

Summary of the Annual Report 2013



Slovenske železnice



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Key financial performance indicators

Highlights in the income statement (EUR thousand)	Slovenske železnice Group			
	2013	2012	comparable 2012	Index
Operating revenues	504,040	450,213	453,757	111.1
Net sales	430,403	373,034	373,034	115.4
EBIT – operating profit/loss	20,022	8,518	12,062	166.0
EBITDA	57,129	48,589	52,133	109.6
Total profit/loss	19,349	4,050	4,050	477.8
Net profit/loss	18,714	3,479	3,479	537.9
Highlights in the balance sheet (EUR thousand)	Slovenske železnice Group			
	31. 12. 2013	31. 12. 2012	comparable 31. 12. 2012	Index
Assets	636,533	633,335	633,335	100.5
Equity	153,266	142,272	142,272	107.7
Financial liabilities	368,381	380,299	380,299	96.9
Liabilities portion in assets	57.9%	60.0%	60.0%	96.5
Key indicators	Slovenske železnice Group			
	2013	2012	comparable 2012	Index
Net financial liabilities/EBITDA	6.4	7.8	7.2	88.9
Return on equity – ROE ¹⁾	10.1%	2.5%	2.5%	404.0
Return on assets – ROA	2.9%	0.5%	0.5%	580.0
Return on sales – ROS	4.3%	0.9%	0.9%	477.8
Value added per employee (EUR)	34,262	33,053	33,517	102.2
Operation volume and staff	Slovenske železnice Group			
	2013	2012	comparable 2012	Index
Goods carried (thousand tonnes)	17,647.6	16,181.2	16,181.2	109.1
Volume sold in freight (million net tkm)	3,895.7	3,537.7	3,537.7	110.1
Passengers handled (thousand)	16,420.5	15,512.1	15,512.1	105.9
Volume sold in passenger (million pkm)	760.3	741.7	741.7	102.5
Number of employees (31. December)	8,099	8,279	8,279	97.8
Average number of employees	8,221	8,543	8,543	96.2
Rolling stock	Slovenske železnice Group			
	2013	2012	comparable 2012	Index
Locomotives	156	156	156	100.0
Freight wagons	3,142	3,120	3,120	100.7
Coaches	102	102	102	100.0
Passenger multiple units	109	109	109	100.0

Legend of indicators:

EBITDA = EBIT + amortisation

Total profit/loss = EBIT + Result of cash flows + Result of other flows (pre-tax)

Net profit/loss = Total profit/loss – income tax

Financial liabilities = Current and non-current financial liabilities

Net financial liabilities = Financial liabilities – cash and cash equivalents – receivables from financing

ROE = net profit/average equity

ROA = net profit/average assets

ROS = Net profit/net sales revenues

Value added per employee = the sum of the differences between operating revenues and the value of goods and services produced, the cost of raw materials and other inputs involved in the cost of production per average number of employees on the basis of hours worked

Note:

On 1 January 2013, the disclosure of revenues from compensations and costs related to provisions for jubilee premiums and retirement benefits upon retirement was changed due to the changed accounting policy. Compensations related to business operations are now classified among operating revenues, whereas in 2012 they were recorded separately from operating profit/loss among other revenues. In 2013, provisions for jubilee premiums and retirement benefits, which were previously disclosed as other costs under operating profit/loss, are now classified under costs of labour.

In line with the changes in the accounting policy, the financial statements, indexes and indicators for 2012 were adjusted to provide comparability with the 2013 reporting period.

¹⁾ The ROE for 2013 was calculated as net profit/loss without the effects of the termination of derivative instruments and differences in foreign exchange rates (at book value of 13.5%)

Management and governance system

The management and governance system of the Slovenske železnice Group provides transparency of operations of the parent company Slovenske železnice, d. o. o., and its subsidiaries.

Two-tier corporate governance system

Slovenske železnice, d. o. o., are managed by the Founder directly and through administrative bodies of the company, which include the Supervisory Board and the Management Board. The competences of the administrative bodies are laid out in the Companies Act (ZGD-1) and pursuant thereto adopted Articles of Association of Slovenske železnice, d. o. o., Rules of Procedure of the Supervisory Board, and Rules of Procedure of the Management Board.

The Founder

The role of the Founder is performed by the Management Board of the Slovenian Restitution Fund (SOD).

The Founder holds the decision-making power in key matters which are specified in the Companies Act and the Articles of Association of Slovenske železnice, d. o. o.

In line with the applicable regulations and Articles of Association, the Founder acts as an independent body in matters relating to the approval of the Articles of Association and any amendments thereto, approval of the strategic business plan of the Slovenske železnice Group, approval of the annual report and the consolidated annual report, utilization of distributable profit, and to cover against losses. Furthermore, it also acts independently when issuing a discharge to the Supervisory Board and the Management Board, deciding on changes in subscribed capital, appointing or dismissing members of the Supervisory Board, deciding on the remuneration of the Supervisory Board, and when it is appointing the auditor.

Meetings held by the Founder take place in accordance with the Founder's internal regulations.

The Supervisory Board

Composition of the Supervisory Board

In line with the Articles of Association of Slovenske železnice, d. o. o., the Supervisory Board comprises six members, four of whom are appointed by the Founder and two of whom are appointed by the Works Council. In 2013 no changes occurred in the composition of the Supervisory Board.

As at 31 December 2013, the Supervisory Board comprised the following members:

Name	Term of office	Office
Boris Zupančič	From 7. 9. 2012 To 10. 9. 2015	President
Lojze Zajc	From 10. 9. 2011 To 10. 9. 2015	Member
Viktor Markežič	From 10. 9. 2011 To 10. 9. 2015	Member
dr. Mitja Grbec	From 10. 9. 2011 To 10. 9. 2015	Member
Silvo Berdajs	From 10. 9. 2011 To 10. 9. 2015	Vice-President
Nikola Knežević	From 10. 9. 2011 To 10. 9. 2015	Member

Work of the Supervisory Board

The legal grounds on which the Supervisory Board operates include the Companies Act (ZGD), the Articles of Association of Slovenske železnice, the Rules of Procedure of the Supervisory Board, and the Rules of Procedure and Remuneration of the Supervisory Board committees.

The Supervisory Board performs its functions at sessions and through committees.

The main responsibilities of the Supervisory Board include: supervising the management of SŽ operation and the operation of the Group, giving opinion on the quarterly reports of the Management Board about notable business developments of the Group and relations between the parent company and its subsidiaries, appointing and dismissing members of the Management Board as well as approving their employment agreements, supervising the adequacy of the procedures used by the Internal Control and Internal Audit and assess the efficiency of their work, reviewing the annual report and other financial reports of the company, approving the annual report, and approving the annual plan of Slovenske železnice and the strategic business plan of the Group. Furthermore, an approval of the Supervisory Board is also required in the following matters: purchase or sale of capital assets exceeding EUR 100 thousand, purchase or sale of property exceeding EUR 250 thousand, borrowing credit or raising a loan which exceeds EUR 2 million, granting a loan or guarantee to third parties in which the total transaction exceeds EUR 2 million, investment or disinvestment which is not part of the annual plan of Slovenske železnice or the strategic business plan of the Group and which exceeds EUR 250 thousand.

The Supervisory Board also holds the decision-making power and is required to give approval in matters pursuant to Article 15 of the applicable Articles of Association of Slovenske železnice, d. o. o.

Supervisory Board committees

In 2013, the Supervisory Board formed an Audit Committee, which comprised Lojze Zajc (President), Nikola Knežević, Viktor Markežič and Tatjana Habjan. The competences of the Audit Committee are laid out in Article 280 of the Companies Act (ZGD).

Furthermore, the Supervisory Board also formed the Human Resources Committee, comprising Boris Zupančič (President), Silvo Berdajs and Mitja Grbec.

The Management Board

In line with the applicable Articles of Association of Slovenske železnice, d. o. o., business decisions regarding company's operations are made by the Management Board, which consists of three members: the Director General, who acts as an independent company representative without limitations, and two managing directors, who represent the company only in conjunction with the Director General.

Moreover, when a Workers Director is appointed, pursuant to the Act on Worker Participation in Management (ZSDU), they act as the representative of employees in human resources and social affairs.

In 2012 Slovenske železnice, d. o. o., did not appoint a Workers Director, because the company did not meet the requirements under Article 81 of ZSDU. On 14 February 2013, however, the Works Council and the Management Board reached an agreement to nominate Albert Pavlič from the Management Board as Workers Director.

The composition of the Management Board in 2013 was as follows:

- Director-General Dušan Mes, appointed on 22 March 2012;
- Member of the Management Board and Managing Director Jelka Šinkovec Funduk, appointed on 29 March 2012;
- Member of the Management Board Milan Jelenc, appointed on 14 February 2013.

Milan Perović tendered his resignation from his office as Managing Director and member of the Management Board in 2012, but he continued performing his function until 31 January 2013. His position in the Management Board was filled by Milan Jelenc.

Management of subsidiaries

Beside the parent company Slovenske železnice, d. o. o., the Slovenske železnice Group consists of multiple subsidiaries, wherein the parent company holds a majority share or is the sole owner. The subsidiaries include SŽ-Infrastruktura, d. o. o., (Infrastructure), SŽ-Potniški promet, d. o. o., (Passenger transport), SŽ-Tovorni promet, d. o. o., (Freight transport), SŽ-VIT, d. o. o., (Traction and technical wagon services), SŽ-ŽIP, storitve, d. o. o., (Company for railway workers with disabilities), Prometni institut, d. o. o., (Institute of traffic and transport), SŽ-Železniško gradbeno podjetje, d. d., (Railway construction company), SŽ-Železniška tiskarna, d. d., (Railway printing company) and Fersped, d. d. (Logistics company).

The companies listed above provide core rail services which include maintenance and management of public rail infrastructure, management of rail traffic, rail passenger and freight services operated on public rail infrastructure, train traction, and technical wagon services. Furthermore, they also perform ancillary, complementary and other services which ensure that core operations are carried in an unhindered and quality manner.

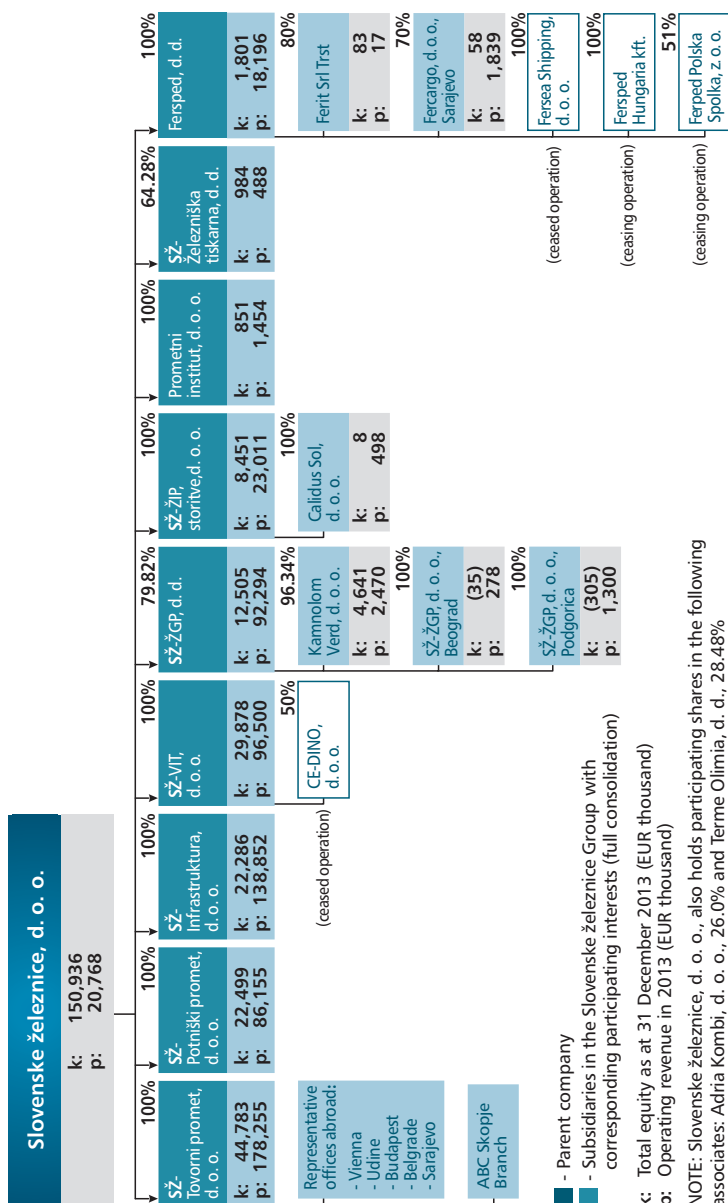
Based on a corrective decision from the Court of Audit, as of 31 September 2011, Slovenske železnice, d. o. o., no longer disclose long-term financial investment in the railway health centre SŽ-ŽZD (stock investment), and had instead temporarily disclosed the financial claims for the centre. The financial statement of SŽ-ŽZD is therefore excluded from consolidated financial statements of the Slovenske železnice Group.

Subsidiaries are managed by the parent company (Slovenske železnice, d. o. o.) directly and via its participation in the respective companies' management boards, with the exception of SŽ-Železniško gradbeno podjetje, d. d., SŽ-Železniška tiskarna, d. d., and Fersped, d. d., which are managed by their respective supervisory boards.

The parent company has the function and competences of a General Meeting. It holds independent decision-making power in the following matters:

- Making changes and amendments to the Articles of Association;
- Allocating distributable profit and providing cover against losses;
- Granting a discharge to the Management Board or to individual members of the Management Board;
- Making changes to the share capital;
- Appointing and dismissing members of the Management Board;
- Appointing the auditor;
- Other matters in line with relevant regulation and the Articles of Association.

Organigram of Slovenske železnice Group



■ - Parent company

■ - Subsidiaries in the Slovenske železnice Group with corresponding participating interests (full consolidation)

k: Total equity as at 31 December 2013 (EUR thousand)

p: Operating revenue in 2013 (EUR thousand)

NOTE: Slovenske železnice, d. o. o., also holds participating shares in the following associates: Adria Kombi, d. o. o., 26.0% and Terme Olimia, d. o., 28.48%

Controlling contracts

The conditions and modalities governing the management of Slovenske železnice Group's business operations as well as other mutual rights and obligations between Slovenske železnice, d. o. o., and its subsidiaries are defined in the Controlling Contract, which entitles Slovenske železnice, d. o. o., as the controlling company to exercise control over the governance and management of the controlled companies.

The Contract grants Slovenske železnice, d. o. o., the right to issue directions regarding the management of subsidiary business operations as well as have direct supervision over their business while assuming liability to provide compensation for their potential losses.

Controlling contracts are concluded in order to establish effective decision-making processes aimed at delivering the best possible business results of the Group as a whole and of individual companies within the group, and to connect these companies under a contractual concern.

It is to be noted, however, that the subsidiaries connected in a contractual concern operate as independent legal entities and, as such, are liable for their obligations with all their assets.

Additionally to the provisions laid out in Articles of Association, the relations between Slovenske železnice, d. o. o., and the subsidiaries and between individual subsidiaries are also defined in special agreements on service provision.

Corporate Governance Statement

The Management Board and the Supervisory Board hereby declare that Slovenske železnice, d. o. o., in its work and operations, comply with the Corporate Governance Code for Companies with State Capital Investments, adopted by the Slovenian Restitution Fund (SOD) on 15 May 2013.

The Code is available in English on AKUN's website: <http://www.so-druzba.si/sl-si/upravljanje-nalozb/kodeks-upravljanja-kapitalskih-nalozb-republike-slovenije>. The Management Board and the Supervisory Board also explain below which individual recommendation the Company did not comply with, together with the associated reasons.

Recommendation 70:

The Supervisory Board's Human Resources Committee, which started work in October 2012, does not include an external expert, because the level of qualifications of Supervisory Board members did not require external assistance.

Slovenske železnice, d. o. o., also comply with the Recommendations of the Manager of Indirect and Direct State Capital Investments with the exception of Recommendation 11 (Achieving quality and excellence in the operations of a company/group), because achieving business excellence according to the EFQM model is a highly challenging project which was not implemented in the Slovenske železnice Group.

Development policy

The vision of Slovenske železnice is to become an important regional rail operator and provider of comprehensive logistics services in Central and South-East Europe, while offering integrated and user-friendly passenger services in domestic public transport.

Following the National Development Programme for Public Rail Infrastructure, Slovenske železnice aims to provide efficient maintenance of modern and safe rail infrastructure while performing the role of the Infrastructure Manager for public rail infrastructure in line with EU regulations and guidelines.

In the target region, which comprises Slovenian rail network and key freight and passenger markets in Central and South-East Europe, Slovenske železnice intends to achieve the following:

- Increase Slovenske železnice freight market share on Corridor V and Corridor X;
- Become the manager and the largest operator of passenger services in integrated public transport in Slovenia;
- Provide efficient and reliable management of rail infrastructure;
- Become the manager of railfreight depots and passenger terminals;
- Become the leading contractor and provider of engineering services in rail construction industry;
- Design effective supporting services in the Group and other activities which promote sustainable development.

Strategic objectives in freight transport

The chief focus in freight lies on increasing the volume as well as the value of transport and other services, coupled with better cost-efficiency of operations and optimized company structure, assets, and sources to achieve operating profitability.

For that purpose, Slovenske železnice aims to maintain its position as the operator of choice in Slovenia and further strengthen its market presence. In order to develop new products and internationalize the business, the company plans on expanding the network, launching new services, and managing the Slovenian segments of transit lines.

Strategic objectives in passenger transport

An important strategic project is the implementation of an integrated public transport system, which is based on a single-ticket principle and integration with bus services.

The quality of passenger services will be improved by investing in modern transport solutions and implementing new technologies which will help optimize the business and bring it up to date with current trends. Moreover, various marketing activities are planned for the promotion of rail, coupled with an active approach to outdoor advertising of passenger services.

Strategic objectives in infrastructure maintenance and traffic operation

Next to optimizing processes in traffic operation, the main goals in these two segments include boosting service quality and improving cost efficiency by implementing new technologies, all of which is largely dependent on investment in maintenance equipment and public rail infrastructure.

