

Summary of the Annual Report 2011



Summary of the Annual Report

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Key financial performance indicators

Highlights in the income statement (EUR thousand)	The SŽ Group			Core SŽ Group ¹⁾		
	2011	2010	Index	2011	2010	Index
Operating revenues ²⁾	478,710	468,334	102.2	425,419	398,446	106.8
Net sales ²⁾	395,502	395,514	100.0	372,726	348,973	106.8
EBIT – operating profit/loss	2,191	(7,033)		(4,064)	(10,905)	37.3
EBITDA	42,403	31,356	135.2	32,222	23,886	134.9
Total profit/loss	(13,604)	(18,067)	75.3	(16,794)	(19,429)	86.4
Net profit/loss	(15,351)	(19,188)	80.0	(17,153)	(19,429)	88.3

Highlights in the balance sheet (EUR thousand)	31. 12.		Index	31. 12.		Index
	2011	2010		2011	2010	
Assets	650,437	740,752	87.8	611,842	699,708	87.4
Equity	134,073	186,268	72.0	120,140	174,497	68.8
Financial liabilities	394,326	404,037	97.6	377,453	389,411	96.6
Liabilities portion in assets	60.6%	54.5%	111.1	61.7%	55.7%	110.8

Key indicators	2011	2010	Index	2011	2010	Index
Return on equity - ROE	(9.1%)	(13.1%)	69.9	(11.0%)	(14.4%)	76.2
Return on assets - ROA	(2.2%)	(2.8%)	77.4	(2.6%)	(3.1%)	85.0
Return on sales - ROS	(3.9%)	(4.9%)	80.0	(4.6%)	(5.6%)	82.7
Value added per employee (EUR)	31,913	28,715	111.1	32,754	29,149	112.4

Operation volume and staff	2011	2010	Index	2011	2010	Index
Goods transported (in thousand tonnes)	17,647	17,257	102.3			
Net tonne-kilometres (in million NTKM)	3,869	3,617	107.0			
Passengers handled (in thousands)	15,743	16,220	97.1			
Passenger kilometres (in million PKM)	773	813	95.1			

Rolling stock

Locomotives	156	158	98.7			
Freight wagons	3,142	3,211	97.9			
Coaches	102	102	100.0			
Passenger multiple unit trains	109	109	100.0			
Number of employees (31 December)	8,797	8,982	97.9	6,642	6,892	96.4
Average number of employees	8,886	9,694	91.7	6,723	7,466	90.0

Legend of indicators:

EBITDA = EBIT + amortisation

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

Net profit/loss = Total operating profit/loss - income tax

Financial liabilities = Current and non-current financial liabilities

ROE = net profit/average equity

ROA = net profit/average assets

ROS = Net profit / net sales revenues

Gross value added per employee = the sum of the differences between the 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

¹⁾ For the purpose of comparison with the last year statistics, the consolidated financial statements of the four new companies are presented in key business statistics of the so-called 'core SŽ Group', whose structure is comparable with the structure of the company in 2010.

²⁾ Since 1 January 2011, transport revenues at Slovenske železnice are identified and presented as gross operating results; the same method is also used to present the business results from 2010.

Organisation, administration and management

In 2011, significant changes have been made in the organisational structure of Slovenske železnice. Under the Slovenian Railway Company Act (ZDSŽ), which entered into force on 11 January 2011, core operations (passenger and freight transport, maintenance of public railway infrastructure, railway traffic management, traction and technical wagon activity – TVD), which were previously performed by a single company, have been transferred to three newly created subsidiaries, with the exception of traction and TVD, which have been transferred to the company SŽ-Centralne delavnice, d. o. o.

On 1 September 2011, the following companies were established in a carve-out process as laid out in Article 8 of the Slovenian Railway Company Act (ZDSŽ):

- Slovenske železnice-Tovorni promet, d. o. o., which provides the carriage of goods in domestic and international rail traffic;
- Slovenske železnice-Potniški promet, d. o. o., which provides the carriage of passengers in domestic, cross-border regional and international rail traffic;
- Slovenske železnice-Infrastruktura, d. o. o., which provides railway infrastructure maintenance, railway traffic management and other functions related to public railway infrastructure management.

On 1 September 2011, a contractual concern was also formed, which consists of SŽ, d. o. o., as the parent company and the following subsidiaries:

- Slovenske železnice-Tovorni promet, company for the carriage of goods in domestic and international rail traffic, d. o. o.;
- Slovenske železnice-Potniški promet, company for the carriage of passengers in domestic, cross-border regional and international rail traffic, d. o. o.;
- Slovenske železnice-Infrastruktura, company for the management and maintenance of railway infrastructure and railway traffic management, d. o. o.;
- SŽ-Central Workshops Ljubljana, d. o. o.;
- SŽ-ŽIP, services, d. o. o. (Railway Company for Disabled Persons);
- Institute of Traffic and Transport Ljubljana, d. o. o.

The legal basis of the contractual concern is established in controlling contracts, which have already been successfully concluded and entered into the Register of Companies.

In 2011, a total of three instruments of incorporation of Slovenske železnice were in force: The Memorandum of Association of Slovenske železnice, d. o. o., (SV 930/09) (Akt o ustanovitvi družbe Slovenske železnice, d. o. o., (SV 930/09)), which was in force from 21 September 2009 to 29 August 2011, the Memorandum of Association of Slovenske železnice, d. o. o., which was adopted by the Government on 30 August 2011 and expired on 31 August 2011, and the Memorandum of Association of Slovenske železnice, d. o. o., which has been in force since 1 September 2011.

Two-tier corporate governance system

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

The Founder

The function of the Founder is performed by the Capital Assets Management Agency of the Republic of Slovenia. Before the formation of the Agency, the function was carried out by the Government of the Republic of Slovenia.

The Founder holds the decision-making power on key issues, specified in the national Companies Act and Memorandum of Association of Slovenske železnice, d. o. o.

In accordance with the relevant regulations and the Memorandum of Association, the Founder makes autonomous decisions regarding the approval of Memorandum of Association and any amendments thereto along with decisions related to the strategic business plan of the concern of Slovenske železnice, endorsement of the annual report and the consolidated annual report, utilization of distributable profit and coverage of loss. Furthermore, it also discharges the Supervisory Board and the Management, passes decisions regarding the changes in capital assets, appoints or dismisses the Supervisory Board members, decides on the remuneration of the Supervisory Board and appoints the auditor.

Founder meetings take place in accordance with the Founder's internal regulations.

Supervisory Board

Composition

According to the Memorandum of Association of SŽ (SV 930/09) which expired on 29 August 2011 and the Memorandum of Association of SŽ which was adopted by the Government and was in force on 30 and 31 August 2011, the Supervisory Board consisted of nine members, six of whom were appointed by the Founder and three of whom were appointed by the Works Council.

Previous members of the Supervisory Board (term of office expired on 10 September 2011)

Name	Term of office	Office
Igor Zajec, MSc	From 15. 4. 2010 to 9. 9. 2011	President
Branka Neffat	From 2. 3. 2009 to 9. 9. 2011	Vice-President
Bojan Brank	From 5. 2. 2009 to 9. 9. 2011	Member
Dr Bojan Rosi	From 17. 12. 2009 to 9. 9. 2011	Member
Romana Fišer, MA	From 14. 10. 2010 to 9. 9. 2011	Member
Alenka Podbevšek	From 14. 10. 2010 to 9. 9. 2011	Member
Silvo Berdajs	From 22. 2. 2009 to 9. 9. 2011	Member
Jože Pavšek	From 22. 2. 2009 to 9. 9. 2011	Member
Nikola Knežević	From 14. 12. 2009 to 9. 9. 2011	Member

Pursuant to the Memorandum of Association of Slovenske železnice, d. o. o., currently in force, the Supervisory Board comprises six members, four of whom are appointed by the Founder and two of whom are appointed by the Works Council.

The Founder and the Works Council have passed a decision to appoint new members of the Supervisory Board, whose term of office started on 10 September 2011.

At the end of 2011, the Supervisory Board consisted of the following members (term of office started on 10 September 2011):

Name	Term of office	Office
Bojan Brank	From 10. 9. 2011 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

Supervisory Board operation

The legal basis for the operation of the Supervisory Board is established in the national Companies Act, the Memorandum of Association of Slovenske železnice, d. o. o., in force and the Rules of Procedure of the Supervisory Board.

