fax: +380 322 971 198
mobil phone: +380 954 786 565
e-mail: gzcargo.lviv@gmail.com

ZSSK CARGO

Železničná spoločnosť Cargo Slovakia, a. s.
Drieňová 24, 820 09 Bratislava
www.zscargo.sk

ZSSK CARGO