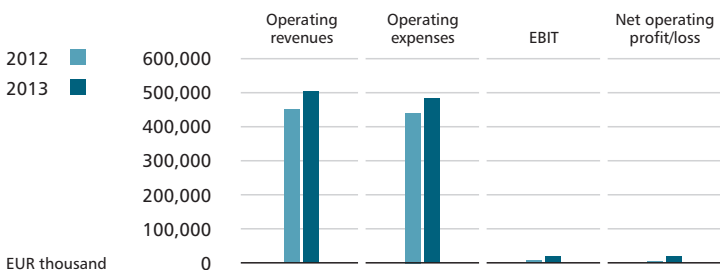
In line with the national strategy, state investment in infrastructure will be adjusted according to the operator's needs and the current condition of rail infrastructure. The focus will lie on projects that improve the quality of services in both passenger and freight, which involves relieving congestion at bottlenecks such as the Ljubljana rail hub, modernizing rail stations and stops, increasing axle-loads on the entire North-South and East-West rail axis to 22.5 tonnes, modernizing main lines on the Slovenian section of European core network (RFC 5 and 6) for speeds up to 160 km/h, increasing the length of station tracks to accommodate longer trains, giving priority to the construction of a second track between Koper and Divača, ensuring interoperability in rail, and promoting a seamless rail system.

Strategic objectives in supporting companies

The main objective of subsidiaries which perform ancillary services to support the primary activities of the Group is to provide quality and reliable services at highly competitive prices. The same principle also applies to the parent when providing supporting services to its subsidiaries.

Summary analysis of the Slovenske železnice Group operation

Revenues, expenses, profit and loss



In 2013, total revenues reached EUR 512,736 thousand and comprised operating revenues (98.3%) and financial revenues (1.7%). The Group's expenses totalled EUR 493,387 thousand and consisted of operating expenses (98.1%), financial expenses (1.7%), and other expenses. Net profit for the reporting period reached EUR 18,714 thousand, comprising operating profit of

EUR 20,022 thousand, negative results recorded in financial revenues and expenses, which amounted to EUR 65 thousand, negative difference between other income and expenses amounting to EUR 608 thousand, income tax of EUR 639 thousand and deferred tax of EUR 4 thousand.

Business operation and debt levels of the Slovenske železnice Group are affected by multiple factors which boil down to recurring issues in the state financing system for PSO¹⁾ in domestic and cross-border regional railpassenger services, which are further exacerbated by the need to repay credits that had been borrowed to procure rolling stock for the operation of public service in railpassenger transport and a lack of state subsidies for the maintenance of public rail infrastructure and operation of rail traffic.

On 30 November 2013, a mixed commission which comprised representatives of Slovenian Government's Cabinet, Ministry of Infrastructure and Spatial Planning, Ministry of Finance, and Slovenske železnice, reconciliated that the Republic of Slovenia owed a total of EUR 303,602 thousand to Slovenske železnice.

In line with Article 5.a of the Slovenian Railway Company Act (ZDSŽ), a contract was concluded on the payment of the abovementioned debt to Slovenske železnice in the amount of EUR 134,262 thousand (the interest to be arranged at a later date), which is the first step in settling the country's debt toward Slovenske železnice, d. o. o. The payment will be made in ten instalments over the period 2014-2023 (the first instalment was paid on 3 February 2014). Furthermore, according to the contract, the claim is transferable and executable via a notary deed.

Currently, preparations are in progress to settle the second part of the receivable due from the state, which includes unpaid subsidies for PSO in railpassenger and the associated credits borrowed by Slovenske železnice to finance the past procurement of rolling stock for PSO purposes.

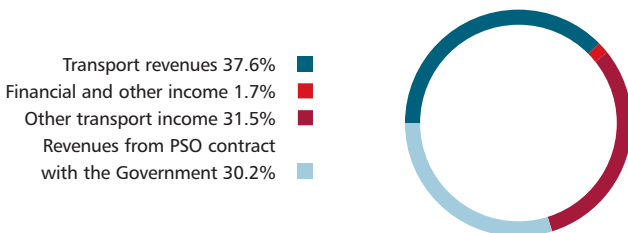
In 2014, Slovenske železnice will be putting in efforts, in cooperation with the relevant ministry, to establish the basis and criteria which will ensure a proper sustainable structure of funding sources for PSO by means of multiannual public service contracts.

Income statement

Income statement – Slovenske železnice Group (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	504,040	450,213	453,757	111.1
Operating expenses	484,018	441,695	441,695	109.6
Operating profit/loss	20,022	8,518	12,062	166.0
Financial revenues	8,511	1,811	1,811	470.0
Financial expenses	8,576	9,002	9,002	95.3
Result of cash flows	(65)	(7,191)	(7,191)	0.9
Other income	185	3,834	290	63.8
Other expenses	793	1,111	1,111	71.4
Result of other flows	(608)	2,723	(821)	74.1
Income tax	639	526	526	121.5
Deferred tax	(4)	45	45	
Net operating profit/loss for the period	18,714	3,479	3,479	537.9
Net profit/loss attributable to equity holders	17,933	2,674	2,674	670.6
Net profit/loss attributable to minority interests	781	805	805	97.0

¹⁾ PSO – Public service obligation

Revenues structure of the Slovenske železnice Group

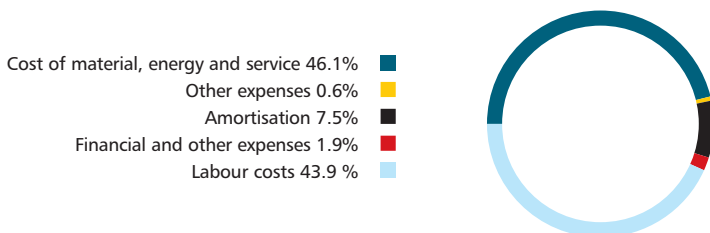


In 2013, the Group recorded an increase in operating revenues by 11.1%. They consisted predominantly of net sales revenues (85.4%), which rose to EUR 430,403 thousand from EUR 373,034 thousand in 2012.

Net sales revenues comprise *transport revenues* (43.6%; an increase to EUR 187,828 thousand from EUR 183,440 thousand in 2012) generated on domestic and international market by freight (EUR 147,278 thousand) and passenger services (EUR 40,550 thousand). Relative to 2012, consolidated transport revenues recorded in freight and passenger are up 1.9% and 4.3%, respectively.

The Group's expenses totalled EUR 493,387 thousand, up from EUR 451,808 thousand in 2012.

Expenses structure of the Slovenske železnice Group



The operating expenses of the Group totalled EUR 484,018 thousand, which is up on EUR 441,695 thousand in 2012. The rate at which the operating expenses increased was 1.5 percentage points slower compared to operating revenues, which is also attributed to the implementation of measures on income, expenditure, and material costs as well as arrangements on salaries, wage compensations and other employee benefits in the Group.

Operating expenses are comprised 44.8% from *labour costs*, which decreased by 4.6%, or EUR 10,412 thousand to EUR 216,634 thousand in 2013, turning out EUR 4,411 thousand lower than estimated in the annual plan. As much as 71.5% of labour costs were comprised of wage bills and wage compensations.

The cost of goods, materials and energy accounted for 15.9% of operating expenses and totalled EUR 76,871 thousand, which is an increase compared with EUR 67,716 thousand in 2012. Materials and spare parts cost a total of EUR 37,680 thousand and were mostly intended for the maintenance of rolling stock and rail infrastructure. The cost of energy went up 9.7% and reached EUR 35,333 thousand. The majority of energy, or 73.8% of all costs of energy, was used in traction of freight and passenger trains (70.3% in 2012), in which electric traction accounted for 43.7% of all costs (38.0% in 2012), while diesel hit 30.1% (32.2% in 2012).

The cost of services totalled EUR 150,351 thousand, which is up 45.3% on 2012, and comprised transport and other services. The former was related in particular to the cost of services provided by foreign rail operators, which totalled EUR 32,439 thousand, decreasing by 0.6% compared to the previous year. By contrast, the cost of other services surged by 98.1% to EUR 74,857 thousand, most notably in the Železniško gradbeno podjetje Group (which also recorded a rise in operating revenues by 85.9%) and the Fersped Group; they consisted mostly of costs related to outsourcing core business activities, rent payments, public utility charges, and miscellaneous services. Facility and equipment maintenance cost a total of EUR 11,302 thousand, which is 1.6% less than the previous year (a decrease was also recorded in revenues from contracts for the maintenance of rail infrastructure).

Depreciation and amortisation costs, which accounted for 8.1% of all operating expenses, fell from EUR 42,095 thousand in 2012 to EUR 39,215 thousand. This costs mostly consisted of amortisation of non-current intangible assets and tangible fixed assets (EUR 37,107 thousand), with the highest share recorded in SŽ-Tovorni promet, d. o. o., (43.2%, or EUR 16,036 thousand) and SŽ-Potniški promet, d. o. o., (31.4%, or EUR 11,643 thousand). Other costs included revaluation operating expenses related to fixed assets (EUR 378 thousand) and current assets (EUR 1,730 thousand), and typically refer to revaluation of receivables.

Financial expenses totalled EUR 8,576 thousand, which is a drop relative to 2012, when they amounted to EUR 9,002 thousand. Mostly including expenses of the parent company, Slovenske železnice, d. o. o., (EUR 7,601 thousand), financial expenses consisted largely of loan-related interest expenses and foreign exchange losses.

Other expenses reached EUR 793 thousand and typically consisted of cash penalties and compensation for damage, incurred by legal and natural persons, as well as employee compensation.

Balance sheet of the Slovenske železnice Group

The analysis of the Group's financial situation as of 31 December 2013 is based on the balance sheet of the Group. In 2013, the Group's assets totalled EUR 636,533 thousand, which is an increase compared to EUR 633,335 thousand in the previous year.

(EUR thousand)	31. 12. 2013	31. 12. 2012
Assets	636,533	633,335
Non-current assets	489,295	531,398
Current assets	142,585	95,769
Short-term deferred expense and accrued income	4,653	6,168
Liabilities	636,533	633,335
Equity	153,266	142,272
Provisions for liabilities and charges	36,422	37,548
Non-current liabilities	201,371	301,376
Current liabilities	235,644	141,736
Short-term accrued expense and deferred income	9,830	10,403

The Group's assets consist of non-current assets (76.9%; 83.9% in 2012), current assets (22.4%; 15.1% in 2012), and short-term deferred expense and accrued income (0.7%; 1.0% in 2012).

Analysis of financial position

The analysis of the Group's financial situation as of 31 December 2013 is based on the balance sheet of the Group.

(EUR thousand)	31. 12. 2013	31. 12. 2012	Absolute change	Index
Current receivables	123,385	79,106	44,279	156.0
Current liabilities	245,474	152,139	93,335	161.3
Net short-term debt	122,089	73,033	49,056	167.2
Non-current receivables	133,193	153,499	(20,306)	86.8
Non-current liabilities	237,793	338,924	(101,131)	70.2
Net long-term debt	104,600	185,425	(80,825)	56.4
Net debt	226,689	258,458	(31,769)	87.7
Total liabilities	483,267	491,063	(7,796)	98.4
Total receivables	256,578	232,605	23,973	110.3
Tangible assets	379,955	400,730	(20,775)	94.8
Capital assets	354,831	376,551	(21,720)	94.2
Investment property	1,271	1,348	(77)	94.3
Assets held for sale	141	0	141	
Inventories	23,712	22,831	881	103.9
Equity	153,266	142,272	10,994	107.7

In 2013, the liabilities of the Slovenske železnice Group decreased by EUR 7,796 thousand, while receivables went up by EUR 23,973 thousand, which is reflected in a decrease of the net debt by EUR 31,769 thousand compared to the end of 2012.

The Slovenske železnice Group is a net borrower as regards both non-current borrowing (EUR 104,600 thousand) and current borrowing (EUR 122,089 thousand). The level of debt, which is expressed as a ratio of net debt to tangible assets, decreased to 59.7% at the end of 2013, a drop from 64.5% at the end of 2012.

Long-term investment financing

(EUR thousand)	31. 12. 2013	31. 12. 2012	Absolute change	Index
Current assets	147,238	101,937	45,301	144.4
Current liabilities	245,474	152,139	93,335	161.3
Working capital	(98,236)	(50,202)	(48,034)	195.7
Non-current assets	489,295	531,398	(42,103)	92.1
Non-current sources	391,059	481,196	(90,137)	81.3

At the end of 2013, 79.9% of long-term investments were financed from non-current sources, which is down from 90.6% in the same period in 2012. Financing can also be assessed based on the ratio between current assets and current liabilities, which reached 0.600 at the end of December 2013, compared to 0.670 at the end of December 2012. Under absolute change, the deficit of non-current assets resulted in a negative working capital. The deficit of non-current sources rose by EUR 48,034 thousand and reached a total of EUR 98,236 thousand, which was a consequence of a drop in the value of capital assets and investment property by EUR 21,797 thousand, a drop in net non-current liabilities by EUR 80,825 thousand, and a consequence of an increase in equity by EUR 10,994 thousand.

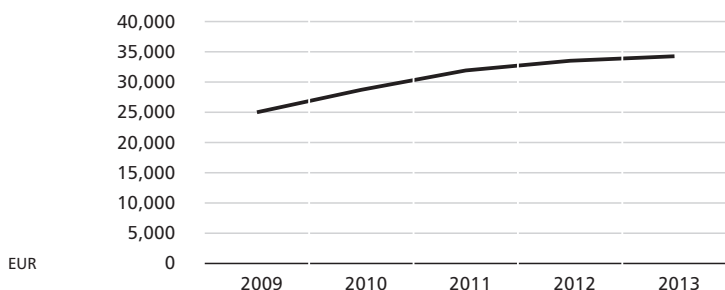
Performance indicators

In the assessment of performance indicators, it should be noted that domestic and cross-border regional services, rail infrastructure maintenance, and rail traffic management are provided by the Group as part of its public service obligation, as to ensure quality and effective services of general interest.

After the 2009 economic downturn, during which financial indicators hit an all-time low due to a sharp decline in revenues, things have been improving steadily. In 2013 EBIT was positive and reached EUR 20,022 thousand (negative in 2009, when it plummeted to EUR 26,014 thousand) with EDITDA seeing an absolute increase of EUR 46,841 thousand, while employee numbers fell by 1,862 at the end of the accounting period. Compared to 2009, return on equity (ROE) recorded a real increase of 18.7 percentage points, with the Slovenian Restitution Fund (SOD) forecasting a 4% return on net worth by 2015 (Point 12.7 of the Recommendations and Expectations of the Capital Assets Management Agency With Regard to State-Owned Enterprises, 12 April 2013).

Financial indicators	Unit	2009	2010	2011	2012	2013
EBIT – Operating profit	EUR thousand	(26,014)	(7,033)	2,191	12,062	20,022
EBITDA	EUR thousand	10,288	31,356	42,403	52,133	57,129
Net profit/loss	EUR thousand	(27,636)	(19,188)	(15,351)	3,479	18,714
Operating efficiency	ratio	0.9394	0.9852	1.0046	1.0273	1.0414
Operating margin	ratio	(0.0646)	(0.0150)	0.0046	0.0266	0.0397
Share of turnover in operating revenues under contracts with the Government	ratio	0.4619	0.3863	0.4032	0.3642	0.3073
Return on equity – ROE ¹⁾	%	(28.8%)	(13.1%)	(9.1%)	2.5%	10.1%
Return on assets – ROA	%	(4.8%)	(2.8%)	(2.2%)	0.5%	2.9%
Financial liability/equity	ratio	4.1748	2.1691	2.9411	2.6730	2.4035
Value added per employee	EUR	25,210	28,715	31,913	33,517	34,262
Percentage labour costs in operating revenues	ratio	0.5934	0.5055	0.4776	0.5011	0.4298
Number of employees (31. December)		9,961	8,982	8,797	8,279	8,099
Average number of employees		10,157	9,694	8,886	8,543	8,221

Added value per employee



Compared to 2012, value added per employee (average number of employees is based on hours worked) rose by 2.2%, mostly owing to a reduction in the number of employees. Consequently, an increase was also recorded in cash flow as the sum of depreciation and net profit/loss.

²⁾ Net return on equity, or ROE for 2013 is calculated as net profit/loss without the effects of the termination of derivative instruments and differences in exchange rates (book value of 13.5%).

Operation of individual business units

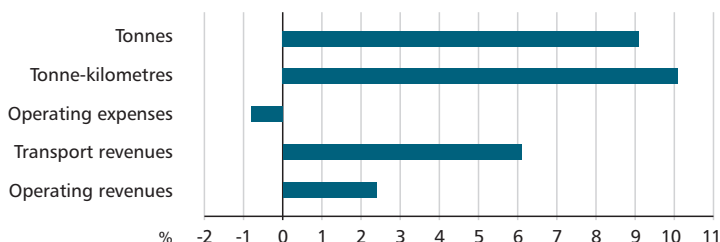
SŽ-Tovorni promet, d. o. o.

Key business statistics

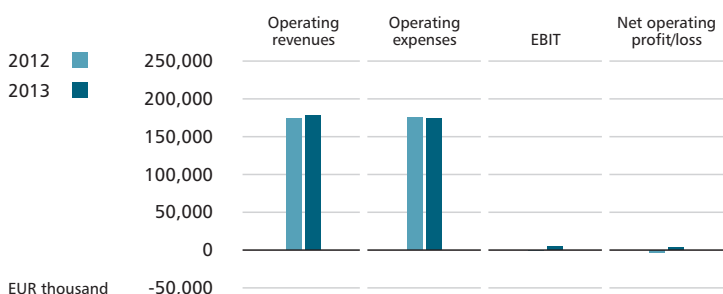
Highlights in the income statement (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	178,255	171,437	174,056	102.4
Net sales revenues	172,038	165,493	165,493	104.0
Operating expenses	173,871	175,248	175,248	99.2
EBIT – operating profit/loss	4,384	(3,811)	(1,192)	
EBITDA	20,420	14,106	16,725	122.1
Total profit/loss	3,389	(3,872)	(3,872)	
Net profit/loss	3,389	(3,872)	(3,872)	
Highlights in the balance sheet (EUR thousand)	31. 12. 2013	31. 12. 2012	comparable 2012	Index
Assets	303,328	300,858	300,858	100.8
Equity	44,783	41,394	41,394	108.2
Financial liabilities	227,927	234,910	234,910	97.0
Liabilities portion in assets	75.1%	78.1%	78.1%	96.2
Key indicators	2013	2012	comparable 2012	Index
Return on equity – ROE	8.2%	(11.1%)	(11.1%)	
Return on assets – ROA	1.1%	(1.3%)	(1.3%)	
Return on sales – ROS	2.0%	(2.3%)	(2.3%)	
Value added per employee (EUR)	42,127	36,670	38,536	109.3
Operation volume and staff	2013	2012	comparable 2012	Index
Freight carried (thousand tonnes)	17,647.6	16,181.2	16,181.2	109.1
Volume sold (million tkm)	3,895.7	3,537.7	3,537.7	110.1
Number of employees (31. December)	1,312	1,356	1,356	96.8
Average number of employees	1,341	1,426	1,426	94.0
Assets and equipment	2013	2012	comparable 2012	Index
Locomotives	140	140	140	100.0
Freight wagons	3,142	3,120	3,120	100.7

- The amount of goods carried in 2013 grew by 9.1% to 17.6 million tonnes, up from 16.2 million in the previous period. Growth was also recorded in volume sold, which increased 10.1% to 3,895.7 million in 2013 compared to 3,537.7 million net tkm in the previous period;
- Operating revenues reached EUR 178,255 thousand, a growth of 2.4% on comparable operating revenues from 2012 as well as a 10.7% increase on planned targets;
- Transport revenues rose by 6.1% to EUR 155,281 thousand, which is up 11.7% on the targets planned for 2013;
- Operating expenses fell by 0.8% to EUR 173,871 thousand and are up 7.0% on planned targets;
- Result from operations (EBIT) and net operating result were both in the positive, reaching EUR 4,384 thousand and 3,389 thousand, respectively.