The Supervisory Board carries out its functions and tasks at sessions and through its committees.

The Supervisory Board supervises the management of SŽ operation and the operation of the railway concern. It is responsible for issuing opinions on Management reports regarding key business operations of the concern and parent-subsidiary relations, appointing or dismissing the Management and regulating the conclusion of the employment contracts of the Management staff. It also monitors the procedures conducted by internal control and internal audit and appraises the effectiveness of their function, verifies annual and other company financial reports, approves the annual report and the annual business plan of SŽ as well as endorses the strategic business plan of the concern and gives decisions on other matters laid out in Article 15 of the Memorandum of Association of Slovenske železnice, d. o. o., in force.

Supervisory Board committees

At the end of 2011, the Supervisory Board formed the Audit Committee, which comprised Lojze Zajc (President), Nikola Knežević (member), Viktor Markežič (member) and Tatjana Habjan (member). The competences of Committee are laid out in Article 280 of the national Companies Act.

In 2011, the Supervisory Board also formed the Human Resource Committee, which comprised Branka Neffat (President), Silvo Berdajs (member) and Dr. Bojan Rosi (member). With the appointment of a new Supervisory Board on 10 September 2011, the Human Resource Committee was discharged.

The Management

In accordance with the Memorandum of Association of Slovenske železnice, d. o. o., in force, the company's business operation is managed by the Management, which consists of three members: The Director General, who acts as an independent representative of the company, and two directors, who may represent the company only in conjunction with the Director General.

When a Worker Director is appointed pursuant to the Law on Workers' Participation in Management (ZSDU), they act as the representative of employees in human resources matters and social affairs. The Worker Director has not been appointed by Slovenske železnice, because the company has not met the conditions required for the appointment as laid out in Article 18 of ZSDU.

Composition of the Management in 2011:

- Director General: Goran Brankovič, appointed on 1 October 2009, relived of his position on 14 November 2011;
- Worker Director: Albert Pavlič, relived of his position on 15 November 2011;
- Director General: Igor Blejec, appointed on 15 November 2011, relived of his position on 22 March 2012;
- Member: Director Marjan Zaletelj, appointed on 15 November 2011, relived of his position on 22 March 2012;
- Member: Director Dušan Mes, appointed on 15 November 2011, relived of his position on 22 March 2012.

On 22 March 2012, Dušan Mes was appointed Director General for a term of four years, and on 29 March 2012, Jelka Šinkovec Funduk and Milan Perović were appointed members (Directors) of the Management, also for a term of four years.

Management of the subsidiaries

The Slovenske železnice Group consists of the parent company Slovenske železnice, d. o. o., and subsidiaries (SŽ-Infrastruktura, d. o. o., SŽ-Potniški promet, d. o. o., SŽ-Tovorni promet, d. o. o., SŽ-Centralne delavnice, d. o. o., SŽ-ŽIP, storitve, d. o. o., Prometni institut, d. o. o., SŽ-Železniško gradbeno podjetje, d. d., and SŽ-Železniška tiskarna, d. d.). The company is the sole owner or holds a majority share in all subsidiaries listed above.

The said companies are responsible for the provision of core services, which include the maintenance and management of the public railway infrastructure, management of railway traffic, carriage of passengers and freight on public railway infrastructure, train traction and technical vehicle management. In addition, they also perform ancillary, additional and other activities, necessary for smooth and quality performance of core railway operations.

On 31 September 2011, SŽ, d. o. o., have removed the disclosure of long-term financial investments in the health centre SŽ-ŽZD (investment in shares) and instead temporarily disclosed the financial claims for the centre based on the required corrective measure issued by the Court of Audit for long-term investments. The financial statement of SŽ-ŽZD has therefore been excluded from consolidated financial statements of the Slovenske železnice Group for 2011.

Subsidiaries are normally managed by the Founder directly and through the Management. This however does not apply to the subsidiaries SŽ-Centralne delavnice, d. o. o., (Central Workshops), SŽ-Železniško gradbeno podjetje, d. d., (Railway Construction Company), and SŽ-Železniška tiskarna, d. d., (Railway Printing House), which also have their respective Supervisory Boards.

The Founder holds the function and decision-making power equal to that of a general meeting. It makes independent decisions regarding:

- Changes and amendments to the Memorandum of Association;
- Utilization of distributable profit and coverage of loss;
- Changes in share capital;
- Discharge of the Management;
- Appointment and dismissal of individual members of the Management;
- Appointment of the auditor;
- Other matters in line with relevant regulation and the Memorandum of Association.

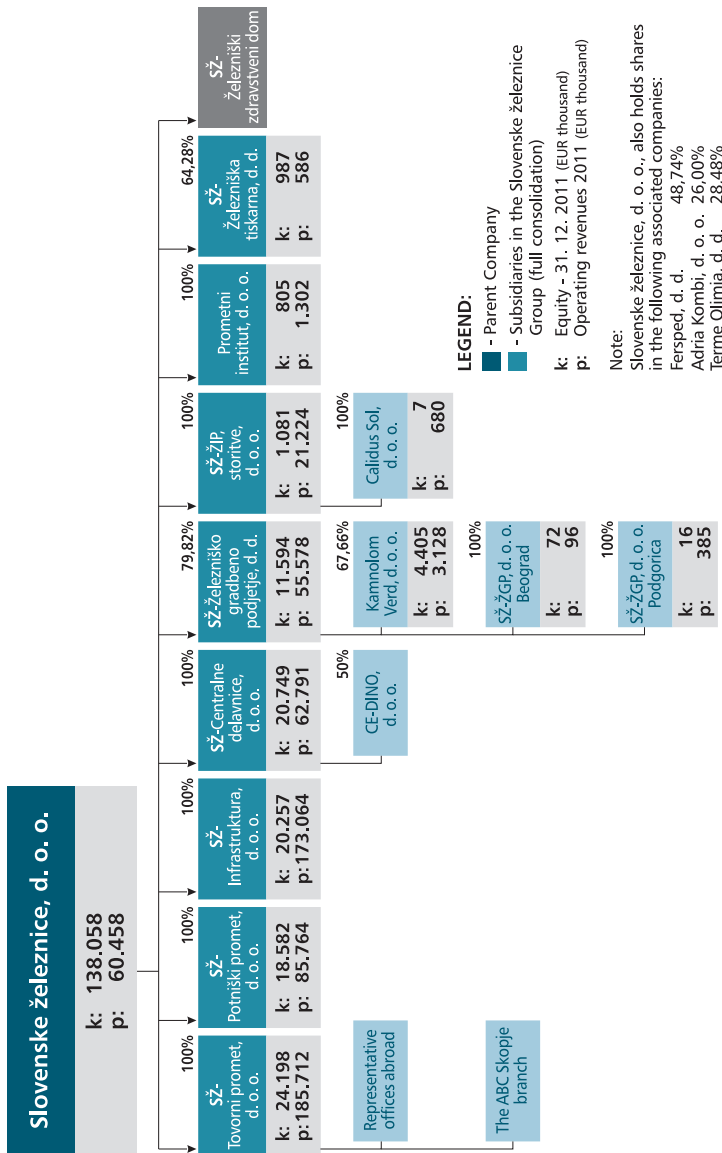
Operations are led by the manager – the Director. When a Workers' Director is appointed pursuant to the relevant law, they are granted the position of a manager, but only in human resources and social affairs.

When managing the company's business operations, the Management holds the decision-making power in all matters that are outside the competence of the Founder in accordance with the relevant regulation and the Memorandum of Association.

The Management is appointed and discharged by the Founder. Members of the Management are appointed for a term of four years, but the Founder may at any time dismiss a member from the Management.

The Management manages the company's business operations independently and holds independent decision-making power. However, it is required to consider the directions and approvals given by the parent company in accordance to the controlling contract.

The Structure of Slovenske železnice Group



Controlling Contract

The controlling contract defines the terms and conditions governing the management of concern's business operations as well as other rights and obligations of SŽ, d. o. o. It gives SŽ, d. o. o. over the administration and management of the subsidiaries.

As the parent company, SŽ, d. o. o., acquired with the controlling contract the right to issue directions concerning the business conduct of the subsidiaries and exercise direct control over them, while assuming liability to settle any potential losses of the subsidiaries.

The aim of the contracts is to establish effective decision-making process in order to deliver the best possible business results of the SŽ Group as a whole and of individual companies within the group. On that basis, the companies with mutual capital participation are unified in the contractual concern.

It is to be noted, however, that the subsidiaries remain separate legal entities, which are liable for their obligations with all their assets.

In addition to the provisions laid out in memorandums of association, the mutual relations between SŽ, d. o. o., and the subsidiaries as well as between individual subsidiaries will also be defined in special agreements (SLA – Service Level Agreements).

Corporate governance statement

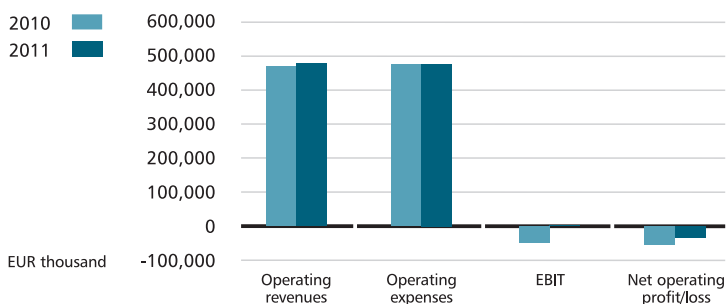
The Management and the Supervisory Board hereby declare that Slovenske železnice, d. o. o., in its work and operations, complies with the Corporate Governance Code for Companies with State Capital Investments, adopted by the Capital Assets Management Agency of the Republic of Slovenia (AUKN) on 18 January 2011. The Code is available in English on the AUKN's website at: http://www.auknrs.si/en/DOCUMENTS_LEGISLATION/. The Management and the Supervisory Board also explain below which individual recommendation of the AUKN the Company did not comply with, together with the associated reasons.

Recommendation 72:

An external expert was appointed member of the revision commission on 12 December 2011. Before that, the commission performed its duties without an external expert. There was also no external expert amongst the members of the Human Resource commission, which was dismissed on 10 September 2011, because the general level of expertise of individual members of the Supervisory Board members was considered sufficient.

Summary analysis of the Slovenske železnice Group operation

Revenue and expenditure, profit and loss



In 2011, total revenues of the Slovenske železnice Group amounted to EUR 492,449 thousand and were comprised of operating revenues (97.2%), financial revenues (1.7%) and other income (1.1%).

The Group's total expenses amounted to EUR 506,053 thousand and were comprised of operating expenses (94.2%), financial expenses (5.7%) and other expenses.

Net profit/loss in 2011 was negative and amounted to EUR 15,351 thousand. It is the result of positive operating result in the amount of EUR 2,191 thousand, negative difference between financial revenues and expenses, which amounted to EUR 20,201 thousand, positive difference between other income and expenses, which amounted to EUR 4,406 thousand, income tax amounting to EUR 1,687 thousand and deferred tax amounting to EUR 60 thousand.

Income statement (profit and loss account)

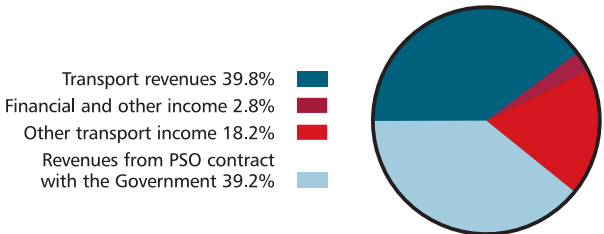
Profit and loss account (EUR thousand)	2011	2010	Index
Operating revenues	478,710	468,334	102.2
Operating expenses	476,519	475,367	100.2
Operating profit/loss	2,191	(7,033)	
Financial revenues	8,463	14,102	60.0
Financial expenses	28,664	31,838	90.0
Other income	5,276	7,886	66.9
Other expenses	870	1,184	73.5
Income tax	1,687	1,107	152.4
Deferred tax	(60)	(14)	428.6
Net operating profit/loss	(15,351)	(19,188)	80.0
Net profit/loss attributable to equity holders	(16,485)	(20,000)	82.4
Net profit/loss attributable to minority interests	1,134	812	139.7

In 2011, the operating revenues of the Slovenske železnice Group were up 2.2% on those generated in 2010. They consist mainly of net sales revenues (82.6%), which amounted to EUR 395,502 thousand in 2011 and EUR 395,514 thousand in 2010.

Net sales revenues consist of transport revenues (49.6% of net sales revenues; EUR 196,107 thousand in 2011, EUR 182,110 thousand in 2010) generated on domestic and international market by Freight Transport (EUR 159,858 thousand) and Passenger Transport (EUR 36,249 thousand). In comparison to 2010, transport revenues generated by Freight Transport increased by 10.5%, while those generated by Passenger Transport decreased by 3.1%.

Starting with 1 January 2011, transport revenues in international freight and passenger transport along with the related foreign operator transport costs are identified and presented as gross operating results (revenues). In order for the data to be comparable, the gross method is used for the analysis of the operating results in 2011 as well as when displaying basic operating categories of the profit and loss account.

Revenues structure of the Slovenske železnice Group

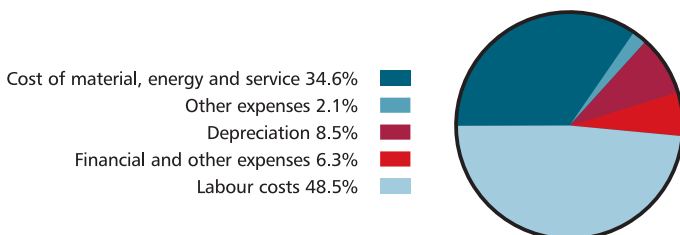


In 2011, the operating expenses of the Slovenske železnice Group amounted to EUR 476,519 thousand, which is a slight increase compared with EUR 475,367 thousand in 2010. *Staff costs* accounted for the largest proportion of operating expenses (48%) and amounted to EUR 228,629 thousand, down 3.4% on 2010. *Cost of goods, materials and energy*, which accounted for 15.2% of operating expenses, amounted to EUR 72,825 thousand, a slight decrease compared with EUR 73,391 thousand in 2010. *Cost of services* amounted to EUR 124,929 thousand, up 5.1% on 2010, with the emphasis on the costs of foreign railway operator services, which amounted to EUR 35,324 thousand, up 10% on 2010 (the increase is consistent with the growth of transport revenues on foreign railway market). *Cost of value adjustments*, which accounted for 9.7%

of operating expenses, amounted to EUR 46,254 thousand, which is an increase compared with EUR 43,426 thousand in 2010. They consist mostly of amortisation of non-current intangible assets and tangible fixed assets (EUR 40,212 thousand).

Financial expenses amounted to EUR 28,664 thousand, a decrease in comparison to EUR 31,838 thousand in 2010.

Expenses structure of the Slovenske železnice Group



Balance sheet of the Slovenske železnice Group

The analysis of the balance sheet of the SŽ Group is based on the balance sheet of the Group as of 31 December 2011. In 2011, the assets of the Group amounted to EUR 650,437 thousand, a decrease compared with EUR 740,752 thousand in 2010.

(EUR thousand)	31. 12. 2011	31. 12. 2010
ASSETS	650,437	740,752
Non-current assets	540,922	456,289
Current assets	105,245	276,598
Short-term deferred expense and accrued income	4,270	7,865
LIABILITIES	650,437	740,752
Equity	134,073	186,268
Provisions for liabilities and charges	43,865	43,516
Non-current liabilities	320,827	349,861
Current liabilities	143,983	144,757
Short-term accrued expense and deferred income	7,689	16,350

Total assets consist of non-current assets (83.2%; 61.6% in 2010), current assets (16.2%; 37.3% in 2010) and short-term deferred expense and accrued income (0.7%; 1.1% in 2010).

Financial analysis

The financial analysis of the SŽ Group is based on the balance sheet of the Group as of 31 December 2011.