Change in % compared to 2012



Revenues, expenses, profit and loss



Income statement – SŽ-Tovorni promet, d. o. o. (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	178,255	171,437	174,056	102.4
Operating expenses	173,871	175,248	175,248	99.2
Operating profit/loss	4,384	(3,811)	(1,192)	
Financial revenues	4,715	3,576	3,576	131.9
Financial expenses	5,502	6,095	6,095	90.3
Result of cash flows	(787)	(2,519)	(2,519)	31.2
Other revenues	53	2,704	85	62.4
Other expenses	261	246	246	106.1
Result of other flows	(208)	2,458	(161)	129.2
Net profit/loss	3,389	(3,872)	(3,872)	

Competitive position of freight transport

Land transport in Slovenia comprises various road and rail operators. Next to competing with road haulage, SŽ-Tovorni promet is also facing challenges from neighbouring railfreight corridors as well as from competitor North Adriatic and North Sea ports.

Estimates for 2013 suggest that land transport in Slovenia increased by 4.4% compared to 2012, while the share of rail went up 10.0%.

Following the liberalisation of rail in 2009, foreign railfreight operators have gained open access to public rail infrastructure in Slovenia, which introduced three new market entrants to operate alongside SŽ-Tovorni promet (one of which is limited to shunting services, however).

In 2013, the market share of railfreight in Slovenian land transport rose to 22.8%, which is up 5.1% on the previous year. In turn, growth was also recorded in the modal split for SŽ-Tovorni promet, which saw its market presence in overall land transport increase by 4.5%, while its share in rail fell by 1.0%.

SŽ-Tovorni promet operates services in a region located at the crossroads of two Europe's designated railfreight corridors – Corridor V and X – with 91.4% its volumes sold in international transport. However the bulk of Corridor X freight volumes had shifted eastwards to the competitor Corridor IV, which provides an alternative North-South rail link, as many as 20 years ago due to unfavourable conditions in the Balkans. The volumes lost to the rival corridor are difficult to regain, because the countries crossed by the alternative are all EU Member States, which in practice means no border controls, while Corridor X still comprises countries outside the Schengen (Croatia) and even outside the EU (Serbia and Macedonia). Although Croatia had recently become part of the EU, the situation remains mostly unchanged owing to a transitional period which will stay in effect for several years, before the country is finally allowed to join the Schengen Area.

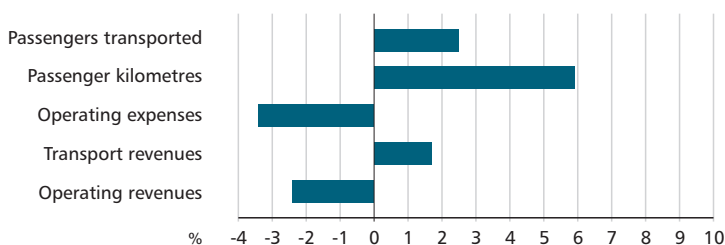
SŽ-Potniški promet, d. o. o.

Key business statistics

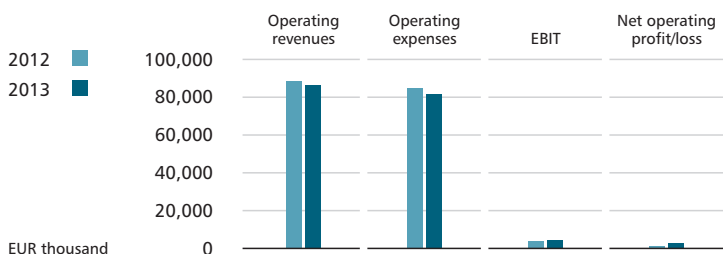
Highlights in the income statement (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	86,186	87,423	88,333	97.6
Net sales revenues	42,748	42,790	42,790	99.9
Operating expenses	81,810	84,677	84,677	96.6
EBIT – operating profit/loss	4,376	2,746	3,656	119.7
EBITDA	16,019	15,063	15,973	100.3
Total profit/loss	2,841	1,076	1,076	264.0
Net profit/loss	2,841	1,076	1,076	264.0
Highlights in the balance sheet (EUR thousand)	31. 12. 2013	31. 12. 2012	comparable 31. 12. 2012	Index
Assets	173,439	174,624	174,624	99.3
Equity	22,499	19,657	19,657	114.5
Financial liabilities	135,282	140,014	140,014	96.6
Liabilities portion in assets	78.0%	80.2%	80.2%	97.3
Key indicators	2013	2012	comparable 2012	Index
Return on equity – ROE	14.5%	5.8%	5.8%	249.6
Return on assets – ROA	1.6%	0.6%	0.6%	269.0
Return on sales – ROS	6.6%	2.5%	2.5%	264.3
Value added per employee (EUR)	51,326	49,850	49,850	103.0
Operation volume and staff	2013	2012	comparable 2012	Index
Passengers handled (thousand tonnes)	16,421	15,512	15,512	105.9
Volume sold (million pkm)	760.3	741.7	741.7	102.5
Number of employees (31. December)	623	648	648	96.1
Average number of employees	636	656	656	97.0
Assets and equipment	2013	2012	comparable 2012	Index
Locomotives	12	12	12	100.0
Coaches	102	102	102	100.0
Passenger multiple units	109	109	109	100.0
Sds wagons (accompanied car train)	7	7	7	100.0
Heritage locomotives	4	4	4	100.0
Heritage coaches	19	19	19	100.0

- In 2013 the modal share of SŽ-Potniški promet on public passenger transport market rose to a total of 32.2%;
- EBIT was positive and grew by EUR 720 thousand to EUR 4,376 thousand, while net operating result reached a profit of 2,841 thousand, which is up EUR 1,765 thousand on the previous period;
- Operating revenues fell by 2.4%, or EUR 2,147 thousand on 2012;
- Operating expenses decreased by 3.4%, or EUR 2,867 thousand compared to 2012;
- Compared to 2012, revenue from passenger services provided under a public service contract with the Government declined due to a tax rate change, effective as of 1 July 2013; moreover, the amount actually received was lower than the sum originally approved in the public service contract for 2013. Moreover, a compensation of EUR 5.3 million intended to cover the operating deficit from the PSO in 2011 is planned to be included in the public service contract for next year, which is why PSO was still recording a loss in 2013;
- In 2013, the company handled a total of 16.4 million passengers, which is 5.9% more than in 2012, while volumes sold rose by 2.5% to 760.3 million pkm;
- The average travel distance in 2013 reached 46.3 km and was 1.5 km shorter compared to the previous year. The majority of passengers only travelled short distance, typically staying within the surrounding area of urban centres – around half of all domestic services were sold on distances up to 40 km;
- The company obtained the Safety Certificate Part A and Part B issued by the Public Agency for Railway Transport (AŽP), which attests to smooth operation and organisation of railpassenger services and to competence in management of safety processes;
- A survey on passengers' satisfaction with rail travel suggested a slight decline in the quality of passenger services, in particular due to low ratings in the sections of timetable, speed, reliability, and cleanliness of the train.

Change in % compared to 2012



Revenues, expenses, profit and loss



Income statement SŽ-Potniški promet, d. o. o. (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	86,186	87,423	88,333	97.6
Operating expenses	81,810	84,677	84,677	96.6
Operating profit/loss	4,376	2,746	3,656	119.7
Financial revenues	389	642	642	60.6
Financial expenses	1,883	3,165	3,165	59.5
Result of cash flows	(1,494)	(2,523)	(2,523)	59.2
Other revenues	0	917	7	0.0
Other expenses	41	64	64	64.1
Result of other flows	(41)	853	(57)	71.9
Net profit/loss	2,841	1,076	1,076	264.0

Competitive position of passenger transport

Railpassenger services in Slovenia are operated by SŽ-Potniški promet. The main competitors of rail on domestic market include private and public road transport, while international services typically compete with low-cost airline operators. In 2013, the modal split for railpassenger in public transport amounted to 32.2%, up 2.7 percentage points on the previous period. The rise can be attributed to increased sales of subsidized monthly rail passes for students, which had recently dropped in price to match the harmonized pricing model applied across all public transport modes. Growth was also recorded in commuter rail with season ticket sales going up 11.5% on 2012. At the same time, the use of personal road vehicles has also been on the rise – the most recent statistics suggest that travelling by car accounted for as much as 86.5% of all journeys¹⁾, which places Slovenia at the very top of EU²⁾. This trend is also reflected in the rate of motorisation with a total of 517.8³⁾ passenger cars registered per 1000 inhabitants in 2012, which is an increase of 16.2% over the last ten years.

Performance-wise, as much as 94.8% of all passengers were handled in domestic transport, which is largely a public service set out in the contract with the Ministry of Infrastructure and Spatial Planning.

International services on the whole recorded a higher share in sales (21.1%) than in volume sold (16.5% of total pkm). The favourable geographic location of Slovenia on the network of pan-European corridors continues to play a significant role when it comes to creating international rail connections. In the face of challenge from competitor airline operators, the railway is urged to look for new market strategies in order to raise the attractiveness of rail.

¹⁾ Modal split in Purchasing Power Parity analysis for 2010 (Statistical Office of the Republic of Slovenia – SORS), the data for 2011 and 2012 is not available

²⁾ Eurostat

³⁾ Source: SORS, the data for 2013 is currently not available

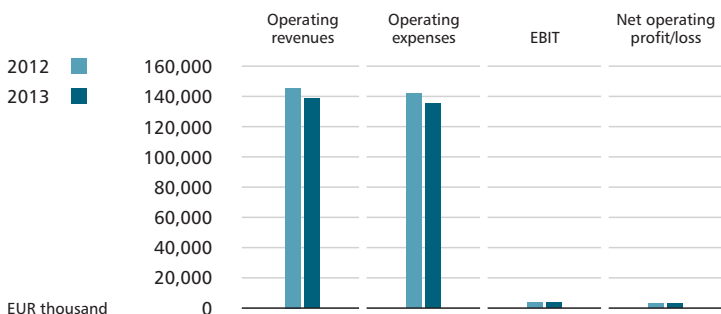
SŽ-Infrastruktura, d. o. o.

Key business statistics

Highlights in the income statement (EUR thousand)		comparable		
	2013	2012	2012	Index
Operating revenues	138,853	145,289	145,514	95.4
Net sales revenues	137,579	143,348	143,348	96.0
Operating expenses	135,313	141,957	141,957	95.3
EBIT – operating profit/loss	3,540	3,332	3,557	99.5
EBITDA	6,295	6,261	6,486	97.1
Total profit/loss	3,461	3,168	3,168	109.2
Net profit/loss	3,122	3,141	3,141	99.4
Highlights in the balance sheet (EUR thousand)		comparable		
	31. 12. 2013	31. 12. 2012	31. 12. 2012	Index
Assets	59,883	59,423		100.8
Equity	22,286	21,691		102.7
Financial liabilities	2,326	0		
Liabilities portion in assets	3.9%	0.0%		
Key indicators		comparable		
	2013	2012	2012	Index
Return on equity – ROE	15.3%	16.2%		94.4
Return on assets – ROA	5.2%	4.7%		111.0
Return on sales – ROS	2.3%	2.2%		103.6
Value added per employee (EUR)	29,444	29,032	29,153	101.0
Staff		comparable		
	2013	2012	2012	Index
Number of employees (31. December)	2,355	2,492		94.5
Average number of employees	2,422	2,605		93.0

- The income statement of SŽ-Infrastruktura comprises the income statements of the Infrastructure Business Unit and the Traffic Management Business Unit, both of which mostly operate public services;
- SŽ-Infrastruktura recorded a positive EBIT of EUR 3.5 million, while net profit reached EUR 3.1 million;
- Under the Infrastructure Business Unit, the segment of infrastructure maintenance reported positive results in both EBIT and net profit/loss, which reached EUR 2.9 million and EUR 2.8 million respectively, while the PSO segment recorded a total profit of EUR 0.6 million. A positive result in total profit/loss was also observed in segments including other activities (EUR 1.8 million), management of public rail infrastructure (EUR 0.3 million), and management of rail stations and stops (EUR 0.1 million);
- Traffic Management recorded a positive EBIT of EUR 0.6 million, with the PSO segment reaching a total profit of EUR 19 thousand. Other activities also reported profit, which totalled EUR 0.6 million.

Revenues, expenses, profit and loss



Core operating categories of the income statement

Income statement – SŽ-Infrastruktura, d. o. o. (EUR thousand)	2013	2012	comparable 2012	Index
Operating revenues	138,853	145,289	145,514	95.4
Operating expenses	135,313	141,957	141,957	95.3
Operating profit/loss	3,540	3,332	3,557	99.5
Financial revenues	244	489	489	49.9
Financial expenses	55	178	178	30.9
Result of cash flows	189	311	311	60.8
Other revenues	120	318	93	129.0
Other expenses	388	793	793	48.9
Result of other flows	(268)	(475)	(700)	38.3
Corporate income tax	339	27	27	
Net profit/loss	3,122	3,141	3,141	99.4

Operating categories of individual business units

Income statement – Infrastructure (EUR thousand)	2013	thereof PSO	2012	thereof PSO	comparable 2012	thereof PSO	Index 13/12
Operating revenues	103,781	77,501	109,991	86,317	110,216	86,542	94.2
Operating expenses	100,850	76,796	105,170	82,807	105,170	82,807	95.9
Operating profit/loss	2,931	705	4,821	3,510	5,046	3,735	58.1
Financial revenues	217	217	399	399	399	399	54.4
Financial expenses	53	53	170	170	170	170	31.2
Result of cash flows	164	164	229	229	229	229	71.6
Other revenues	122	50	326	326	101	94	120.8
Other expenses	376	243	781	781	781	781	48.1
Result of other flows	(254)	(193)	(455)	(455)	(680)	(687)	37.4
Net profit/loss	2,502	595	4,568	3,284	4,568	3,284	54.8

Income statement – Traffic Management (EUR thousand)	2013	thereof PSO	2012	thereof comparable PSO	2012	thereof PSO	Index 13/12
Operating revenues	35,852	33,000	35,895	33,000			99.9
Operating expenses	35,243	32,992	37,385	35,226			94.3
Operating profit/loss	609	8	(1,490)	(2,226)	-	-	40.9
Financial revenues	27	27	90	90			30.0
Financial expenses	3	2	8	8			37.5
Result of cash flows	24	24	82	82	-	-	29.3
Other revenues	4	4	0	0			
Other expenses	17	17	20	20			85.0
Result of other flows	(13)	(13)	(20)	(20)	-	-	65.0
Net profit/loss	620	19	(1,428)	(2,164)	-	-	43.4

Competitive position of rail infrastructure

Under-investment in the development, maintenance and modernisation of public rail infrastructure had caused stagnation and deterioration of its condition, which is attributable to the extremely slow implementation of the National Programme for the Development of Rail Infrastructure (currently at 25%), which had been approved by the Slovenian Parliament as early as 1995. Line overhauls are not performed in regular periods, consequently requiring additional maintenance work. While as much as 55 km of lines would need to be renewed annually, the figure for the last 17 years stands at only 26.5 km per year with the renewals in the last 10 years counting no more than 16 km of lines every year, which is only 29% of the required renewals. This puts rail services, which are currently struggling to stay competitive, at an even greater disadvantage when it comes to meeting customer needs and requirements.

Rail infrastructure in its current state does not facilitate access nor does it provide connectivity and the associated quality of public transport service. The glacial pace at which Slovenian rail network is modernized keeps increasing the risk of international freight flows shifting to alternative rail connections via Italy, Hungary, or Croatia, while the Adriatic port of Koper is at danger of losing transit volumes to rival North Sea ports. This process had in part already started with certain consignments opting for diversionary routes around Slovenia due to the low axle-loads on its network. Moreover, the Zidani Most-Šentilj line segment, which is part of pan-European corridors Lyon-Budapest and Salzburg/Graz-Solun, still has not been upgraded to D4 track category which would enable axle-loads of up to 225 kN. With as few as 503 km (41%) of lines electrified, under-electrification is another major issue in public rail infrastructure. To improve the situation, an electrification project has been launched to upgrade the Pragersko-Hodoš line, which is currently the only non-electrified section on Corridor V.

Furthermore, various technical specifications for interoperability (TSIs) and corridor-related policies of the EU need to be implemented on a national level, otherwise there is a risk that corridor routes via Slovenia shift to other countries, which would in turn have a highly negative effect on the business of the port of Koper and of Slovenske železnice and also on Slovenian logistics industry as a whole, while seriously jeopardizing any options to obtain European funding.

Particular attention needs to be given to the adverse effects on the competitiveness and economics of rail transport, if the planned rail diversions to Hungary via Italy, Austria and partially via Croatia were to become reality. Slovenia therefore adopted a strategy in which it stresses the necessity of expanding and renewing the Slovenian sections of Corridor V and X as to ensure long-term competitiveness of the country.

To this aim, a national program for the development of public rail infrastructure needs to be adopted at the soonest possible. In line with EU regulations, a multiannual public service contract on the financing of PSO was signed with the state on 30 October 2012 for the period between 31 January 2013 and 31 December 2015, which also included an annex for 2013 on compensation for public services relating to rail maintenance and rail traffic operation. This ensured that the technical and financial aspects of planning were properly harmonized and improved the efficiency and business rationality of public service operators.

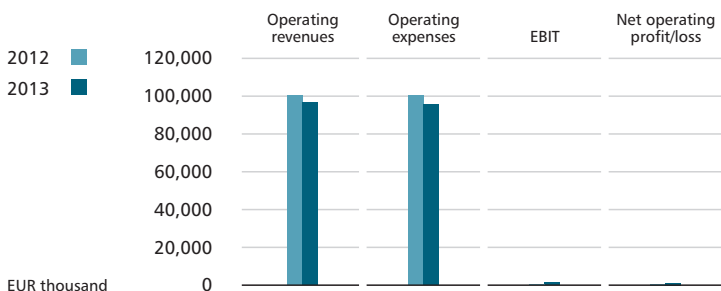
Operation of other subsidiaries

SŽ-Vleka in tehnika, d. o. o.