(EUR thousand)	31. 12. 2011	31. 12. 2010	Absolute change	Index
Current receivables	85,037	263,501	(178,464)	32.3
Current liabilities	151,672	161,107	(9,435)	94.1
Net short-term debt	66,635		66,635	
Net current receivables	-	102,394	(102,394)	
Non-current receivables	154,774	57,316	97,458	270.0
Non-current liabilities	364,692	393,377	(28,685)	92.7
Net long-term debt	209,918	336,061	(126,143)	62.5
Net debt	276,553	233,667	42,886	118.4
Total liabilities	516,364	554,484	(38,120)	93.1
Total receivables	239,811	320,817	(81,006)	74.8
Tangible assets	410,626	419,935	(9,309)	97.8
Inventory	24,478	20,962	3,516	116.8
Capital assets	386,148	398,973	(12,825)	96.8
Equity	134,073	186,268	(52,195)	72.0

In 2011, the liabilities of the Slovenske železnice Group decreased by EUR 38,120 thousand and the receivables by EUR 81,006 thousand, which is reflected on the net debt, which is up EUR 42,886 thousand compared to 2010.

The Slovenske železnice Group is a net debtor for long-term debt (EUR 209,918 thousand) as well as short-term debt (EUR 66,635 thousand). The debt ratio, expressed as a ratio of net debt to tangible assets, amounted to 67.3% at the end of 2011, which is up 11.7% on the end of 2010.

Long-term investment financing

(EUR thousand)	31. 12. 2011	31. 12. 2010	Absolute change	Index
Current assets	109,515	284,463	(174,948)	38.5
Current liabilities	151,672	161,107	(9,435)	94.1
Working capital	(42,157)	123,356	(165,513)	(34.2)
Long-term investments	540,922	456,289	84,633	118.5
Source of long-term financing	498,765	579,645	(80,880)	86.0

At the end of 2011, 92.2% of long-term investments were financed from sources of long-term financing, which is down 34.8% on the end of 2010 (127.0%). The ratio between current assets and current liabilities amounted

to 0.722 at the end of December 2011, which is a decrease compared to 1.766 at the end of December 2010. A lack of long-term financing sources is shown by the negative working capital; at the end of 2011, the lack amounted to EUR 42,157 thousand. Compared with the surplus at the end of 2010, the financial balance suffered a minus of EUR 165,513 thousand in 2011. The change in working capital was a consequence of capital assets depreciation (EUR 12,825 thousand), decrease in net long-term liabilities (EUR 126,143 thousand) and of decrease in equity (EUR 52,195 thousand).

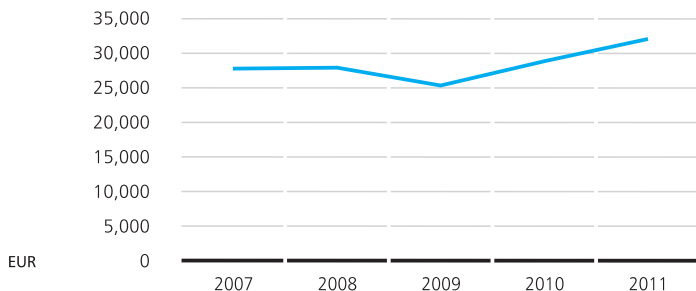
Performance indicators

When assessing performance indicators, it is to be noted that the Slovenske železnice Group carries out the duties of domestic and cross-border regional passenger transport, maintenance of public railway infrastructure and traffic management as part of its public service obligation (PSO) with the aim of providing quality and efficient services of public interest.

After the decrease in total revenues (which was consequently indicated by bad performance indicators) triggered by the world financial crisis in 2009, performance indicators have been improving steadily. Compared to 2009, return on equity (ROE) increased by 22.7 percentage points, but is still in the negative. A 4% return on equity is expected by the Capital Assets Management Agency of the Republic of Slovenia by 2015.

	Unit	2007	2008	2009	2010	2011
FINANCIAL INDICATORS						
EBIT – Operating profit	EUR thousand	20,761	2,063	(26,014)	(7,033)	2,191
EBITDA	EUR thousand	47,945	34,709	10,288	31,356	42,403
Net profit/loss	EUR thousand	24,613	2,474	(27,636)	(19,188)	(15,351)
Viability ratio	ratio	1.0533	1.0045	0.9394	0.9852	1.0046
Operating margin	ratio	0.0506	0.0045	(0.0646)	(0.0150)	0.0046
Share of turnover in operating revenues under the contracts with the Government	ratio	0.3453	0.4075	0.4619	0.3863	0.4032
Return on equity – ROE	%	56.9	3.7	(28.8)	(13.1)	(9.1)
Return on assets – ROA	%	5.1	0.5	(4.8)	(2.8)	(2.2)
Financial liability/equity	ratio	4.3531	3.9710	4.1748	2.1691	2.9411
Added value per employee	EUR	27,643	27,788	25,210	28,715	31,913
Percentage cost of labour in operating revenues	ratio	0.5654	0.5421	0.5934	0.5055	0.4776
Number of employees (31 December)		10,265	10,288	9,961	8,982	8,797
Average number of employees		10,254	10,321	10,157	9,694	8,886

Added value per employee



Compared to 2010, the added value per employee (average number based on hours worked) is up 11.1% as a result of an increase in freight transport revenues and a decrease in the number of employees. Consequently, the cash flow was also increased as the sum of depreciation and net profit/loss for the accounting period.

Operation of individual business units

SŽ-Tovorni promet, d. o. o.

Key business statistics

Highlights in the income statement (EUR thousand)	2011	2010	Index
Operating revenues	185,712	166,753	111.4
Net sales revenues	180,625	165,101	109.4
EBIT - Operating profit	(5,140)	(14,251)	36.1
EBITDA	13,204	3,283	
Total profit/loss	(16,349)	(25,482)	64.2
Net profit/loss	(16,349)	(25,482)	64.2
Highlights in the balance sheet (EUR thousand)	31. 12. 2011	1. 1. 2011	Index
Assets	308,355	328,394	93.9
Equity	24,198	40,547	59.7
Financial liabilities	252,241	254,621	99.1
Percentage of financial liabilities in assets	81.8%	77.5%	105.5

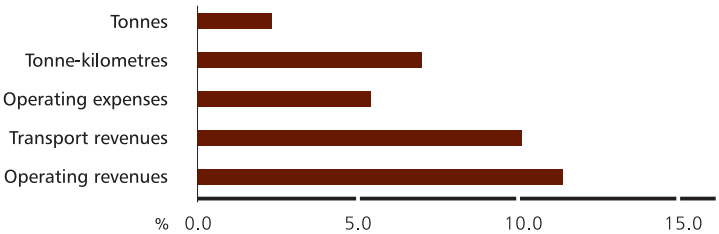
Indicators	2011	2010	Index
Return on equity – ROE	(40.3%)	(122.7%)	32.9
Return on assets – ROA	(5.1%)	(7.6%)	67.5
Return on sales – ROS	(9.1%)	(15.4%)	58.6
Added value per employee (EUR)	36,252	26,299	137.8

Operation volume and staff	2011	2010	Index
Goods transported (in thousand tonnes)	17,647	17,257	102.3
Net tonne-kilometres (in millions)	3,869	3,617	107.0
Number of employees (end of accounting period)	1,495	1,524	98.1
Average number of employees (end of month)	1,504	1,702	88.4

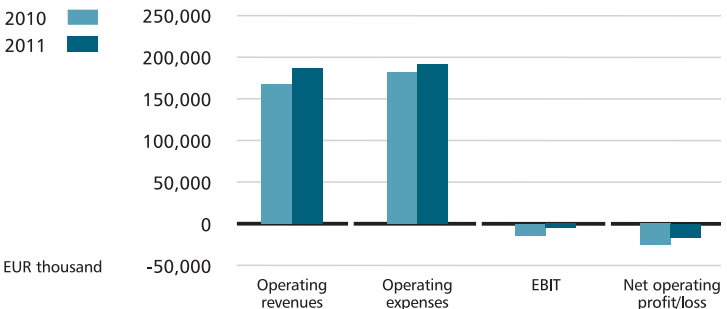
- Contrary to the annual plan, EBIT was up EUR 5.4 million on 2010, but it is still in the negative. The increase is the result of greater volume of transport operations and transport revenues in the first four months; afterwards, the operating results are back in line with the plan. All this in turn increased the EBITDA, which amounted to EUR 13.2 million, and improved the negative indicators of ROA and ROS. On the other hand, ROE turned out worse than planned, because the actual equity increase did not meet the projections set out in the plan;
- Operating revenues amounted to EUR 185.7 million, up 11.4% on those achieved in 2010 and up 6.9% compared to the plans for 2011;
- In 2011, 17.6 million tonnes of goods were transported and 3,869 million net tonne-kilometres were travelled, which is up 2.3% and 7.0% on 2010 respectively. For comparison, in 2010, 17.3 million tonnes of goods were transported and 3,617 million net tonne-kilometres were travelled;
- The rapid increase in the volume of transport operations resulted from a structural change of operations in terms of transport mode – the majority of transport operations were conducted in Port of Koper transit, which has typically longer transport routes. Moreover, the increase in transport operations in the Port transit also helped enhancing the role of Corridor V;
- Transport revenues amounted to EUR 161.1 million, up 10.1% on 2010 and up 3.9% on the planned target for 2011. With the exception of domestic transport and export in combined transport, revenues in 2011 increased in all transport modes;
- The increase in revenues was naturally accompanied by an increase in operating expenses due to higher RIV wagon user charges, higher charges for foreign railway operator services and other expenses related to the volume of transport operation;

- Operating expenses amounted to EUR 190.9 million, up 5.4% on 2010 and up 3.0% on the planned target for 2011. This is mostly related to increased fuel costs because of larger transport operation volume and higher prices of diesel fuel, which is used in train traction. In contrast, the cost of electricity used by electrically powered rolling stock decreased because of lower electricity contract prices;
- The said fluctuations in conjunction with the impact of negative financial results and expenses, which amounted to EUR 12.7 million (and consisted of interests: EUR 5.9 million, negative balance of derivatives: EUR 5.8 million, and negative balance of exchange rates: EUR 1.5 million) caused a net loss of EUR 16.3 million, which is down EUR 3.6 million on the estimates, but already at the limit of capital adequacy;
- In February 2012, after the 2011 balance sheet, SŽ-Tovorni promet, d. o. o., received a capital injection of EUR 21.1 million. With the permission of AUKN and in accordance with the Companies Act (ZGD-1), the capital contribution of SŽ, d. o. o., (conversion of claims into capital) will be used to cover net losses incurred by SŽ-Tovorni promet, d. o. o., in 2011 and increase the capital surplus.

Change in %



Revenue and expenditure, profit and loss



Income statement –			
SŽ-Tovorni promet, d. o. o. (EUR thousand)	2011	2010	Index
Operating revenues	185,712	166,753	111.4
Operating expenses	190,852	181,004	105.4
Operating profit/loss	(5,140)	(14,251)	36.1
Finance income	7,253	14,207	51.1
Finance cost	19,940	27,641	72.1
Other revenues	2,307	3,065	75.3
Other expenses	829	862	96.2
Net profit/loss	(16,349)	(25,482)	64.2

Competitive position of freight transport

The transport market is in general a place of dire competition between railway freight service providers and road hauliers. In addition to motorised haulage, SŽ-Tovorni promet also faces competition from railway freight corridors that bypass Slovenia and from other northern Adriatic and North Sea ports.

After the liberalisation of access to public railway infrastructure in 2009, foreign railway operators gained access to Slovenian railway network, introducing a new type of competition for SŽ-Tovorni promet, d. o. o.

Estimates for 2011 suggest the volume of inland transport in Slovenia is down 4.5% on 2010, whilst railway transport is up 3.2%.

The role of railway freight transport in Slovenian inland transport is growing steadily. In 2011, it accounted for 19.2% of inland transport, up 1.4% on 2010. Consequently, transport volumes of SŽ-Tovorni promet in inland transport increased by 1.3%, but the company's presence in railway freight transport decreased by 1.0%.

SŽ-Tovorni promet holds a strategically important geographical position at the intersection of Corridor V and X, and transports 91.7% of goods in international traffic. Unfortunately, the situation in the Balkans caused a bulk of the goods flows on Corridor X to move eastward to Corridor IV, which offers an alternative connection between North and South Europe.

The Port of Koper is one of the key sources of goods transported in railway traffic. Tovorni promet performs over half of all freight transport operations (both delivery and dispatch of goods) headed to or coming from the Port, thus contributing significantly to freight operation volume on Corridor V. The freight line, however, faces several issues, such as bottlenecks, that hinder an optimal organisation of freight operations; they are caused by outdated infrastructure, most notably insufficient rail capacities at the

Port's entrance, a single track line between Koper and Divača with worn out rails and rail network, and (too) short station tracks. In order to tackle this issue, plans have been made to modernise the said corridor section, but the main solution for the lack of rail capacities remains the construction of a second rail line. Despite recent upgrades in the Port of Koper (new handling equipment and the extension of one of the docks, which enabled the docking of large container ships), the handling issues merely increased, because the rail capacities remained unchanged and also due to the growing presence of other rail operators and road hauliers.

Poor condition of the public railway infrastructure decreases the competitiveness and quality of freight services (in terms of reliability and effectiveness) also on other line sections. Bottlenecks caused by single track lines, restrictions on heavy-load transport operations due to low axle loads, restrictions on train length, and a limited amount of electrified lines all cause transport delays and increase transport costs.

Due to the delays caused by slow railway travel, traffic cannot be managed optimally with the railway staff and equipment at hand. However, employing more staff or purchasing new equipment would result in additional costs for the operators.

ŠŽ-Potniški promet, d. o. o.

Key business statistics

Highlights in the income statement (EUR thousand)	2011	2010	Index
Operating revenues	85,764	86,657	99.0
Net sales revenues	40,533	41,461	97.8
EBIT - Operating profit	(1,404)	1,968	
EBITDA	10,835	13,719	79.0
Total profit/loss	(5,424)	(433)	
Net profit/loss	(5,424)	(433)	

Highlights in the balance sheet (EUR thousand)	31. 12. 2011	1. 1. 2011	Index
Assets	180,007	188,932	95.3
Equity	18,582	24,006	77.4
Financial liabilities	143,989	150,928	95.4
Percentage of financial liabilities in assets	80.0%	79.9%	100.1

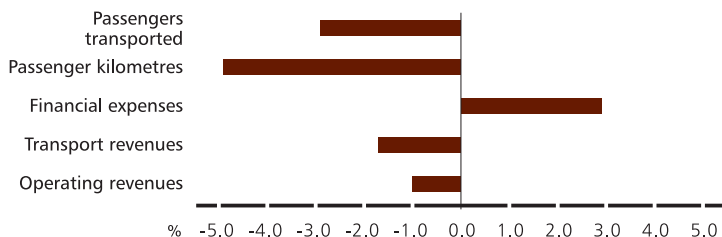
Indicators	2011	2010	Index
Return on equity – ROE	(22.6%)	(7.9%)	287.0
Return on assets – ROA	(2.9%)	(0.2%)	
Return on sales – ROS	(13.4%)	(1.0%)	
Added value per employee (EUR)	41,597	42,766	97.3

Operation volume and staff	2011	2010	Index
Passengers handled (in thousand)	15,743	16,220	97.1
Passenger kilometres (in millions)	773	813	95.1
Number of employees (end of accounting period)	666	672	99.1
Average number of employees (end of month)	670	706	94.9