Activities:

- Maintenance of all types of rolling stock;
- Modification of rolling stock;
- Participation in the construction of rolling stock;
- Production of metallic and other products;
- Design, engineering, and technical counselling;
- Provision of traction services to passenger and freight divisions;
- Provision of technical wagon services to passenger and freight divisions.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – SŽ-Vleka in tehnika, d. o. o. (EUR thousand)	2013	2012	Index
Operating revenues	96,500	100,279	96.2
Operating expenses	95,705	100,234	95.5
Operating profit/loss	795	45	
Financial revenues	49	306	16.0
Financial expenses	237	312	76.0
Result of cash flows	(188)	(6)	
Other revenues	2	125	1.6
Other expenses	32	55	58.2
Result of other flows	(30)	70	
Net profit/loss	577	109	529.4

In 2013, SŽ-Vleka in tehnika (SŽ-VIT) achieved a positive operating result of EUR 795 thousand with operating revenues and operating expenses totalling EUR 96,500 thousand (including variation in stocks of finished goods and work-in-progress) and EUR 95,705 thousand, respectively. Negative results were reported in financing, which suffered a loss of EUR 188 thousand, as well as in other flows, which recorded a loss of EUR 30 thousand. Overall, the company reached a net profit of EUR 577 thousand.

Compared to 2012, operating revenue fell by 3.8%, or EUR 3,779 thousand and consisted of net sales revenue (EUR 96,411 thousand), of variation in stocks of finished goods and work-in-progress (EUR 846 thousand), of capitalized own products and own services (EUR 356 thousand), and of other operating revenue (EUR 579 thousand).

Operating expenses reached EUR 95,705 thousand, down from EUR 100,234 thousand in 2012. They mostly comprise labour costs (66.3%), which amounted to EUR 63,436 thousand and were down 6.6%, or EUR 4,479 thousand on the previous period.

At the end of 2013, SŽ-VIT counted 2,138 employees.

Investment in property and new equipment reached a total of EUR 1,024 thousand, most of which (EUR 733 thousand) was used to purchase equipment.

Throughout the year, SŽ-VIT successfully maintained the required availability of rolling stock, traction services, and technical wagons services to its biggest partners SŽ-Tovorni promet and SŽ-Potniški promet.

SŽ-VIT aims to maintain a dominant position on the Slovenian market, however, this goal is largely dependent on the need of Slovenske železnice for maintenance, traction services and technical wagon services, which is ultimately subject to its railfreight and railpassenger volumes. Nevertheless, the company plans on providing the Group with comprehensive services at competitive European prices coupled by better cost effectiveness, when it comes to management and maintenance of rolling stock, traction, and technical wagon services.

In addition to maintaining a dominant market position, the company intends to continue with the implementation of its strategy to boost growth and competitiveness on the wider European market. By adopting a proactive market approach, acquiring new international certificates in maintenance, actively participating in various European associations and meeting business objectives with success, the company became a trustworthy partner in particular to private keepers of rolling stock. Moreover, it is especially encouraging to observe how increased investment in production capacities for wheel-set renewal helped the company become an important provider of services in this market segment.

The business results and projects implemented in 2013 attest to the satisfaction of business partners with SŽ-VIT's services and indicate that the company successfully contributed to a higher cost effectiveness of the Group while improving its own competitiveness and positioning on the European market.

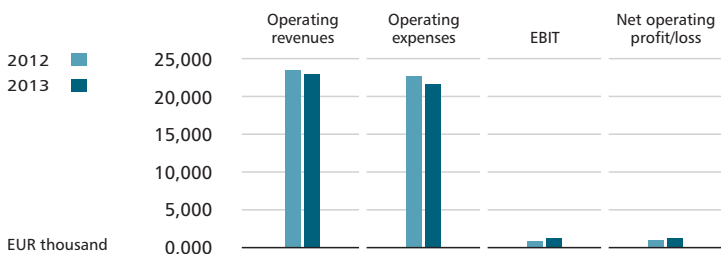
The SŽ-ŽIP Group

The SŽ-ŽIP Group consists of the parent company SŽ-ŽIP, storitve, d. o. o., (Company for rail workers with disabilities) and the subsidiary Calidus sol, d. o. o.

Activities:

- Property management;
- Indoor and outdoor cleaning as well as cleaning of Slovenske železnice rolling stock;
- Management and maintenance of Slovenske železnice holiday facilities in Croatia;
- Security;
- Production and sale of miscellaneous goods, servicing, printing and delivery services.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – The SŽ-ŽIP Group (EUR thousand)			
	2013	2012	Index
Operating revenues	22,965	23,491	97.8
Operating expenses	21,657	22,622	95.7
Operating profit/loss	1,308	869	150.5
Financial revenues	9	189	4.8
Financial expenses	9	20	45.0
Result of cash flows	0	169	
Other revenues	16	26	57.7
Other expenses	10	5	150.0
Result of other flows	6	21	30.0
Corporate income tax	0	1	
Net profit/loss	1,314	1,058	124.2

The SŽ-ŽIP Group reported a positive operating result of EUR 1,308 thousand with operating revenues and operating expenses totalling EUR 22,965 thousand and EUR 21,657 thousand, respectively, while other flows generated an income of EUR 6 thousand. In total, the Group generated a net profit of EUR 1,314 thousand.

By expanding services, optimizing business processes, increasing productivity and rationalizing expenditure, SŽ-ŽIP achieved improved operating results compared to 2012, particularly in the fields of property maintenance, security, transport services, and mechanics workshops.

The growth of company's net profit is attributed to improved operation of core services and also to a reduction in labour costs, which is associated with a lower number of excess employees in redundancy programs (total reduction of EUR 753 thousand) and with lower average number of employees (down 6.8%, or 54 employees compared to 2012).

Operating revenue reached EUR 22,965 thousand and was comprised of net sales revenue (EUR 17,608 thousand), variation (growth) in stocks of finished goods and work-in-progress (EUR 3 thousand), capitalized own products and own services (EUR 42 thousand), and of other operating revenue (EUR 5,312 thousand). The net sales revenue achieved by the SŽ-ŽIP Group accounted for 79.8%, or EUR 14,045 thousand of total net sales revenue of the Slovenske železnice Group. Compared to 2012, operating revenue fell by 2.2%, or EUR 526 thousand.

In 2013, operating expenses amounted to EUR 21,657 thousand, a decrease from EUR 22,622 thousand in 2012. They mostly comprised labour costs (64.8%), which reached EUR 14,029 thousand and were down 7.7%, or EUR 1,172 thousand on the previous period.

The costs of goods, materials and energy increased from EUR 2,171 thousand in the previous period to EUR 2,251 thousand and accounted for 10.4% of operating expenses.

The costs of services, on the other hand, decreased by 2.3%, or EUR 97 thousand to EUR 4,153 thousand. They consisted to a large degree of costs associated with production and with provision of services, which together totalled EUR 2,027 thousand. Service costs accounted for 19.2% of operating expenses, with as much as 93.5% of said costs attributed to SŽ-ŽIP.

At the end of 2013, the SŽ-ŽIP Group counted 724 employees, 374 of which were persons with disabilities.

In 2013, the SŽ-ŽIP Group allocated a total of EUR 815 thousand to investment in fixed assets.

A total of four new jobs for persons with disabilities were created after a new ceramics workshop was launched under the umbrella of the Maribor workshop for persons with disabilities. Moreover, mechanics-related services were expanded to repairs of Cobra work machinery for SŽ-Infrastruktura, while a school bus service was launched in the municipality of Komen.

With the growth in revenues, rationalisation of business and creation of new jobs for persons with disabilities, the company decided to prepare various strategic projects associated with its post – 2014 business operation which were presented to the management board of Slovenske železnice and to the heads of companies in the Slovenske železnice Group in June 2013. The projects will include:

- Production of goods in candle making;
- Design of elder care services;
- Setting up a workforce training and development centre;

- Management of accommodation facilities;
- Management of holiday accommodation facilities;
- Design of services in property management, maintenance, cleaning, landscaping and gardening;
- Development of parking facilities – designing a parking lot at the Bohinjska Bistrica rail station.

To counter the recurring issue of workforce shortage in core services, the company invited job applications on the internal labour market to encourage transfer and redeployment of workers with disabilities from other companies in the Slovenske železnice Group.

In June 2013, according to the strategy on the centralization of supporting services in the Slovenske železnice Group, a contract was signed to transfer the supporting services in financing, accounting, controlling, procurement and investment, in legal matters and human resources, in property management, information technology, and in other departments from SŽ-ŽIP to Slovenske železnice.

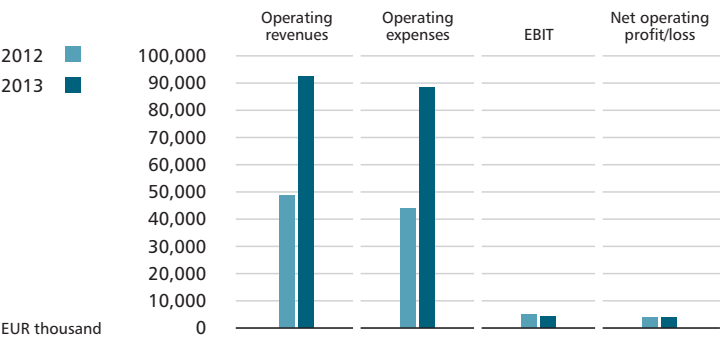
The SŽ-Železniško gradbeno podjetje Group

The SŽ-ŽGP Group (SŽ-Railway Construction Company Group) consists of the parent company SŽ-ŽGP Ljubljana, d. d., and the subsidiaries Kamnolom Verd, d. o. o., (The Verd Quarry), SŽ-ŽGP, d. o. o., Beograd (the Belgrade branch) and SŽ-ŽGP, d. o. o., Podgorica (the Podgorica branch).

Activities:

- Construction, reconstruction and maintenance of rail track superstructure and substructure;
- Renewal of industrial (private) tracks and other rail infrastructure facilities;
- Construction of buildings.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – The SŽ-ŽGP Group (EUR thousand)	2013	2012	Index
Operating revenues	92,545	48,742	189.9
Operating expenses	88,381	43,878	201.4
Operating profit/loss	4,164	4,864	85.6
Financial revenues	113	221	51.1
Financial expenses	387	455	85.1
Result of cash flows	(274)	(234)	117.1
Other revenues	5	32	15.6
Other expenses	24	188	12.8
Result of other flows	(19)	(156)	12.2
Corporate income tax	5	499	1.0
Deferred tax	(1)	44	
Net profit/loss	3,867	3,931	98.4
Net profit/loss of majority shareholders	3,860	3,919	98.5
Net profit/loss of minority shareholders	7	12	58.3

In 2013, the SŽ-ŽGP Group achieved a positive operating result of EUR 4,164 thousand with operating revenues and operating expenses totalling EUR 92,545 thousand and EUR 88,381 thousand, respectively. Negative results were reported in financing, which suffered a loss of EUR 274 thousand, as well as in other flows, which recorded a minus of EUR 19 thousand. Overall, the company generated a net profit of EUR 3,867 thousand.

Operating revenue surged by 89.9%, or EUR 43,803 thousand on the previous year and was comprised largely of revenues from relations with others on the domestic market, which totalled EUR 76,136 thousand and were mostly generated by SŽ-ŽGP (in particular from services for works on request or in public tendering).

An increase was also recorded in operating expenses, which rose by 101.4%, or EUR 44,503 thousand compared to 2012. They were comprised largely of costs of services (69.2%) with the biggest chunk thereof attributed to subcontracting.

The costs of goods, materials and energy peaked at EUR 14,619 thousand, an increase compared to 8,742 EUR from the previous period, and accounted for 16.5% of operating expenses.

Labour costs amounted to EUR 10,462 thousand and are up 6.2%, or EUR 614 thousand on the previous period. They accounted for 11.8% of total operating expenses.

At the end of 2013, the SŽ-ŽGP Group counted 369 employees.

Recent years witnessed various modernizations of the rolling stock and machinery, which also included investment in specialized rail construction vehicles and small machinery to replace costly manual labour. In 2013, investment in property and new equipment reached a total of EUR 1,300 thousand.

The SŽ-ŽGP Group concluded the 2013 reporting year with success and sound financial results. The company implemented and participated in every project relating to Slovenian rail network while expanding its business to the production of road noise barriers.

Similar to the previous period, the management, rationalization and optimization of business processes were a key concern for the company.

An analysis of the domestic market situation coupled with unreliability of investment in Slovenian rail system prompted the company to secure market segments also outside Slovenia.

The market presence of SŽ-ŽGP in the Western Balkans, especially in the Republic of Serbia and Montenegro, is maintained by two subsidiaries, namely SŽ-ŽGP, d. o. o., Beograd and SŽ-Željezničko građevinsko preduzeće, d. o. o., which had been set up in 2009 and 2010 respectively.

The subsidiaries aim to secure and carry out works for the modernization of rail and tram infrastructure in the Republic of Serbia and Montenegro as well as other countries from the former Yugoslavia. Since their establishment, both subsidiaries have been successful at securing and carrying out modernization works on the rail and tram infrastructure, be it independently or in cooperation with the parent company SŽ-ŽGP.

In Montenegro, the company signed a contract worth EUR 1,281 thousand with the Delegation of the European Union to Montenegro to reconstruct the Trebešica station on the line section between Bar and Vrbnica. The work was carried out by SŽ-ŽGP Beograd.

In 2013, the Republic of Serbia did not put any projects out to tender for the construction and reconstruction of its rail network. The company, nevertheless, still participated in three projects, which involved:

- Construction of an industrial track for the storage of liquefied petroleum gas (LPG) for Petrol LPG, d. o. o., in the city of Smederevo,
- Reconstruction of a level crossing on the line between Obrenovac and Stubline,
- Reconstruction of the line between Bar and Vrbnica, the Trebešica station.

The company keeps track of its existing customers while maintaining contact with any potential users of its services. As part of that endeavour, the company amongst others took part in a tendering for works in the Republika Srpska, one of the two entities in BiH.

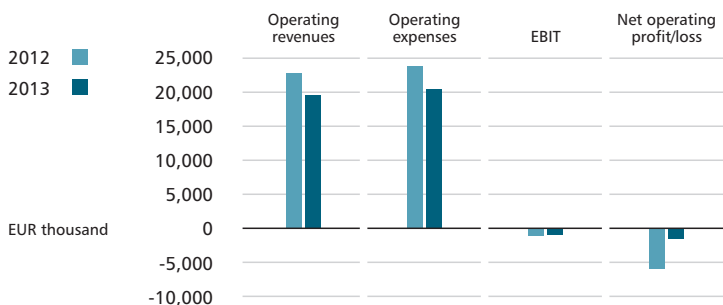
The work completed in 2013 together with ongoing projects in 2014 provide a solid basis for further development and business in 2014.

The Fersped Group

Activities:

- Road, rail, maritime and air logistics;
- Warehousing as part of freight forwarding;
- Customs brokerage;
- Sale of goods and other services.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – The Fersped Group (EUR thousand)	2013	2012	Index
Operating revenues	19,510	22,861	85.3
Operating expenses	20,512	23,921	85.7
Operating profit/loss	(1,002)	(1,060)	94.5
Financial revenues	53	320	16.6
Financial expenses	368	5,318	6.9
Result of cash flows	(315)	(4,998)	6.3
Other revenues	29	50	58.0
Other expenses	202	3	
Result of other flows	(173)	47	
Corporate income tax	0	2	0.0
Net profit/loss	(1,490)	(6,013)	24.8

In 2013, the company reported a negative operating result of EUR 1,002 thousand with operating revenues and operating expenses totalling EUR 19,510 thousand and EUR 20,512 thousand, respectively. Negative results were also recorded in financing, which suffered a loss of EUR 315 thousand, and other flows, which saw a minus of EUR 173 thousand. Overall, the net result was negative, totalling EUR 1,490 thousand.

Operating revenue was down 14.7%, or EUR 3,351 thousand on the previous period and comprised net sales revenue of EUR 19,379 thousand and other operating revenue, which reached EUR 131 thousand.

A decrease was also recorded in operating expenses, which fell to EUR 20,512 thousand from EUR 23,921 thousand in 2012. They mostly comprised costs of services (78.2%), which were down 17.2% or EUR 3,328 thousand on the previous period, peaking at EUR 16,035 thousand. Costs of services were largely associated with logistics services, which also incurred less costs compared to 2012.

The costs of goods, materials and energy rose to EUR 1,410 thousand from EUR 931 thousand in the previous year, accounting for 6.9% of total operating expenses.

Labour costs amounted to EUR 2,216 thousand and were down 14.2%, or EUR 367 thousand on 2012. They accounted for 10.8% of total operating expenses.

At the end of 2013, the Fersped Group counted 85 employees.

Investment in 2013 totalled EUR 3 thousand.

The 2013 reporting year was a difficult time for the company as a whole, as it was faced with some major changes and challenges.

At the beginning of the year, the company declared insolvency (capital inadequacy), as the losses from past periods were greater than its capital. The management responded by preparing a plan on financial restructuring, which obtained the owners' approval and was implemented to an extent after the first recapitalization halfway through 2013.

Meanwhile, as part of the restructuring plan, the company also carried out significant changes in its organisational structure, followed by sharp cuts in the active workforce in July (termination of fixed-term employment, termination of employment for business reasons, redeployment inside the Group, lay-offs) and replacement of the general manager in the same month. After a squeeze-out of its minority shareholders by Slovenske železnice, Fersped became a wholly-owned subsidiary of the rail operator. In October, an agreement was signed with the social partners to disable for a year the advancement to higher company positions and to extend the arrangement on temporary wage reduction.

Coupled with a bad economic shape of the region and dire competition in the sector, said situation largely affected the business results, which failed to reach the planned target. Furthermore, after the sole owner decided to change certain strategic directions of the original financial restructuring plan, the management drew up a revised plan, which was approved by the owner and implemented at the end of the year following a second recapitalization. The company was therefore able to finish the reporting period with a remedied financial picture and the required level of capital adequacy.

The saturation of the logistics service market in Slovenia is currently rather high – next to large and small domestic logistics providers, there is also an increasing number of major international entrants, such as DHL, DB Schenker, Kuhne & Nagel, and others. Unlike their domestic rivals, however, the latter are able to operate at shipping and intermodal charges which are up to 30% lower than the competitors', making it far easier to obtain new orders.

Owing to its reputation, 45 years of tradition and good customer relations, Fersped is able to maintain a solid presence in domestic logistics, but the company struggles on international markets because of its limited access to international logistics networks.

Following a launch of warehousing and handling services in Koper at the end of the year, the company successfully improved its competitiveness, especially compared to the local providers of comprehensive logistics services.