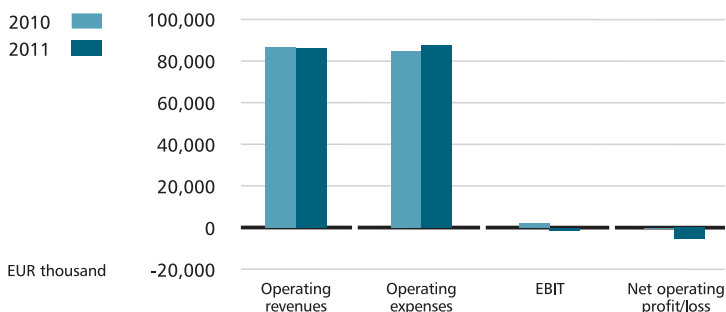
- The market share of SŽ-Potniški promet on public passenger transport market dropped to 28.7% due to increased share of air transport;
- The results of various customer surveys indicate an improvement in the quality of passenger services; highest ratings were given to professionalism and appearance of railway staff, while the condition of station facilities received the lowest ratings;
- The number of passengers handled is down 6.1% compared to the annual plan and down 2.9% on 2010. Passenger kilometres travelled in 2011 were down 8.4% compared to the plan and down 4.9% on 2010;
- Passengers in railway transport travel relatively short distances; the average journey length amounted to 49.1 km, which is down 2% on 2010;
- EBIT amounted to EUR 1.4 million and is still in the negative; the result, however, includes the revenues/expenses connected with services performed at the Italian border in the period 2000-2005. Without including the said services, the EBIT would amount to EUR 0.7 million, which is EUR 0.3 million up compared to the plan;
- Net loss amounted to EUR 5.4 million, mainly due to negative financial results and a negative revenue/expenditure balance;
- Transport revenues were down 1.7% or EUR 0.7 million on those generated in 2010 and down 2.7% compared to the plans for 2011. The revenues generated by domestic traffic exceeded the financial plans by EUR 83 thousand. In contrast, international traffic, which accounted for 25.5% of all transport revenues, failed to generate the projected revenues (EUR 1,102 thousand), mostly due to decreased presence of foreign operators (with Slovenia as the place of destination or transit country), which was caused by negative economic trends, and also because of relatively low gains from the Rail offers sold;
- Revenues generated from the performance of public utility services in domestic and cross-border regional traffic met the amount set out in public service contracts, which was however lower than the amount proposed by SŽ and agreed on by the State. Due to lower state compensations and hence lower prices of train km, revenues were down 1.1% or EUR 485 thousand in comparison to those achieved in 2010;
- Operating expenses are down 0.3% or EUR 235 thousand compared to the projections for 2011, but up 2.9% or EUR 2,479 thousand on 2010.

¹⁾ Net return on sales is up 7 percentage points (-6.4%), if state compensation received from public service contracts with the Government is also taken into account.

Change in %



Revenue and expenditure, profit and loss



Basic operating categories of the income statement

Income statement – SŽ-Potniški promet, d. o. o. (EUR thousand)	From that		From that		Index 11/10
	2011	PSO ¹⁾	2010	PSO ¹⁾	
Operating revenues	85,764	85,043	86,657	86,020	99.0
Operating expenses	87,168	86,252	84,689	83,676	102.9
Operating profit/loss	(1,404)	(1,209)	1,968	2,344	
Finance income	195	194	520	205	37.5
Finance cost	4,604	4,582	2,988	2,971	154.1
Other revenues	473	468	111	110	426.1
Other expenses	84	84	44	44	190.9
Net profit/loss	(5,424)	(5,213)	(433)	(356)	

¹⁾ PSO: Public Service Obligation

Competitive position of passenger transport

Railway passenger services in the Republic of Slovenia are provided by SŽ-Potniški promet, d. o. o. The company faces competition from providers of public road transport services and users of private (personal) road transport (domestic traffic) as well as from low-cost airlines (international traffic). In 2011, railway operators accounted for 28.7% of all public transport service providers on the market, which is less compared to the figures in 2010, mainly because of the growing presence of air transport. In general, the number of passengers in public rail and road transport is decreasing for reasons that range from shrinking school-age population and decentralisation of schools to higher unemployment and decreased amount of leisure activities, both consequences of the financial crisis. Public transport is in decline also because of a general preference for passenger motor vehicles (cars). Reliance on cars for passenger transport seems to be particularly high in Slovenia, as shown by recent national¹⁾ and international studies²⁾, which place the country at the very top of EU (passenger car usage accounted for 86.5% of all journeys). This trend is also reflected in the growing amount of passenger cars registered in Slovenia – in 2010, the country averaged 518 registered cars per 1000 inhabitants, which is up 20% in comparison to the figures 10 years ago.

The majority of passengers (94.3%) are handled in domestic passenger transport as part of public service obligation (PSO) set out in the PSO contracts with the Ministry of Infrastructure and Spatial Planning. In contrast, international transport handled only 5.7% of all passengers transported, but it generated 25.5% of all transport revenues while travelling 17.2% of all passenger-kilometres. The strategically important geographical position of Slovenia at the intersection of multiple pan-European corridors plays an important role in establishing international railway connections and is hence an important asset of Slovenia as well as for neighbouring and other countries. Moreover, strong competition from low-cost airlines is urging the railways to search for fresh market strategies to attract new passengers to railway transport.

Public railway transport in Slovenia is in decline largely due to low-quality transport services and failure to implement the national transport policy within the time periods set out in the plans. The Ministry of Infrastructure and Spatial Planning is conducting a project aiming to establish an integrated system of public rail and road transport, which is one of the main goals of the transport policy. Through cooperation with bus service providers and

¹⁾ Modal split in Purchasing Power Parity analysis for 2010 (Statistical office of the Republic of Slovenia – SURS)

²⁾ Eurostat

local communities, the project will establish integrated schedules and fares, introduce a single ticket (valid within certain zones), and improve connections between railway stations and commuter towns. But in order to implement a commuter-oriented schedule and increase the passenger transport volume, proper infrastructure conditions will first need to be established along with a better supply of the rolling stock for passenger transport.

SŽ-Infrastruktura, d. o. o.

Key business statistics

Highlights in the income statement (EUR thousand)	2011	2010	Index
Operating revenues	173,063	165,817	104.4
Net sales revenues	172,478	165,353	104.3
EBIT - Operating profit	700	4,452	15.7
EBITDA	3,604	7,376	48.9
Total profit/loss	3,205	7,312	43.8
Net profit/loss	2,846	7,312	38.9

Highlights in the balance sheet (EUR thousand)	31. 12. 2011	1. 1. 2011	Index
Assets	73,811	79,813	92.5
Equity	20,257	17,411	116.3
Financial liabilities			
Percentage of financial liabilities in assets			

Indicators	2011	2010	Index
Return on equity – ROE	16.3%	25.1%	65.2
Return on assets – ROA	3.7%	7.2%	51.8
Return on sales – ROS	1.7%	4.4%	37.3
Added value per employee (EUR)	27,243	26,701	102.0

Staff	2011	2010	Index
Number of employees (end of accounting period)	2,662	2,742	97.1
Average number of employees (end of month)	2,685	2,952	91.0

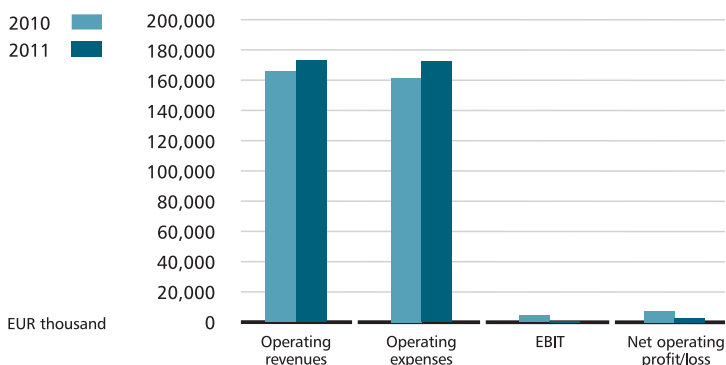
- The income statement of SŽ-Infrastruktura, d. o. o., consists of the income statements of the Infrastructure Business Unit (PE Infrastruktura) and the Traffic management Business Unit (PE Vodenje prometa), which are both mainly public utilities;
- EBIT and net profit/loss were both in the positive and amounted to EUR 0.7 million and EUR 2.8 million respectively;
- The operating revenues of SŽ-Infrastruktura, d. o. o., in 2011 totalled EUR 173,063 thousand. The company's operating expenses amounted to EUR 172,363 thousand;

- Operating revenues amounted to EUR 185.7 million, up 4.4% on 2010 and up 1.4% compared to the plans for 2011. Assets accruing from PSO contracts with the Government of the Republic of Slovenia State accounted for 85.8% of all revenues and were used in regular (planned) and investment maintenance (renovation works) of railway infrastructure as well as for public maintenance, maintenance of passenger railway stations and in traffic management. Provision of public utility, especially the renovation of public railway infrastructure, generates higher income than other activities – projections for renovation works in 2011 amounted to EUR 1,000 thousand, while the public service contract signed on 25 March 2011 provided EUR 7,500 thousand; the positive balance (EUR 6,500 thousand) was used in the replacement of the overhead contact line on Divača-Koper railway line);
- Other activities include various services provided to other companies, such as Iskra sistemi (overhaul of the railway network during Koper station reconstruction), GH Holding (works related to the modernisation of the Divača-Koper line) and ŽGP Ljubljana¹⁾ (upgrades to the Hodoš station, reconstruction of the Ptuj-Ormož line and the Ormož-Mekotnjak line);
- Other revenue-generating activities include the provision of electric energy to railway carriers (e. g. SŽ-Tovorni promet, SŽ-Potniški promet, RCA), which generated EUR 16,429 thousand in 2011, and miscellaneous activities, such as the protection of property/assets (security guards), maintenance of computer software/hardware, maintenance of railway switches, accompaniment of the heritage (museum) train, rental of telecommunication lines, marketing of the telecommunication system, provision of expert project supervision and coordination etc.;
- As mentioned above, the operating expenses amounted to EUR 172,363 thousand, up 6.8% on 2010 and up 2.4% compared to the plans for 2011;
- Costs of services related to public utility maintenance and preventive maintenance (renovation) of public railway infrastructure were relatively high (due to replacement of the overhead contact line on Divača-Koper railway line, renovation of the Poljčane station, renovation of the Košana-Gornje Ležee line segment, modernisation of the Grosuplje-Kočevje line – Phase 1, the Dobropolje-Ortnek line segment, renovation of the Koper station). Incidental costs resulting from various incidents and natural disasters were also higher than usual (the clean-up of the landslide at Majland, Zidani Most and the landslide at Prešnica-Koper line as well as costs related to the removal of damage to the Černotiče-Koper line);

¹⁾ Železniško gradbeno podjetje Ljubljana – Railway Construction Company Ljubljana

- Costs of labour amounted to a total of EUR 69,456 thousand or 40.3% of all operating expenses in 2011, which was down 2% on 2010 and within the estimates for 2011;
- Earnings before interest and taxes (EBIT) of the Infrastruktura Business Unit were in the positive and amounted to EUR 0.8 million; the same applies to the profit/loss account (income statement), which reached EUR 2.9 million. Total profit related to PSO activities amounted to EUR 0.9 million. Profit was recorded also in other activities (EUR 2.1 million), while activities related to the maintenance of railway stations and stops resulted in a loss (EUR 158 thousand);
- The EBIT of the Traffic Management Business Unit (PE Vodenje prometa) was in the negative – the operating result amounted to EUR 0.1 million, while PSO-related activities recorded a loss of EUR 0.7 million. In contrast, other activities recorded a profit of EUR 0.7 million.

Revenue and expenditure, profit and loss



Basic operating categories of the income statement

Income statement – SZ-Infrastruktura, d. o. o. (EUR thousand)	2011	2010	Index
Operating revenues	173,063	165,817	104.4
Operating expenses	172,363	161,365	106.8
Operating profit/loss	700	4,452	15.7
Finance income	921	1,929	47.7
Finance cost	276	223	123.8
Other revenues	2,815	1,421	198.1
Other expenses	955	267	357.7
Total profit/loss	3,205	7,312	43.8
Net profit/loss	2,846	7,312	38.9

Operating results of individual business units

Income statement – Infrastructure (EUR thousand)	2011	From that PSO	2010	From that PSO	Index 11/10
Operating revenues	136,141	110,409	127,651	95,808	106.7
Operating expenses	135,386	111,991	124,568	97,867	108.7
Operating profit/loss	755	(1,582)	3,083	(2,059)	24.5
Finance income	870	870	1,434	524	60.7
Finance cost	260	260	214	214	121.5
Other revenues	2,800	2,800	1,358	1,358	206.2
Other expenses	932	932	255	255	365.5
Net profit/loss	2,874	896	5,406	(646)	53.2

Income statement – Traffic Management (EUR thousand)	2011	From that PSO	2010	From that PSO	Index 11/10
Operating revenues	37,479	34,500	38,478	35,917	97.4
Operating expenses	37,534	35,274	37,108	35,094	101.1
Operating profit/loss	(55)	(774)	1,370	823	
Finance income	58	58	496	20	11.7
Finance cost	22	22	10	10	220.0
Other revenues	16	16	62	5	25.8
Other expenses	25	24	12	12	208.3
Net profit/loss	(28)	(747)	1,906	826	

Competitive position of railway infrastructure

Over the years, public railway infrastructure deteriorated significantly due to a persistent lack of the funds necessary for its development, maintenance and reconstruction. Overhauls of railway lines aren't performed within regular periods, consequently increasing the volume of maintenance work. Every year, overhaul needs to be performed on ca. 55 km of railway lines. However, only ca. 26.5 km of railway lines were overhauled yearly in the last 17 years, and the number further dropped to 16 km/year in the last 10 years, amounting to only 29% of the required amount of line overhauls. This state of affairs is further widening the gap between customer needs and requirements on one side, and the already less competitive railway services on the other.

Due to such poor state of railway infrastructure, no real interconnectivity and availability can be established, which results in low-quality public passenger services. Excessively slow modernisation of railway network increases the danger of transit flows moving to alternative routes in Italy, Austria, Hungary or Croatia; it could also force goods transported in the Port of Koper transit to instead move to North Sea ports. Due to low axle-loads on Slovenian network, individual wagon loads have already started moving to

alternative routes that bypass Slovenia. Examples of inadequate axle-loads include a lack of D4 track category (an axle-load of 225 kN) on the Zidani Most-Šentilj line segment, which is part of the pan-European Lyon-Budapest Corridor and Salzburg/Graz-Solun Corridor. Public railway infrastructure also faces line electrification issues – only 41% (503 km) of all lines are currently electrified. That these issues pose a major hindrance to transport operations is clearly attested by the fact that the Pragersko-Hodoš line is the sole line section in the whole of Corridor V which still hasn't been electrified.

Moreover, future challenges will include the drawing up of TSI implementation programs and meeting the demands of EU corridor policy in order to prevent transport flows bypass Slovenia, which would have grave consequences on the operation in Port of Koper, Slovenske železnice and of logistics industry of Slovenia in general, and also reduce the availability of EU funding.

Account must also be taken in particular of the consequences which are likely to ensue from the construction of bypass railway lines to Budapest through Italy and Austria and certain bypass lines between the Republic of Croatia and Hungary. In its transport strategy, the Republic of Slovenia embraces the necessity to extend and update Corridor V and Corridor X, which would provide long-term competitiveness of Slovenian railway services.

To this aim, a national program for the development of public railway infrastructure needs to be adopted as soon as possible and long-term PSO contracts for the funding of PSO-related activities (which is also set out in EU regulations) need to be concluded with the state. This will establish coordination between technical and financial planning as well as improve the efficiency and rationalize the operation of public utilities.

Operation of other subsidiaries

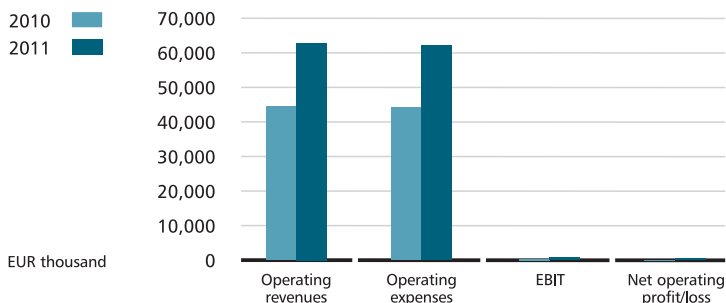
SŽ-Centralne delavnice Ljubljana, d. o. o.¹⁾

Activities:

- Maintenance of railway rolling stock;
- Renovation/Refurbishment of railway rolling stock;
- Participation in the construction of railway rolling stock;
- Design, engineering and technical counselling.

On 1 October 2011, operations and staff of Traction and Technical wagon activity were transferred to Centralne delavnice Ljubljana, d. o. o. As the founder and the sole shareholder of Slovenske železnice, d. o. o., AUKN passed a decision on 14 February 2012, which confirmed the proposal for an increase of the capital of SŽ-Centralne delavnice Ljubljana, d. o. o., in the amount of EUR 8,443 thousand.

Revenue and expenditure, profit and loss



The profit/loss account of SŽ-Centralne delavnice Ljubljana, d. o. o., in 2011 consists of the maintenance account as well as the account of Traction and Technical wagon activity in the period X–XII/2011 (transfer of operations and staff to SŽ-Centralne delavnice on 1 October 2011).