The subsidiaries in the cities of Sarajevo and Trieste, associates, and partnerships with international logistics businesses allow the company to meet the clients' logistics needs in Europe and across the globe.

As an active member in the Transport Association (management) and the Association of Port Logistics Providers (presidency) of the Chamber of Commerce and Industry of Slovenia (GZS), Fersped is able to maintain contact with trade associations and organisations active on the international scene. Furthermore, through membership in the International Federation of Freight Forwarders Associations (FIATA) and the International Air Transport Association (IATA), the company obtained the data and documents required to do business on any international market in line with the norms upheld by the two organisations.

2013 saw a lot of attention given to interaction with existing and potential business partners, which included paying regular visits to key foreign partners, networking on international seminars and trade fairs abroad, and participating in international activities of GZS in Slovenia as well as abroad.

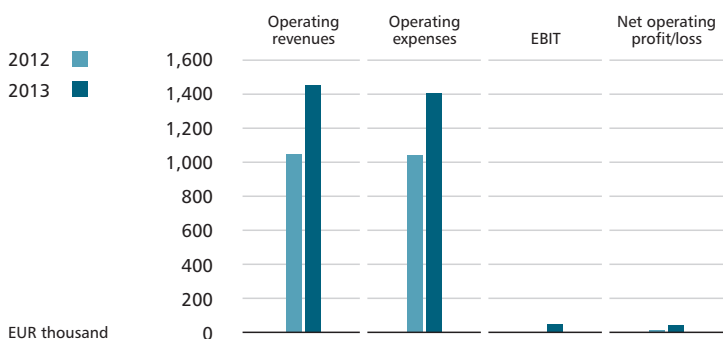
The company set rather ambitious goals for 2014 to increase volumes and improve business operation, in particular by following the guidelines from the draft Strategic business plan of Fersped, d. d., for the period 2013-17. This means the company will be aiming to increase the share of foreign revenue and strengthen its sales services – two important strategic goals – while carefully managing its expenses and exploiting the synergies within the Slovenske železnice Group.

Prometni institut Ljubljana, d. o. o.

Activities:

- Research and development of transport technology;
- Research and development of transport infrastructure;
- Information support for R&D projects and development of transport system software;
- Research in transport economics and law;
- Elaboration of investment documentation.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – Prometni institut Ljubljana, d. o. o. (EUR thousand)	2013 ¹⁾	2012	Index
Operating revenues	1,454	1,045	139.1
Operating expenses	1,407	1,041	135.2
Operating profit/loss	47	4	
Financial revenues	4	8	50.0
Financial expenses	1	0	
Result of cash flows	3	8	37.5
Other revenues	0	0	
Other expenses	0	0	
Result of other flows	0	0	
Corporate income tax	7	0	
Deferred tax	(2)	1	
Net profit/loss	45	11	409.1

Negative economic trends in 2013 contributed to a fall in the amount of research and development (R&D) projects on the market. Sales and value added per employee were lower compared to the previous period mainly due to a complete lack of public procurement in the Institute's operating areas (mainly R&D and elaboration of investment documentation in transport, especially rail), which has been an issue in the Republic of Slovenia since autumn 2011.

Despite such circumstances, Prometni institut Ljubljana finished the 2013 financial year with a positive result. The company reached an operating result of EUR 47 thousand, with operating revenues and expenses totalling EUR 1,454 thousand and EUR 1,407 thousand, respectively. Financing generated a profit of EUR 3 thousand while net profit peaked at a plus of EUR 45 thousand.

Operating revenues rose by 39.1%, or EUR 409 thousand on the previous period and reached EUR 1,454 thousand. They were comprised largely of net sales revenues (77.2%), which jumped 50.1%, or EUR 375 thousand on the figures from 2012, stopping at a total of EUR 1,123 thousand in 2013. Net sales revenue consisted of domestic revenues totalling EUR 1,062 thousand (up from EUR 691 thousand in 2012) and foreign market revenues, which reached EUR 61 thousand (up from EUR 57 thousand in the previous period).

Other operating revenue totalled EUR 331 thousand, which is a growth of 11.4%, or EUR 34 thousand on 2012, and comprised work performed in international projects co-financed by the European Union.

The main clients of Prometni institut Ljubljana in 2013 included: the Slovenske železnice Group, international projects funded by the European Regional Development Fund, other domestic contracting entities (Ministry of Infrastructure and Spatial Planning etc.) and one foreign customer (MAV).

Operating expenses in 2013 increased by 35.2%, or EUR 366 thousand to EUR 1,407 thousand. They mostly comprised labour costs (77.4%), which went up 31.5%, or EUR 261 thousand on the previous period, reaching a total of EUR 1,089 thousand (the increase is attributed to the transfer of a part of Slovenske železnice workforce to Prometni institut).

The costs of services rose by 61.7%, or EUR 100 thousand and reached a total of EUR 262 thousand in 2013. They accounted for 18.6% of total operating expenses.

¹⁾ The Research and Development department was transferred from Slovenske železnice to Prometni institut (consequently evident in an increase of operating revenue and expenses).

A similar increase was noted in the costs of goods, materials and energy, which grew by 50%, or EUR 5 thousand to EUR 15 thousand and had a 1.1% share in total operating expenses.

At the end of 2013, the company counted 27 employees.

Investment in 2013 totalled EUR 5 thousand and was mostly spent on new computer software and hardware.

Prometni institut aims to become an internationally recognized research institute placed on the UIC member recommendation list of R&D organizations and participate in various UIC projects and EU programmes. Moreover, the company has been gaining in importance as a coordinator between the Slovenske železnice Group and national and European institutions in the field of legislation, guidelines and development trends, which helps improve the Group's options to obtain EU funding for various development projects.

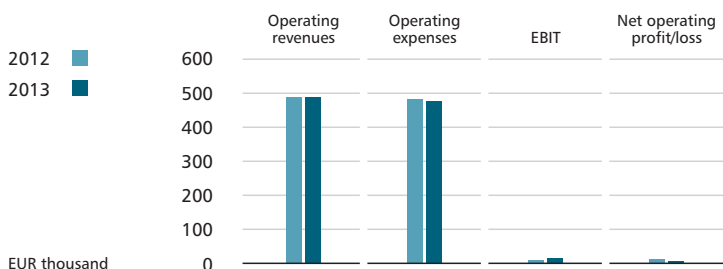
Prometni institut is presently cooperating with many different foreign institutions, such as the European Commission, International Union of Railways (UIC), various foreign universities, international R&D institutions in the field of transport, and other economic operators in the transport industry, in particular rail. At the end of 2012, Prometni institut Ljubljana became a full member of the International Railway Research Board (IRRB), a UIC body.

SŽ-Železniška tiskarna Ljubljana, d. d.

Activities:

- Printing of rail tickets, train timetables, advertising material and rail trade forms;
- Other printing and bookbinding services.

Revenues, expenses, profit and loss



Operating categories of the income statement

Income statement – SŽ-Železniška tiskarna Ljubljana, d. d. (EUR thousand)			
	2013	2012	Index
Operating revenues	488	487	100.2
Operating expenses	478	483	99.0
Operating profit/loss	10	4	250.0
Financial revenues	8	4	200.0
Financial expenses	17	0	
Result of cash flows	(9)	4	
Other revenues	0	0	
Other expenses	0	0	
Result of other flows	0	0	
Net profit/loss	1	8	12.5

In 2013, Železniška tiskarna Ljubljana reported a positive operating result in the amount of EUR 10 thousand, with operating revenues and expenses totalling EUR 488 thousand and EUR 478 thousand, respectively. Although financing was negative (EUR 9 thousand), the company generated a positive net profit of EUR 1 thousand.

Compared to 2012, operating revenue rose by 0.2%, or EUR 1 thousand and comprised net sales revenues (EUR 496 thousand), variation (reduction) in stocks of finished goods and work-in-progress (EUR 9 thousand), and other operating revenue (EUR 1 thousand). The majority of revenues were generated from printing timetables, paper tickets, publications, brochures, forms, labels, marketing forms, books, leaflets and posters, most of which (94.0%) were sold to the Slovenske železnice Group for a total of EUR 459 thousand.

Operating expenses reached EUR 478 thousand, down on EUR 483 thousand in 2012. They mostly consisted of labour costs (53.8%), which amounted to EUR 257 thousand and were down 1.2%, or EUR 3 thousand on the previous period.

The costs of services rose by 8.6%, or EUR 8 thousand to a total of EUR 101 thousand in 2013. They accounted for 21.1% of total operating expenses.

The costs of materials and energy, on the other hand, fell from EUR 86 thousand in the previous period to EUR 75 thousand and had a 15.7% share in total operating expenses.

At the end of 2013, the company counted 13 employees.

Investment in 2013 totalled EUR 1 thousand and was spent on computer equipment.

The objective of the company is to generate a positive business result. The business plan for 2014 and onwards is designed in line with a strategy which defines the purpose of company to serve as a 'one-stop-shop' for all printing and booking needs of Slovenske železnice, irregardless of quantity. Furthermore, the business politics will be designed in a manner to ensure proper harmonization between cash and goods flows, liquidity, assets profitability (ROA), and financing of business processes from own assets, which is associated with quick production and the appropriate quality and quantity of products. Similar to the previous years, free capacities will be sold on the market.

Staff

Fluctuation in the workforce

On 31 December 2013, the number of staff in the Slovenske železnice Group counted 8,099 employees, which is down 2.2%, or 180 employees on the previous period.

Company	Situation on 31. 12.		Average number	
	2013	2012	2013	2012
SŽ, d. o. o.	453	302	394	313
SŽ-Tovorni promet, d. o. o.	1,312	1,356	1,341	1,426
SŽ-Potniški promet, d. o. o.	623	648	636	656
SŽ-Infrastruktura, d. o. o.	2,355	2,492	2,422	2,605
SŽ-Vleka in tehnika, d. o. o.	2,138	2,257	2,186	2,347
The ŽGP Group	369	335	370	373
The ŽIP Group	724	754	736	788
The Fersped Group	85	100	94	105
Prometni institut, d. o. o.	27	22	29	22
SŽ-Železniška tiskarna, d. d.	13	13	13	13
Total	8,099	8,279	8,221	8,648

The average age of the Group workforce as of 31 December 2013 rose by 0.5 years to 45.7 years.

As far as education structure is concerned, the situation is improving as the share of employees with education level VI and VII was on the rise compared to 2012. However the percentage of workforce with level IV education is still the highest, accounting for 33.3%, or 2,693 of all employees.

Following a public tender, in 2013 Slovenske železnice gained the status of an entity for the education of rail operational staff and operational staff at industrial (private) rail lines. A total of 490 employees took courses in rail operational training in 2013. Regular training courses were taken by as many as 3,760 rail operational employees, while a further 77 had to participate in additional examinations of competence.

The company policy on wages was implemented in line with the following agreements: Collective agreement for railway transport operation (Official Gazette of the Republic of Slovenia No 95/07, Official Bulletin No 3/07), Tariff Annex to the Collective agreement (the Annex entered into force on 18 September 2007 and was published in Official Gazette of the Republic of Slovenia No. 95/07, Official Bulletin No 3/07), Agreement on financial stimulation to promote better operating results of Slovenske železnice and implement wage adjustments from 2009 and 2010 and Agreement on measures regarding revenue, expenditure and material costs as well as wages, compensations and other benefits in the Slovenske železnice Group.

In addition to the documents listed above, the company policy on wages was also regulated by the following legislation and agreements: Personal Income Tax Act (ZDoh-2, Official Gazette of the Republic of Slovenia No 117/06 with amendments), Social Security Contributions Act (ZPSV, Official Gazette of the Republic of Slovenia No 5/96 with amendments), Pension and Disability Insurance Act (official consolidated text, ZPIZ-1-UPB4, Official Gazette of the Republic of Slovenia No 109/06) and Agreement on the formation of pension scheme regarding voluntary supplemental pension insurance (URO, No 6/02).

Investment

The Slovenske železnice Group investment in fixed assets in 2013 totalled EUR 20,149 thousand and accounted for 57.3% of annual planned investment.

(EUR thousand)	2013	2012	Index
SŽ-Tovorni promet, d. o. o.	8,873	9,963	89.1
SŽ-Potniški promet, d. o. o.	6,138	7,395	83.0
SŽ-Infrastruktura, d. o. o.	1,538	2,643	58.2
SŽ, d. o. o.	452	392	115.3
• Služba za informatiko (IT)	306	206	148.5
• Služba za upravljanje z nepremičninami (Property Management)	59	182	32.4
• Službe SŽ (Other sections)	87	4	
SŽ-Vleka in tehnika, d. o. o.	1,024	1,490	68.7
SŽ-ŽIP, storitve, d. o. o.	815	299	272.6
The SŽ-Železniško gradbeno podjetje Group	1,300	1,381	94.1
SŽ-Železniška tiskarna, d. d.	1	7	14.3
Prometni institut Ljubljana, d. o. o.	5	46	10.9
Fersped, d. d.	3	221	1.4
Total	20,149	23,837	84.5

Due to an unfavourable financial situation, investment in 2013 consisted mostly of high-priority investments which comprised investments continued from the previous period and new investments to ensure smooth operation of passenger and freight services.

Investment by type (EUR thousand)	2013
Rail vehicle maintenance	16,341
Buildings and equipment	2,022
IT	570
Other	1,216
Total	20,149

In 2013, a large majority of investment (81.1%, or EUR 16,341 thousand) was comprised of investments in passenger and freight rolling stock. Investment in rolling stock was carried out periodically and consisted in particular of regular revisions and maintenance of vehicles after the end of their service life.

Assessment of rail transport safety and quality

The safety of rail transport is assessed by examining the number and consequences of rail emergency events and incidents in the accounting year and comparing them with the statistics from the previous period.

A total of 35 emergencies (serious accidents and accidents) occurred in 2013, which is 11 cases less than in the previous period. In 7 cases, the cause was attributable to rail, while the remaining 28 were happened due to a cause which was not related to rail operations.

Emergencies caused by the rail comprised 4 cases due to a human error, while the remaining 3 were attributed to technical defects of the rolling stock or infrastructure. The causes unrelated to rail comprised 3 instances of a force majeure and 25 cases due to the fault of a third party.

The number of incidents fell by 56 compared to 2012 and amounted to a total of 744, of which 373 cases (down by 74 on 2012) were caused by the rail and 371 (up by 18 on 2012) occurred due to third parties.

Rail transport quality, on the other hand, is evaluated by examining the quality of rail services sold, the periods of delays, and the condition of trains and rail stations.

Train condition was assessed on the basis of control samples taken from individual vehicles. The results showed that 99.1% of trains are in good shape, which is up 1.1% on 2012. The condition of stations, on the other hand, fell by 3.0% to a total of 85.2% in 2013.

Rail transport safety cannot be assessed over a larger time span due to the changes in legislation mentioned in previous chapters of this summary. A comparison with the statistics from the previous year, however, indicated an improvement in safety.

Quality management system

The quality management system (QMS) was implemented in line with ISO 9001:2008, rules of procedure and the quality manual, which was accompanied by periodic internal assessments, review by the management, re-assessment of the QMS and other quality-related checks. The quality policy and objectives achieved in 2013 were in line with the capacities and business growth of Slovenske železnice.

A total of 32 internal and other assessments were carried out in individual companies, departments, in the secretariat and other business units of the Slovenske železnice Group, which identified 18 cases of non-compliance and issued a total of 172 recommendations for improvement. So far, 16 non-compliance issues were resolved, with the correction of the remaining two underway.

Bureau Veritas (BV) carried out a surveillance audit of the quality management systems in the parent Slovenske železnice and the subsidiaries SŽ-Infrastruktura, SŽ-Tovorni promet and SŽ-Potniški promet as well as in Prometni institut Ljubljana and issued general observations and recommendations for improvement.

Training and competence assessment were performed in line with the plan and regulations. A total of 490 employees took courses in rail operational training in 2013. Regular training courses were taken by as many as 3,760 rail operational employees, with a further 77 who had to take additional examinations of competence and another 104 that participated in functional training.

The total number of serious accidents, accidents and incidents was lower compared to 2012. The same applies to serious accidents, accidents and incidents which were caused by the fault of rail. In 2013, the material damage associated with emergency events and incidents caused by the rail amounted to EUR 298.8 thousand, which is a notable decrease compared with EUR 461.0 thousand in the previous period.

The results of surveys on passenger satisfaction with rail services indicated a slight improvement on the previous year, exceeding the planned target of 85% (user ratings 'good' or higher)

Railfreight services, on the other hand, were given a total rating of 65%, which is attributed to a change in the rating scale and the level of satisfaction (1-2). Against a backdrop still affected by the recession, most companies tend to be displeased with their business results and such sentiments are likely to influence their satisfaction with partners, in particular when it comes to the cost of supplier services.

User satisfaction with the infrastructure, however, received a perfect score of 100%, which is slightly higher than the previous period.

Passenger transport received an increased amount of complaints in 2013, most of which were related to technical deficiencies and decreased capacity of the rolling stock, to train reliability (punctuality), to the attitude and helpfulness of station staff, and to train timetable.

Indicators of user satisfaction with freight services (complaints, damage reports and compensation claims) showed an improvement compared to the previous period.

Environmental management system

According to the environmental policy of the Slovenske železnice Group, companies in the Group are committed to manage and reduce the environmental impacts of their activities in the framework of their business operation and in line with the applicable environmental legislation and the companies' financial capacity. Furthermore, every employee is expected to follow the environmental commitments, which include maintaining a clean environment, making efficient use of energy, ensuring optimal consumption of water and other natural resources as well as consistently separating waste.

In 2013, Bureau Veritas carried out a second surveillance audit of the conformity with the international standard ISO 14001 (environmental management system – EMS) in the parent Slovenske železnice and the subsidiaries SŽ-Tovorni promet, SŽ-Potniški promet and SŽ-Infrastruktura, all of which had obtained the said ISO certification as early as 2002. While all management systems were found compliant with ISO 14001, a total of 15 corrective measures were issued based on the recommendations from Bureau Veritas.

Subsidiaries with EMS certification carried out a total of 11 internal audits in 2013 which examined in particular the efficiency and effectiveness of the practical implementation of environmental goals and legislation. The audits yielded 20 recommendations for improvement of the implementation.

Companies in the Group which are ISO 14001:2004 certified ensure regular implementation of all relevant environmental protection laws and regulations applicable in the Republic of Slovenia.

In 2013, there are no records of emergency events with negative impacts on the environment.

Energy consumption in rail recorded encouraging results which supported the efficiency of rail transport and indicated growth in the carriage of dangerous goods and reduction in the consumption of tap water. On the other hand, the costs of energy consumption in buildings and equipment and waste management costs recorded a slight rise in the second half of 2013 due to a higher rate of VAT.

Income statement by individual company/activity

(EUR thousand)	SŽ Group	SŽ	SŽ-TP	SŽ-PP
Operating revenues	504,040	20,769	178,255	86,186
Net sales revenues	430,403	19,154	172,038	42,748
• Revenues in the domestic market	255,588	19,012	20,584	33,643
– Transport revenues	38,350	0	9,941	32,367
– Other revenues	103,898	19,012	10,643	1,276
– Contracts with the Government	113,340	0	0	0
• Revenues in the foreign market	174,815	142	151,454	9,105
– Transport revenues	149,479		145,340	8,661
– Other revenues	25,336	142	6,114	444
Change in inventories of finished goods and work in progress	(475)	0	0	0
Capitalised own products and own services	20,153	0	0	0
Other operating revenues	53,959	1,615	6,217	43,438
of which: Contracts with the Government	41,569			41,569
Operating expenses	484,018	18,166	173,871	81,810
Purchase value of goods and material sold	1,967	0	57	14
Costs of material	39,571	135	2,957	3,259
Costs of energy	35,333	193	18,666	8,366
Costs of services	150,351	4,343	101,017	42,868
Costs of labour	216,634	11,264	34,503	15,542
Amortisation	37,107	1,758	16,036	11,643
Other operating expenses	3,055	473	635	118
Operating profit/loss (EBIT)	20,022	2,603	4,384	4,376
Financial revenues	8,511	17,462	4,715	389
Financial expenses	8,576	12,857	5,502	1,883
Result of cash flows	(65)	4,605	(787)	(1,494)
Other revenues	185	7	53	
Other expenses	793	177	261	41
Result of other flows	(608)	(170)	(208)	(41)
Total profit/loss	19,349	7,038	3,389	2,841
Income tax	639	287	0	0
Deferred taxes	(4)	0	0	0
Net profit/loss	18,714	6,751	3,389	2,841

Companies in the group						
SŽ-INF	SŽ-VIT	ŽIP Group	ŽGP Group	Fersped Group	PI	SŽ-ŽTL
138,853	96,500	22,965	92,545	19,510	1,454	488
137,579	96,411	17,608	91,471	19,379	1,123	496
137,579	88,892	17,554	90,428	9,223	1,062	496
0	0	0	0	0	0	0
24,239	88,892	17,554	90,428	9,223	1,062	496
113,340	0	0	0	0	0	0
	7,519	54	1,043	10,156	61	
	7,519	54	1,043	10,156	61	
0	(846)	3	377	0	0	(9)
17	356	42	242	0	0	0
1,257	579	5,312	455	131	331	1
135,313	95,705	21,657	88,381	20,512	1,407	478
3	73	418	243	1,307		
7,678	11,976	1,206	13,081	31	11	66
20,267	1,467	626	1,295	72	4	9
40,516	15,503	4,153	61,168	16,035	262	101
63,945	63,436	14,029	10,462	2,216	1,089	257
2,755	2,185	795	1,683	177	35	41
149	1,065	430	449	674	6	4
3,540	795	1,308	4,164	(1,002)	47	10
244	49	9	113	53	4	8
55	237	9	387	368	1	17
189	(188)	0	(274)	(315)	3	(9)
120	2	16	5	29	0	0
388	32	10	24	202	0	0
(268)	(30)	6	(19)	(173)	0	0
3,461	577	1,314	3,871	(1,490)	50	1
339	0	0	5	0	7	0
0	0	0	(1)	0	(2)	0
3,122	577	1,314	3,867	(1,490)	45	1

Balance sheet of the Group companies as at 31 December 2013

(EUR thousand)	SŽ Group	SŽ	SŽ-TP	SŽ-PP
ASSETS	636,533	689,784	303,328	173,439
A. Non-current assets	489,295	510,753	250,705	126,896
I. Intangible assets and non-current deferred expenses and accrued incomes	5,248	566	15	22
II. Tangible fixed assets	349,583	45,157	143,098	103,096
III. Investment property	1,271	0	0	0
IV. Long-term investments	19,122	363,921	10	0
V. Non-current operating receivables	113,990	101,109	107,582	23,779
VI. Deferred tax assets	82	0	0	0
B. Current assets	142,585	178,704	50,398	45,334
I. Assets (disposal groups) held for sale	141	0	0	0
II. Inventories	23,712	0	3,026	4,028
III. Short-term investments	67	161,764	0	21,435
IV. Current operating receivables	114,369	16,924	47,309	19,726
V. Cash	4,296	15	63	145
C. Current deferred expenses and accrued income	4,653	327	2,225	1,209
LIABILITIES	636,533	689,784	303,328	173,439
A. Equity	153,266	150,936	44,783	22,499
I. Called-up capital	95,070	95,070	36,861	21,480
II. Capital surplus	45,002	45,002	4,720	0
III. Revenue reserves	0	0	3,686	649
IV. Revaluation surplus	17,841	17,450	0	370
V. Retained earnings	(25,998)	(6,587)	(483)	0
VI. Net profit/loss for the period	17,933	0	0	0
VII. Consolidated equity adjustment	(8)	0	0	0
VIII. Capital of minority shareholders	3,424	0	0	0
B. Provisions and current accrued expenses and deferred costs	36,422	5,309	6,251	2,026
C. Non-current liabilities	201,371	335,842	175,760	28,675
I. Non-current financial liabilities	199,966	214,119	175,489	28,613
II. Non-current operating liabilities	1,405	121,723	270	62
III. Deferred tax liabilities	0	0	0	0
Č. Current liabilities	235,644	196,908	74,437	117,640
I. Liabilities of disposal groups held for sale	0	0	0	0
II. Current financial liabilities	168,414	180,904	52,438	106,670
III. Current operating liabilities	67,229	16,003	21,999	10,970
D. Current accrued expenses and deferred costs	9,830	789	2,097	2,600

Companies in the group						
SŽ-INF	SŽ-VIT	ŽIP Group	ŽGP Group	Fersped Group	PI	SŽ-ŽTL
59,883	58,607	17,305	48,608	9,256	1,178	1,083
25,084	34,689	10,278	18,998	3,239	155	540
247	2,741	0	51	12	13	2
7,338	31,836	9,788	12,438	1,962	40	537
0	0	0	948	269	54	0
17,236	6	0	2,060	995	0	1
263	106	490	3,427	1	40	0
0	0	0	73	0	8	0
34,717	23,876	7,001	28,764	5,893	867	541
0	0	0	0	141	0	0
3,418	7,688	194	5,210	0	0	37
0	5	10	0	52	0	0
31,250	15,946	6,260	20,886	5,473	741	275
49	238	537	2,669	226	126	229
83	42	27	846	125	156	2
59,883	58,607	17,305	48,608	9,256	1,178	1,083
22,286	29,878	8,456	14,387	2,501	851	984
15,828	26,329	6,073	3,152	5,343	162	265
0	1,536	0	46	0	112	498
1,583	803	1,065	4,515	23	16	99
0	0	0	0	22	0	0
1,754	662	5	2,652	(1,437)	516	122
3,122	548	1,314	3,860	(1,483)	45	1
0	0	0	(7)	0	0	0
0	0	0	170	34	0	0
8,202	9,899	6,055	1,036	228	95	48
323	1,685	59	3,697	213	25	0
0	1,409	5	2,206	213	13	0
323	277	54	1,491	0	12	0
0	0	0	0	0	0	0
28,665	17,110	2,678	25,389	6,216	166	51
0	0	0	0	0	0	0
2,326	2,418	9	6,202	877	4	0
26,339	14,692	2,668	19,187	5,339	162	51
407	35	57	4,098	99	41	0

Consolidated financial statements with notes for Slovenske železnice Group

Consolidated balance sheet of Slovenske železnice as at 31 December 2013

ITEM (EUR)	Balance on		Index
	31. 12. 2013	31. 12. 2012	
ASSETS	636,533,343	633,335,236	100.5
A. Non-currents assets	489,295,087	531,397,934	92.1
I. Intangible assets and non-current deferred expenses and accrued incomes	5,248,025	4,910,951	106.9
II. Tangible fixed assets	349,583,206	371,640,444	94.1
III. Investment property	1,271,084	1,347,608	94.3
IV. Long-term investments	19,121,601	15,784,199	121.1
V. Non-current operating receivables	113,989,609	137,637,145	82.8
VI. Deferred tax assets	81,562	77,587	105.1
B. Current assets	142,585,350	95,769,236	148.9
I. Assets (disposal groups) held for sale	141,375	-	-
II. Inventories	23,712,088	22,830,841	103.9
III. Short-term investments	66,785	606,857	11.0
IV. Current operating receivables	114,369,343	70,602,361	162.0
V. Cash	4,295,759	1,729,177	248.4
C. Current deferred expenses and accrued income	4,652,906	6,168,066	75.4
LIABILITIES	636,533,343	633,335,236	100.5
A. Equity	153,266,084	142,272,224	107.7
I. Called-up capital	95,070,230	95,070,230	100.0
II. Capital surplus	45,002,140	45,002,140	100.0
IV. Revaluation surplus	17,841,328	18,361,128	97.2
V. Retained earnings	(25,997,654)	(22,660,154)	114.7
VI. Net profit/loss for the year	17,933,356	2,673,966	670.7
1. Net profit for the period	17,933,356	2,673,966	670.7
2. Net loss for the period	-	-	-
VII. Consolidated equity adjustment	(7,748)	(8,535)	90.8
VIII. Capital of minority shareholders	3,424,432	3,833,449	89.3
B. Provisions and current accrued expenses and deferred costs	36,422,121	37,547,628	97.0
C. Non-current liabilities	201,371,363	301,376,288	66.8
I. Non-current financial liabilities	199,966,210	300,324,980	66.6
II. Non-current operating liabilities	1,405,153	326,425	430.5
III. Deferred tax liabilities	0	724,883	-
Č. Current liabilities	235,643,514	141,736,300	166.3
II. Current financial liabilities	168,414,414	79,974,622	210.6
III. Current operating liabilities	67,229,100	61,761,678	108.9
D. Current accrued expenses and deferred costs	9,830,261	10,402,796	94.5
OFF-BALANCE LIABILITIES	1,097,835,605	1,335,173,773	82.2

Consolidated balance sheet of Slovenske železnice for the period 1 January–31 December 2013

ITEM (EUR)	2013	2012	Index
1. Net sales revenue	430,402,644	373,034,345	115.4
a) Revenue in the domestic market	255,587,668	208,291,981	122.7
1. Transport revenue	38,349,437	36,416,623	105.3
2. Other revenues	217,238,231	171,875,358	126.4
b) Revenue in the foreign market	174,814,976	164,742,364	106.1
1. Transport revenue	149,478,605	147,022,996	101.7
2. Other revenues	25,336,371	17,719,368	143.0
2. Change in inventories of finished goods and work in progress	(475,276)	(1,499,737)	31.7
3. Capitalised own products and own services	20,153,137	20,664,029	97.5
4. Other operating revenue (including revaluation operating revenue)	53,959,337	58,014,600	93.0
a) Other revenue from operations	52,433,995	56,646,126	92.6
b) Revaluation operating revenue	1,525,342	1,368,474	111.5
5. Cost of goods, materials and services	227,222,812	171,160,637	132.8
a) Purchase value of goods and material sold and cost of material used	76,871,402	67,716,315	113.5
b) Cost of services	150,351,410	103,444,322	145.3
6. Cost of labour	216,633,522	227,046,324	95.4
a) Cost of wages	154,858,234	158,299,546	97.8
b) Cost of social security	32,454,301	33,362,571	97.3
c) Other costs of labour	29,320,987	35,384,207	82.9
7. Depreciation/amortisation	39,215,157	42,095,075	93.2
a) Amortisation	37,107,220	40,071,300	92.6
b) Revaluation operating expenses for intangible non-current assets and tangible fixed assets	377,818	977,125	38.7
c) Revaluation operating expenses for capital employed	1,730,119	1,046,650	165.3
8. Other operating expenses	946,800	1,392,718	68.0
Operating profit/loss (1±2+3+4–5–6–7–8)	20,021,551	8,518,483	235.0
9. Financial revenue from interest	5,382,489	606,932	886.8
10. Financial revenue from loans	2,767,916	713,836	387.8
11. Financial revenue from operating receivables	360,351	490,080	73.5
12. Financial expenses for impairment and write-offs of investments	128,966	2,016	6,397.1
13. Financial expenses for financial liabilities	8,184,969	8,755,118	93.5
14. Financial expenses for operating liabilities	261,771	245,144	106.8
Operating profit/loss from ordinary activities (1±2+3+4–5–6–7–8+9+10+11–12–13–14)	19,956,601	1,327,053	1,503.8
15. Other revenue	185,711	3,834,317	4.8
16. Other expenses	793,073	1,110,649	71.4
17. Income tax	639,413	526,352	121.5
18. Deferred taxes	(3,974)	44,922	-
19. Net profit/loss of the accounting period (1±2+3+4–5–6–7–8+9+10+11–12–13–14+15–16–17±18)	18,713,800	3,479,447	537.8
a) majority shareholders	17,933,356	2,673,966	670.7
b) minority shareholders	780,444	805,481	96.9

Consolidated balance sheet of the comprehensive income for the period 1 January–31 December 2013

ITEM (EUR)	2013	2012	Index
19. Net profit/loss of the accounting period	18,713,800	3,479,447	537.8
a) majority shareholders	17,933,356	2,673,966	670.7
b) minority shareholders	780,444	805,481	96.9
20. Surplus changes in revaluation of intangible assets and tangible fixed assets	(99,444)	(369,992)	26.9
a) majority shareholders	(99,444)	(369,992)	26.9
b) minority shareholders			
21. Surplus changes in revaluation of financial assets available for sale	(415,360)	(223,574)	185.8
a) majority shareholders	(420,356)	(220,353)	190.8
b) minority shareholders	(4,996)	(3,221)	155.1
22. Gains and losses from company's foreign operations (effects of changes in foreign exchange rates)	788	(5,987)	
a) majority shareholders	788	(4,779)	
b) minority shareholders	0	(1,208)	
23. Other components of the comprehensive income		5,931,776	
a) majority shareholders		7,115,579	
b) minority shareholders		(1,183,803)	
24. Total comprehensive income of the accounting period (19+20+21+22+23)	18,199,784	8,811,670	206.5
a) majority shareholders	17,414,344	9,194,421	189.4
b) minority shareholders	785,440	(382,751)	

Cash flow statement for the period 1 January–31 December 2013

Slovenske železnice Group

CASH FLOW STATEMENT (Version II) (EUR)	2013	2012
A. OPERATING CASH FLOW		
a) Profit-and-loss-account items	54,452,398	51,197,993
Operating revenue (excluding revaluation) and financial revenue from operating receivables	483,652,331	433,837,292
Operating expenses without amortisation expenses (excluding revaluation) and financial expenses from operating liabilities	(427,835,636)	(382,837,830)
Income tax and other taxes, not included in operating expenses	(1,364,297)	198,531
b) Changes in net production means (and accruals, provisions, deferred receivables and tax liabilities) of balance sheet operating items	(2,879,026)	(4,124,677)
Opening less closing operating receivables	(24,422,565)	(793,208)
Opening less closing deferred expenses and accrued income	1,515,160	(1,898,496)
Opening less closing assets (disposal groups) held for sale	(141,375)	0
Opening less closing inventories	(881,247)	1,647,585
Closing less opening operating debts	22,749,043	522,760
Closing less opening provisions and accrued expenses and deferred income	(1,698,042)	(3,603,318)
c) Net cash from proceeds in operations or net cash of expenditure in operations (a+b)	51,573,372	47,073,316
B. CASH FLOW FROM INVESTING ACTIVITIES		
a) Proceeds from investing activities	15,489,416	6,483,059
Proceeds from received interest and profit shares referring to investments	6,819,807	1,503,468
Proceeds from disposals of intangible assets	648,689	66,502
Proceeds from disposals of tangible fixed assets	5,751,954	3,389,090
Proceeds from disposals of non-current investments	617,596	662,818
Proceeds from disposals of current investments	1,651,370	861,181
b) Expenditure on investing activities	(22,841,734)	(29,873,822)
Acquisition of intangible assets	(1,486,745)	(2,767,908)
Acquisition of tangible fixed assets	(19,423,060)	(25,881,120)
Acquisition of investment property	0	(259,396)
Acquisition of long-term investments	(820,631)	0
Acquisition of short-term investments	(1,111,298)	(965,398)
c) Net cash from proceeds in investments or net cash in expenditure on investments (a+b)	(7,352,318)	(23,390,763)
C. CASH FLOW IN FINANCING ACTIVITIES		
a) Receipts from financing activities	331,531,879	146,421,438
Proceeds from increased non-current liabilities	35,005,371	16,405,402
Proceeds from increased current liabilities	296,526,508	130,016,036
b) Expenditure on financing activities	(373,186,351)	(178,123,730)
Acquisition for paid interest referring to financing activities	(30,676,109)	(17,285,164)
Acquisition for repayment of non-current liabilities	(4,390,613)	0
Acquisitions for repayment of current liabilities	(338,119,629)	(160,838,566)
c) Net cash from receipts in financing or net cash of expenditures on financing activities (a+b)	(41,654,472)	(31,702,292)
Č. Cash at the end of period		
x) Net cash flow of period (total net Ac, Bc and Cc)	2,566,582	(8,019,739)
y) Cash at the beginning of period	1,729,177	9,748,916
Cash at the end of period (x + y)	4,295,759	1,729,177

Consolidated statement of changes in equity of Slovenske železnice in the period 1 January–31 December 2013

ITEM (EUR)	Share capital	Capital reserves	Revaluation surplus	Retained net loss	Net profit for the period	Consolidation adjustment	Minority interest	Total
A.1. Balance at 31 December 2012	95,070,230	45,002,140	18,361,128	(22,660,154)	2,673,966	(8,535)	3,833,449	142,272,224
a) Retroactive recalculations			(73,395)				468	(72,927)
b) Retroactive adjustments			(8,191,456)				(1,171,909)	(9,363,365)
A.2. Balance at 1 January 2013	95,070,230	45,002,140	18,361,128	(30,925,005)	2,673,966	(8,535)	2,662,008	132,835,932
B.1. Changes in equity - transactions with owners								
i) Other changes in equity	0	0	0	1,684,092	0	0	0	1,684,092
				1,684,092				1,684,092
B.2. Total comprehensive income for the period	0	0	(519,800)	99,444	17,933,356	787	785,440	18,299,227
a) Entry of net profit/loss for the period					17,933,356		780,444	18,713,800
c) Surplus changes in revaluation of tangible fixed assets			(99,444)	99,444				0
c) Surplus changes in revaluation of financial investments			(420,356)					(415,360)
e) Gains and losses from company's foreign operations						787	4,996	787
B.3. Changes in equity	0	0	0	3,143,815	(2,673,966)	0	(23,016)	446,833
a) Transfer of remaining net profit for the period to other capital components				2,673,966	(2,673,966)			0
f) Other changes in capital				469,849			(23,016)	446,833
C. Balance at December 2013	95,070,230	45,002,140	17,841,328	(25,997,654)	17,933,356	(7,748)	3,424,432	153,266,084
BALANCE SHEET PROFIT/LOSS				(25,997,654)	17,933,356			(8,064,298)

Consolidated statement of changes in equity of Slovenske železnice in the period 1 January–31 December 2012

ITEM (EUR)	Share capital	Capital reserves	Revaluation surplus	Retained net loss	Net profit/loss for the period			Consolidation adjustment	Minority interest	Total
					Net profit for the period	Net loss for the period	Net loss for the period			
A.1. Balance at 31 December 2011	95.070.230	51.364.133	18.951.472	(18.941.004)	0	(16.484.980)	(5.734)	4.118.712	134.072.829	
A.2. Balance at 1 January 2012	95.070.230	51.364.133	18.951.472	(18.941.004)	0	(16.484.980)	(5.734)	4.118.712	134.072.829	
B.1. Changes in equity - transactions with the owners	0	0	0	(1.189.938)	0	0	0	63.165	(1.126.773)	
h) Bonuses paid to supervisory and management boards				(9.343)				63.165	(9.343)	
i) Other changes in equity				(1.180.595)					(1.117.430)	
B.2. Total comprehensive income for the period	0	7.115.591	(590.344)	369.010	2.673.966	0	(2.801)	(381.543)	9.183.879	
a) Entry of net profit/loss for the period					2.673.966			805.481	3.479.447	
c) Surplus changes in revaluation of tangible fixed assets			(369.992)	369.992					0	
č) Surplus changes in revaluation of financial investments			(220.352)					(3.221)	(223.573)	
d) Other components of total comprehensive income for the period		7.115.591		(982)				(1.183.803)	5.930.806	
e) Gains and losses from company's foreign operations							(2.801)		(2.801)	
B.3. Changes in equity	0	(13.477.584)	0	(2.898.222)	0	16.484.980	0	33.115	142.289	
a) Transfer of remaining net profit for the period to other capital components				(16.484.980)		16.484.980		3.841	3.841	
č) Settlement of loss as deductible capital item		(13.477.584)		13.477.584					0	
f) Other changes in equity				109.174				29.274	138.448	
C. Balance at 31 December 2011	95.070.230	45.002.140	18.361.128	(22.660.154)	2.673.966	0	(8.535)	3.833.449	142.272.224	
BALANCE SHEET PROFIT/LOSS				(22.660.154)	2.673.966	0			(19.986.188)	

The Slovenske železnice Group

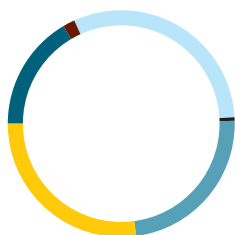
Key figures

The Slovenske železnice Group	2010	2011	2012	2013
Operating revenues (EUR thousand)	468,334	478,710	450,213	504,040
Operating expenses (EUR thousand)	475,367	476,519	441,695	484,018
EBIT – operating income (EUR thousand)	(7,033)	2,191	8,518	20,022
Net income (EUR thousand)	(19,188)	(15,351)	3,479	18,714
Assets (EUR thousand)	740,752	650,437	633,335	636,533
Equity (EUR thousand)	186,268	134,073	142,272	153,266
Revenues/Expenses	0.985	1.005	1.019	1.041
EBIT/Operating revenues	(0.015)	0.005	0.019	0.040
Return on equity	(0.131)	(0.091)	0.025	0.135
Equity/Debt	0.252	0.206	0.225	0.241
Goods transported (in thousand tonnes)	17,256.7	17,647.3	16,181.2	17,647.6
Tonne-kilometres (in million)	3,617.1	3,869.2	3,537.7	3,645.8
Train kilometres in freight transport (in thousands)	8,126	8,798	8,351	8,874
Passengers transported (in thousands)	16,220.3	15,743.5	15,512.1	16,420.5
Passengers-kilometres (in million)	813.3	773.2	741.7	760.3
Train kilometres in passenger transport (in thousands)	10,717	10,764	10,590	10,130
Average number of employees	9,694	8,886	8,543	8,221

Revenues and costs

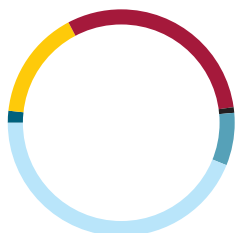
Revenues structure

Passenger transport	16.5%
Financial income	1.7%
Freight transport	31.4%
Other income	0.1%
Infrastructure	23.3%
Other financial income (services)	27.0%



Cost structure

Financial expenses	1.7%
Costs of material and energy	15.6%
Cost of services	30.5%
Other operating costs and other expenses	0.8%
Amortisation	7.5%
Labour costs	43.9%

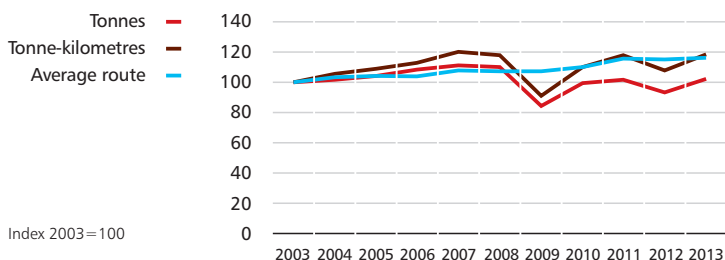


Financials

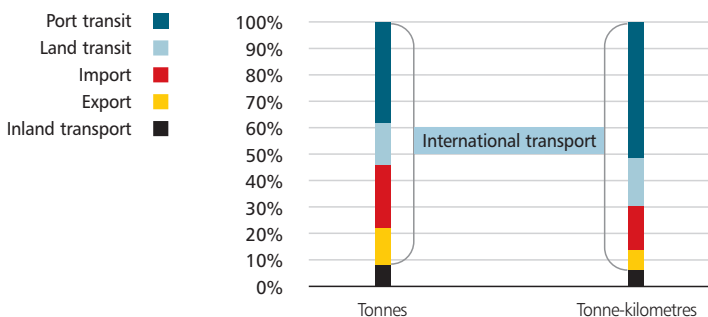
The Slovenske železnice Group	2010	2011	2012	2013
PROFIT AND LOSS ACCOUNT (in thousand EUR)				
Operating revenues	468,334	478,710	450,213	504,040
Transport revenues	182,110	196,107	183,440	187,828
• freight transport	144,713	159,858	144,557	147,278
• passenger transport	37,397	36,249	38,883	40,550
Revenues from public services	180,905	193,015	165,269	154,909
• passenger transport	45,069	44,584	44,240	41,569
• infrastructure	135,836	148,431	121,029	113,340
Other operating revenues	105,319	89,588	101,504	161,303
Operating expenses	475,367	476,519	441,695	484,018
Costs of material and energy	73,391	72,825	67,717	76,871
Costs of services	118,815	124,929	103,444	150,351
Costs of labour	236,731	228,629	227,046	216,634
Amortisation	38,389	40,212	40,071	37,107
Other operating costs	8,041	9,924	3,417	3,055
EBIT – operating income	(7,033)	2,191	8,518	20,022
Financial income minus financial expenses	(17,736)	(20,201)	(7,191)	(65)
Other income minus other expenses	6,702	4,406	2,723	(608)
Income tax	1,121	1,747	571	635
Net profit/loss for the year	(19,188)	(15,351)	3,479	18,714
INVESTMENTS (in thousand EUR)	34,304	26,827	23,616	20,149
BALANCE SHEET (in thousand EUR)				
Assets	740,752	650,437	633,335	636,533
Fixed assets	456,289	540,922	531,398	489,295
Current assets	276,598	105,245	95,769	142,585
Other	7,865	4,270	6,168	4,653
Liabilities	740,752	650,437	633,335	636,533
Equity	186,268	134,073	142,272	153,266
Non-current liabilities	393,377	364,692	338,924	237,793
Current liabilities	144,757	143,983	141,736	235,644
Other	16,350	7,689	10,403	9,830

Freight transport

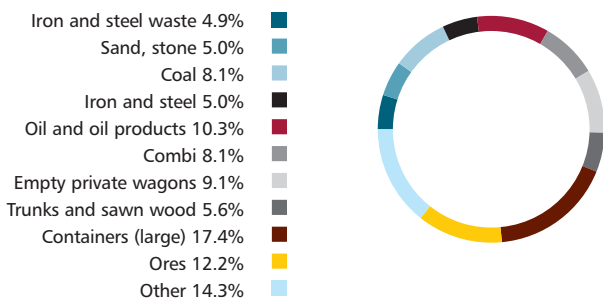
Development of freight transport volume



Freight transport structure

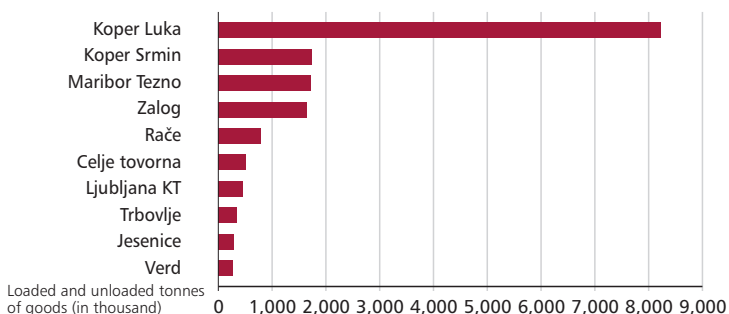


Structure of goods transported



Freight transport

Key stations



	2010	2011	2012	2013
INCOME STATEMENT¹⁾ (in thousand EUR)				
Operating revenues	166,753	185,712	171,437	178,255
Operating expenses	181,004	190,852	175,248	173,871
Operating profit/loss	(14,251)	(5,140)	(3,811)	4,384
Financial income minus financial expenses	(13,434)	(12,687)	(2,519)	(787)
Other income minus other expenses	2,203	1,478	2,458	(208)
Income tax	0	0	0	0
Net profit/loss for the year	(25,482)	(16,349)	(3,872)	3,389
GOODS TRANSPORTED				
(wagon consignments, in thousand tonnes)	17,223.5	17,616.2	16,155.8	17,624.0
INLAND TRANSPORT	1,829.8	1,441.1	1,343.2	1,526.2
INTERNATIONAL TRANSPORT	15,393.7	16,175.1	14,812.6	16,097.8
• Import	4,333.1	4,279.5	4,194.1	4,259.1
• Export	1,994.0	1,938.0	2,036.1	2,391.5
• Land transit	3,339.6	3,305.6	2,570.0	2,753.2
• Port transit	5,727.0	6,652.0	6,012.4	6,694.0
thereof:				
COMBINED TRANSPORT	4,031.6	4,282.6	4,183.1	4,493.1
• Accompanied piggyback	1,042.0	1,151.0	1,233.4	1,423.4
• Unaccompanied piggyback	2,989.6	3,131.6	2,949.7	3,069.7
WORK PERFORMED (in million tonne-kilometres)				
INLAND TRANSPORT	262.3	223.6	230.3	249.9
INTERNATIONAL TRANSPORT	3,354.8	3,645.6	3,307.4	3,645.8
• Import	656.5	672.8	657.6	637.5
• Export	270.6	249.7	270.5	306.7
• Land transit	762.4	772.2	624.2	712.8
• Port transit	1,665.3	1,950.9	1,755.1	1,988.8
thereof:				
COMBINED TRANSPORT	874.6	973.0	912.6	953.0
• Accompanied piggyback	21.6	22.4	23.6	27.0
• Unaccompanied piggyback	853.0	950.6	889.0	926.0

¹⁾ Since 1 January 2011, transport revenues are accounted for in a different manner, which influenced the levels of operating revenue and expenditure.

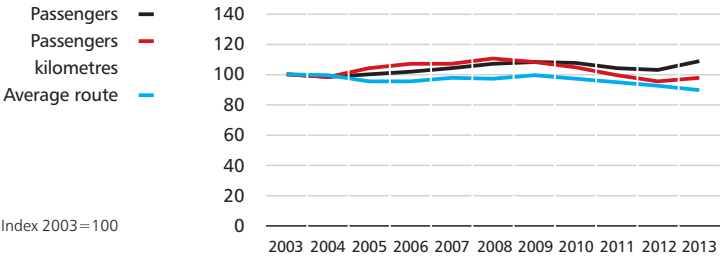
For comparison purposes, transport revenues have been recalculated for past periods.

	2010	2011	2012	2013
AVERAGE ROUTE (km)	210.0	219.6	219.0	221.0
INLAND TRANSPORT	143.2	155.2	171.5	163.7
INTERNATIONAL TRANSPORT	217.9	225.4	223.3	226.5
thereof:				
COMBINED TRANSPORT	216.9	227.2	218.2	212.1
• Accompanied piggyback	20.7	19.5	19.1	19.0
• Unaccompanied piggyback	285.3	303.6	301.4	301.7
AVERAGE WEIGHT PER WAGON (only for wagon consignments, in tonnes)	33.2	33.7	33.6	34.5
GOODS TRANSPORTED (parcels, in thousand tonnes)	33.2	31.1	25.4	23.6

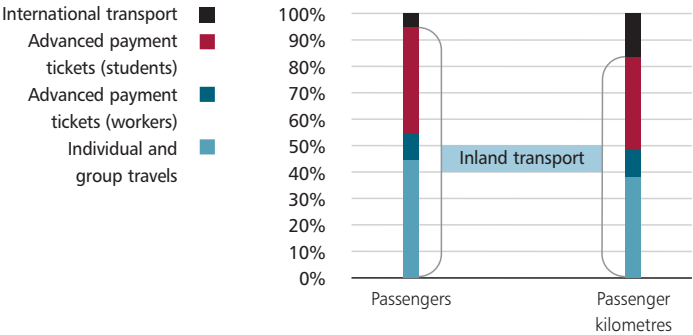
Passenger transport

Passenger transport

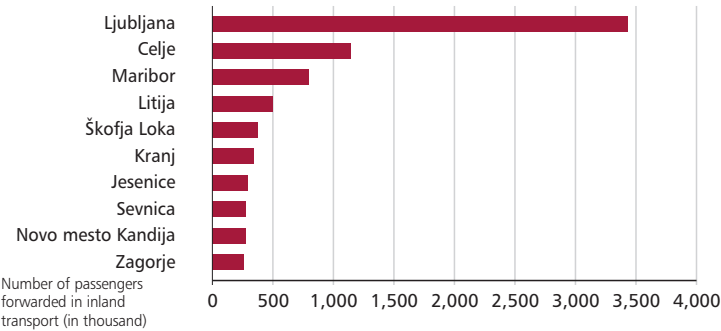
Development of passenger transport volume



Passenger transport structure



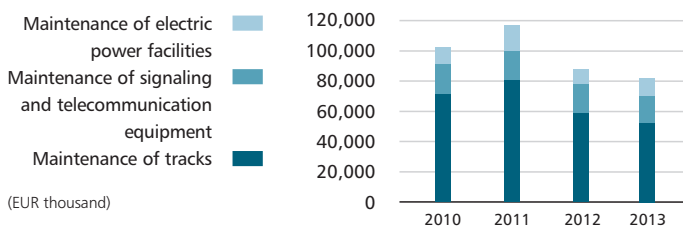
Key stations



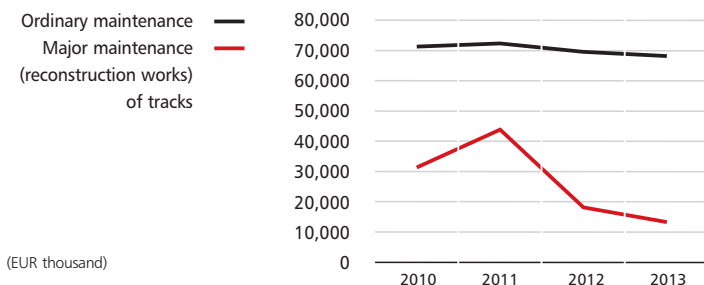
	2010	2011	2012	2013
INCOME STATEMENT (in thousand EUR)				
Operating revenues	86,657	85,764	87,423	86,186
Operating expenses	84,689	87,168	84,677	81,810
EBIT – operating income	1,968	(1,404)	2,746	4,376
Financial income minus financial expenses	(2,468)	(4,409)	(2,523)	(1,494)
Other income minus other expenses	67	389	853	(41)
Income tax	0	0	0	0
Net profit/loss for the year	(433)	(5,424)	1,076	2,841
PASSENGERS TRANSPORTED (in thousand)				
INLAND TRANSPORT	15,294.3	14,838.4	14,622.4	15,562.9
• Individual and group travels	8,720.8	8,600.5	8,284.9	7,326.3
• Advance payment tickets (workers)	1,395.0	1,434.4	1,486.1	1,657.6
• Advance payment tickets (students)	5,178.5	4,803.5	4,851.4	6,579.0
INTERNATIONAL TRANSPORT	926.0	905.1	889.7	857.6
LUGGAGE FORWARDED (in tonnes)	222.9	264.0	310.4	315.4
ACCOMPANIED CARS	11,220	13,909	13,593	11,028
PERFORMED PASSENGER KILOMETRES (in million)				
INLAND TRANSPORT	679.5	641.3	614.0	635.7
• Individual and group travels	483.1	453.3	396.4	288.8
• Advance payment tickets (workers)	48.4	50.7	49.7	77.1
• Advance payment tickets (students)	148.0	137.3	167.9	269.8
INTERNATIONAL TRANSPORT	133.8	131.9	127.7	124.6
NUMBER OF SPECIAL TRAINS	399	383	425	427
AVERAGE ROUTE (km)				
INLAND TRANSPORT	44.4	43.2	42.0	40.8
INTERNATIONAL TRANSPORT	144.5	145.7	143.5	145.3

Infrastructure

Maintenance of public railway infrastructure



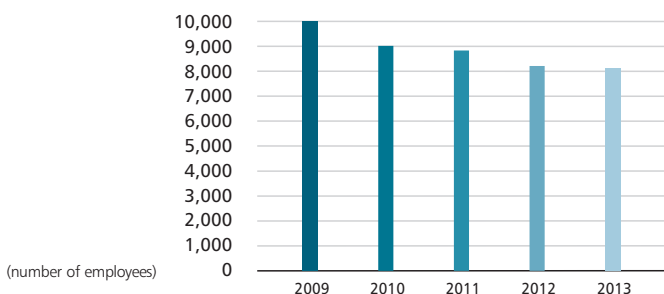
Investment maintenance of public railway infrastructure



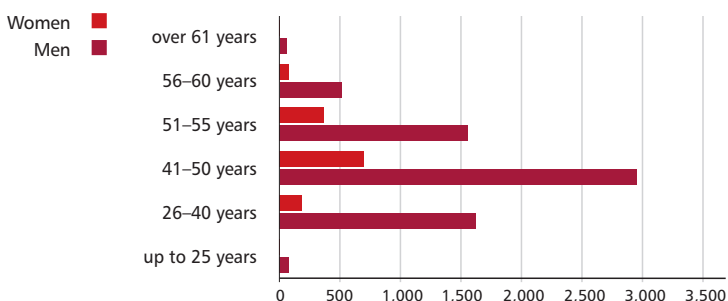
	2010	2011	2012	2013
INCOME STATEMENT (in thousand EUR)				
Operating revenues	165,818	173,063	145,289	138,853
Operating expenses	161,365	172,363	141,957	135,313
EBIT – operating income	4,453	700	3,332	3,540
Financial income minus financial expenses	1,706	645	311	189
Other income minus other expenses	1,153	1,860	(475)	(268)
Income tax	0	0	27	339
Net profit/loss for the year	7,312	3,205	3,141	3,122
MAINTENANCE OF PUBLIC RAILWAY INFRASTRUCTURE (in thousand EUR)				
Maintenance of tracks	71,759	81,439	59,053	52,514
Maintenance of signaling and telecommunication equipment	19,709	18,057	19,659	18,180
Maintenance of electric power facilities	11,143	16,965	9,286	11,064
Total	102,611	116,461	87,998	81,758

Staff

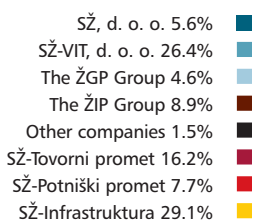
Number of employees 2009–2013 (year end)



Age and sex structure



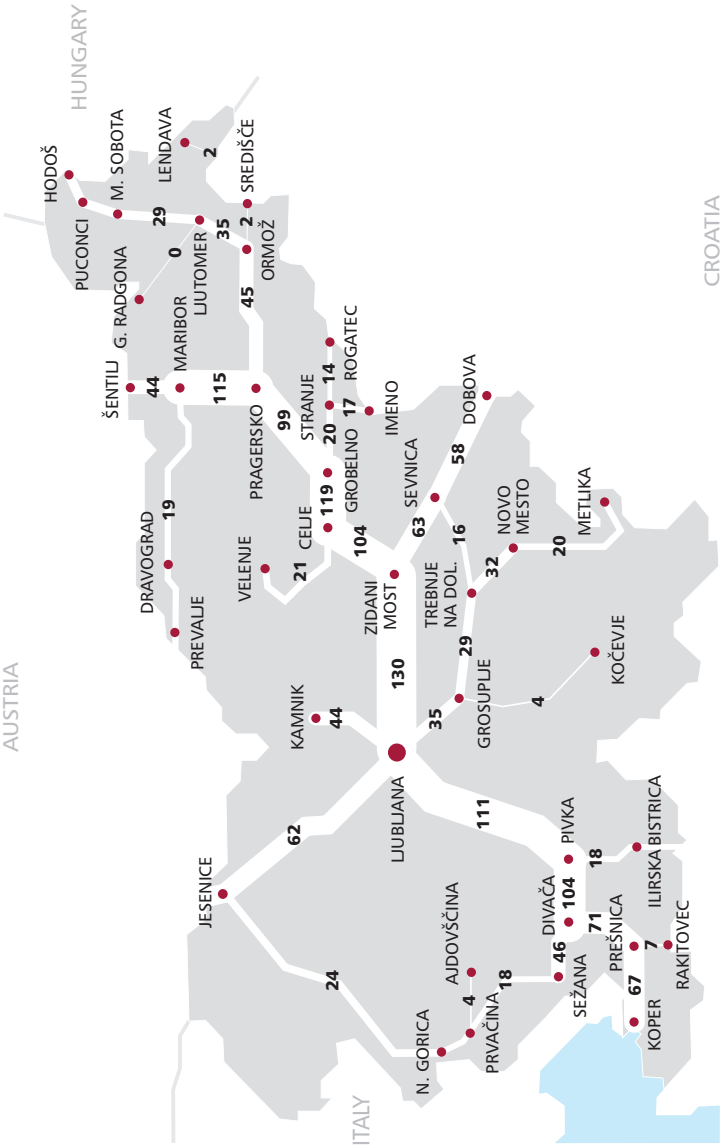
Employees by organisational units



Line utilisation

Line utilisation

Number of trains per day (passenger and freight transport)

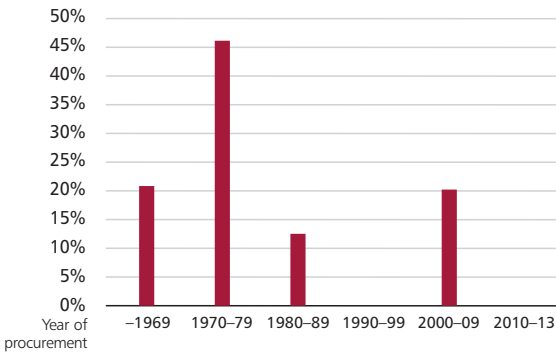


Transport services

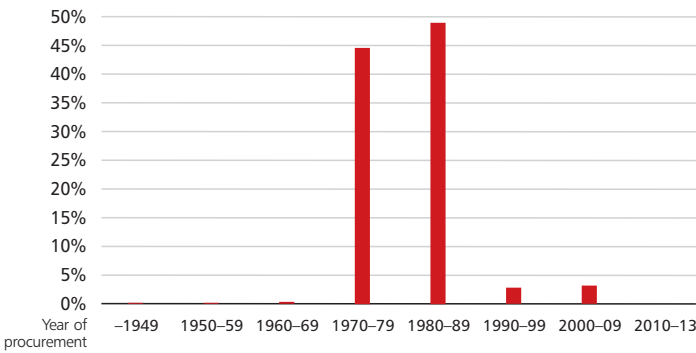
	2010	2011	2012	2013
Trains performance (thousand train km)	18,843	19,562	18,941	19,004
Freight trains (thousand train km)	8,126	8,798	8,351	8,874
Passenger trains (thousand train km)	10,717	10,764	10,590	10,130
Frequency of trains per day and route (number)	708	702	707	678
Freight trains (number)	194	197	192	197
Passenger trains (number)	514	505	515	481
Turnover of freight wagons (days)	4.9	5.5	5.7	6.1
Seat occupancy (%)	29.1	27.0	26.2	28.7
Average commercial speed				
Freight trains (km/h)	38.35	39.46	40.76	39.03
Passenger trains (km/h)	53.23	53.69	53.62	53.14
Delays				
Freight trains (min/100 train km)	78.8	68.0	49.1	62.6
Passenger trains (min/100 train km)	2.7	1.9	2.0	2.9
Available seats in passenger trains (No. of seats/train)	201	186	182	193
Average number of passengers per train (number)	86	85	83	94
Gross tonnes per freight train (tonnes)	930.9	926.6	907.4	925.4
Transported tonnes per freight train (tonnes)	460.2	462.7	452.8	467.4
Ratio net/gross tonnes (%)	49.4	49.9	49.9	50.5
Work of traction vehicles				
Electric locomotives (operation km/unit)	169,107	158,758	151,125	157,000
(thousand GHTK/unit)	112,821	119,920	101,366	114,669
Diesel locomotives (operation km/unit)	59,064	58,391	50,057	51,682
(thousand GHTK/unit)	17,696	18,122	14,139	18,481
Electric motor unit trains (operation km/unit)	174,485	179,600	181,566	182,324
(thousand GHTK/unit)	20,766	21,126	21,230	21,708
Diesel motor unit trains (operation km/unit)	108,802	106,078	108,226	109,313
(thousand GHTK/unit)	8,176	8,013	8,121	8,352
Specific power consumption				
Electric power (kWh/million GHTK)	24.72	24.31	24.59	20.64
Diesel fuel (kg/thousand GHTK)	9.31	9.00	9.98	7.53

Traction and hauled vehicles

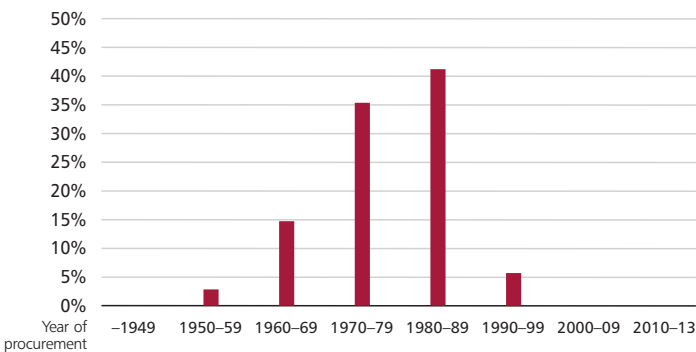
Age structure of locomotives (as of 31. December 2013)



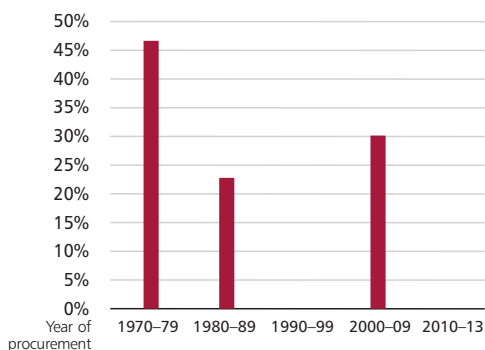
Age structure of freight wagons (as of 31. December 2013)



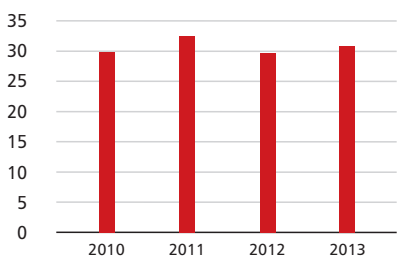
Age structure of conventional coaches (as of 31. December 2013)



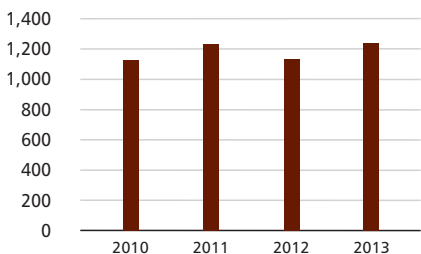
Age structure of passenger motor units trains (as of 31. December 2013)



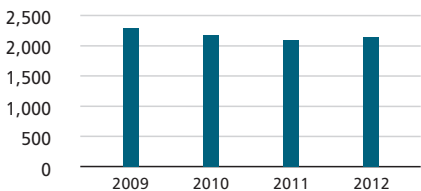
Gross hauled tonne-kilometres/locomotive (in million)



Tonne-kilometres/freight wagon (in thousand)



Passenger kilometres/passenger vehicle (in thousand)



Traction and hauled vehicles

Traction vehicles inventory

(Number)	2010	2011	2012	2013
Total	271	265	265	265
Electric locomotives	84	78	78	78
Electric motor unit trains	39	39	39	39
Diesel locomotives	74	74	74	74
Diesel motor unit trains	70	70	70	70
Museum steam locomotives	4	4	4	4

Freight wagons inventory

(Number)	2010	2011	2012	2013	4-axle	Average carrying capacity of wagons (tonnes)
Total	3,211	3,142	3,120	3,142	2,798	53.9
E open – ordinary	829	828	827	842	826	58.3
F open – special	478	478	478	478	478	56.8
G covered – ordinary	143	105	93	93	36	38.2
H covered – ordinary	348	328	323	323	246	51.7
K flat – ordinary	148	148	148	148	0	26.8
L flat – special	64	64	64	64	25	33.6
R flat – four-axle ordinary	145	145	145	145	145	55.5
S flat – four-axle special	253	253	253	260	260	58.4
T with sliding roof	558	549	545	545	538	54.0
U special	96	96	96	96	96	57.2
Z tank wagons	149	148	148	148	148	58.0
P private included in SZ rolling stock	416	415	412	408	408	63.5

Passenger coaches inventory

(Number)	2010	2011	2012	2013	Average number of seats per coach	Portion 1. cl.
2-axle coaches						
Baat	2	2	2	2	30.0	0.0%
4-axle coaches						
Passenger coaches (A, AB, B)	93	93	93	93	58.4	13.9%
Restaurant coaches (WR, AR, BR)	5	5	5	5	17.8	33.7%
DI	2	2	2	2		
Total	102	102	102	102		
there of: air-conditioned	13	13	13	13		

Statistic about infrastructure

		2013	%
SŽ – Stations	(Number)	129	
• For freight transport		9	7.0%
• For passenger transport		8	6.2%
• For mixed transport		111	86.0%
• Shunting stations		1	0.8%
Actual length of lines	(km)	1,209.1	
• For freight transport		87.2	7.2%
• For passenger transport		2.2	0.2%
• For mixed transport		1,119.7	92.6%
• Electrified lines		500.4	41.4%
Track length	(km)	1,539	
Tunnels and galleries	(Number)	93	
	(km)	37	
Bridges (stone, concrete, reinforced concrete, steel) and viaducts	(Number)	401	
	(km)	11	
Culverts (stone, concrete, reinforced concrete, steel)	(Number)	2,945	
	(km)	6	

Superlatives

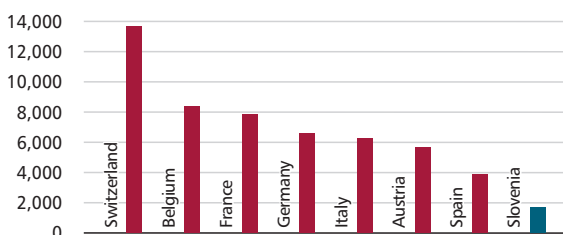
The steepest line	Prvačina–Štanjel 26.7 pars promile from km 105.639 to km 105.884
The longest horizontal	Ruše–Fala from km 11.850 to km 18.350 over a length 6,500 m on the Maribor–Prevalje line
The longest plain	Ptuj–Velika Nedelja from km 19.540 to km 35.350 over a length 15,810 m on the Pragersko–Središče line
Railway station located at the highest point above sea level	Postojna 582 m
Railway station located at the lowest point above sea level	Koper 3 m
The longest bridge	575 m Novo mesto – on the industrial siding for Revoz factory – bridge across the Težka voda stream
The highest bridge	30 m Most na Soči over the Idrijca river (length 289 m)
The longest tunnel	Bohinj tunnel 6,327.3 m
The shortest tunnel	Radovljica 25.03 m
The oldest railway line	Southern State Railway – Šentilj–Celje 2 June 1846

European railways comparison

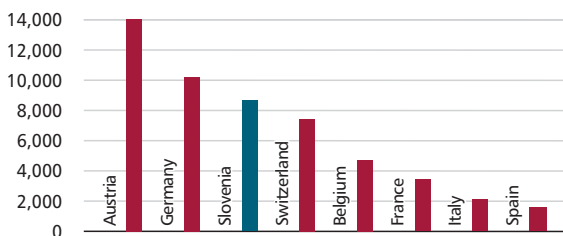
European railways comparison – 2012

Country	Railway	Lines			Average number of employees
		Length (km)	Electrified (km)	Electrified (%)	
Germany	AAE, DB AG, GVG, KEG	33,509	19,830	59	286,237
Italy	FS SpA, FNME, RTC	17,060	12,126	71	74,068
Austria	GKB, ÖBB	4,985	3,468	70	41,956
Spain	RENFE, FEVE, FGC, EuskoTren	15,666	9,489	61	31,491
Switzerland	BLS, CFF/SBB/FFS	3,551	3,551	100	32,065
Belgium	SNCB/NMBS	3,582	2,780	78	36,453
France	SNCF, RFF	30,013	15,768	53	152,005
Slovenia	SŽ	1,209	500	41	8,543

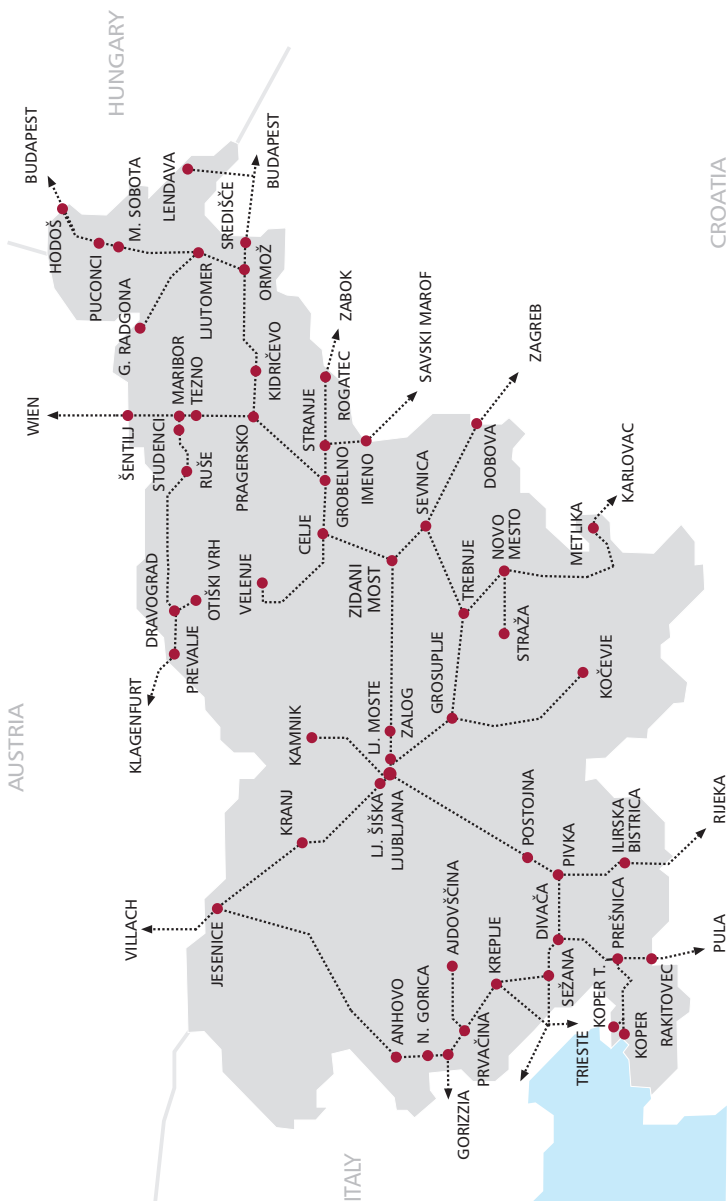
Average number of passengers per day per km of line – 2012



Average number of tonnes per day per km of line – 2012



Slovenian railway network



Sources:

Slovenian Railways Annual Report

International Railways Statistics UIC

Slovenian Railways Statistical and Analytical data