¹⁾ Central workshops

Basic operating categories of the income statement

Income statement – SŽ-Centralne delavnice Ljubljana, d. o. o. (EUR thousand)			
	2011	2010	Index
Operating revenues	62,791	44,420	141.4
Operating expenses	61,972	44,054	140.7
Operating profit/loss	819	366	223.8
Finance income	59	17	347.1
Finance cost	370	338	109.5
Other revenues	35	51	68.6
Other expenses	17	52	32.7
Net profit/loss	526	45	

In 2011, the company reached a positive operating result of EUR 819 thousand with operating revenues and operating expenses amounting to EUR 62,791 thousand and EUR 61,972 thousand, respectively. Financing recorded a loss of EUR 311 thousand, while other flows generated revenues of EUR 18 thousand. The net profit of the company amounted to EUR 526 thousand.

Owing to the transfer of operations and staff from Traction and Technical wagon activity to SŽ-CD Ljubljana, d. o. o., the operating revenues were up 41.4% on those achieved in 2010 and amounted to EUR 14,768 thousand. Not including the said transfer of activities, the operating revenues and net sales revenues were up 8.1% and 2.7% on 2010 respectively.

Sales of services and products on domestic railway market amounted to EUR 52,804 thousand, thus generating the largest portion (84.1%) of operating revenues. In 2011, the revenues recorded in maintenance activity amounted to EUR 45,020 thousand, which is up 3.2% or EUR 1,140 thousand on 2010.

The maintenance of railway rolling stock was provided to Slovenske železnice, the subsidiaries in the Slovenske železnice Group and external clients. The revenue generated from services to Slovenske železnice in 2011 amounted to EUR 35,457 thousand, which is up 3.1% or EUR 1,080 thousand on 2010. Services to external (non-SŽ) clients generated revenues in the amount of EUR 8,563 thousand, which equals those achieved in 2010. Revenue generated from maintenance services provided to external clients accounted for 19% of all maintenance-related revenues.

In 2011, following its vision and goals with the aim to increase the volume of services provided to regular and new clients, the company achieved important business results in virtually all service segments. Throughout the

year, it successfully maintained the required availability of the rolling stock to its biggest partners, SŽ-Tovorni promet and SŽ-Potniški promet. In particular, it performed a revision of the entire SŽ Series 312 (electric trains) and successfully refurbished the interior of the diesel motor unit 813/814-130.

Services provided in the foreign market in 2011 included several revisions of (freight) wagons. Moreover, the segment for the maintenance and renovation of wheelsets achieved record results in 2011. The production capacities required in wheelset renovation were successfully increased, which also attracted several external partners.

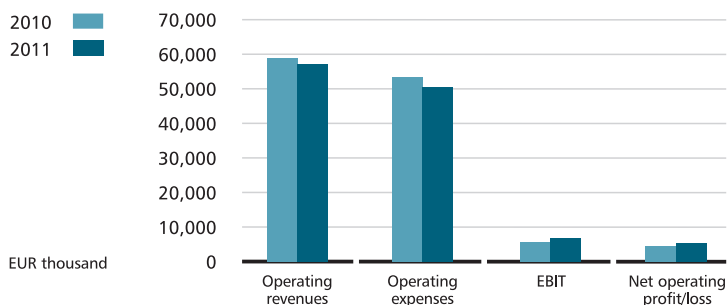
The SŽ-Železniško gradbeno podjetje Group¹⁾

The SŽ-ŽGP Group consists of the parent company SŽ-ŽGP Ljubljana, d. d., and the following subsidiaries: Kamnolom Verd, d. o. o.²⁾, SŽ-ŽGP, d. o. o., Beograd and SŽ-ŽGP, d. o. o., Podgorica.

Activities:

- Construction, reconstruction and maintenance of the track superstructure and substructure;
- Reconstruction of industrial tracks (non-PSO use) and other railway infrastructure facilities;
- Construction of buildings.

Revenue and expenditure, profit and loss



¹⁾ The Railway Construction Company Group

²⁾ The Verd quarry

Basic operating categories of the income statement

Income statement – The SŽ-ŽGP Group (EUR thousand)	2011	2010	Index
Operating revenues	57,192	58,802	97.3
Operating expenses	50,320	53,228	94.5
Operating profit/loss	6,872	5,574	123.3
Finance income	277	132	209.8
Finance cost	416	366	113.7
Other revenues	69	111	62.2
Other expenses	77	22	350.0
Income tax	1,312	1,044	125.7
Deferred tax	(60)	(13)	
Net profit/loss	5,353	4,372	122.4
Net profit/loss attributable to equity holders	5,316	4,427	120.1
Net profit/loss attributable to minority interests	37	(55)	

Unfortunately, the operations of the SŽ-ŽGP Group did not remain unaffected by the global financial crisis, which had a major impact on the construction industry both home and abroad. Although the company received a sufficient amount of orders and had the necessary capacities to provide the required services, it faced a lack of construction materials (especially concrete and steel reinforcing bars used in reinforced concrete). The inability to provide construction materials was mainly the consequence of bankruptcy or inadequate liquidity and solvency of several construction companies.

Dire competition (both domestic and foreign) in acquiring major projects and loose legislation both contributed to long-drawn procedures at various stages of tendering, from initial project phases to the selection of contractors. Examples include two railway invitations to tender, in which tenders were submitted as early as 2010, but the procedures remained ongoing. Some tendering procedures have been lasting for over two years and still haven't yielded a decision concerning the award of contracts (especially phase 1 of the ERTMS project, in which the company would provide a major portion of the services required by the project). The project 'Renovation of the Poljčane station' will be carried out in separate phases due to a lack of funding in the budget. Owing to such poor state of affairs, operating revenues amounted to EUR 57,192 thousand, which is down 2.7% on those achieved in 2010 and down on the projected amount for 2011.

Revenues from contracts concluded with other companies in the SŽ Group generated 70.1% of all operating revenues and amounted to EUR 40,107 thousand with the largest portion generated by

SŽ-ŽGP, d. d. In 2011, the funds for the maintenance of public railway infrastructure (machinery used in railway maintenance) amounted to EUR 943 thousand, which is lower compared to the funds granted in 2010 (EUR 1,135 thousand).

Revenues from contracts concluded with external (non-SŽ) clients amounted to EUR 14,368 thousand and were predominantly generated by SŽ-ŽGP, d. d., (91.5%) from sales of services (in calls for tender or ordered by clients). The remaining proportion of revenues was generated from sales of sand and stone (2.5%), and from services related to reconstruction of level crossings in Montenegro.

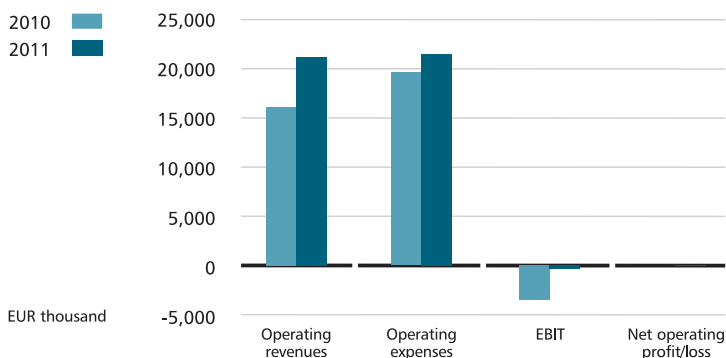
The SŽ-ŽIP Group

The SŽ-ŽIP Group (the Railway Companies for Disabled Persons Group) consists of the parent company SŽ-ŽIP, Services, d. o. o., and the subsidiary Calidus sol, d. o. o.

Activities:

- Facility management;
- Cleaning of SŽ facilities and rolling stock;
- Management and maintenance of SŽ holiday facilities in Croatia;
- Security;
- Production, sales and various services.

Revenue and expenditure, profit and loss



Basic operating categories of the income statement

Income statement – The SŽ-ŽIP Group (EUR thousand)			
	2011	2010	Index
Operating revenues	21,169	16,163	131.0
Operating expenses	21,553	19,633	109.8
Operating profit/loss	(384)	(3,470)	11.1
Finance income	6	6	100.0
Finance cost	26	16	162.5
Other revenues	425	3,495	12.2
Other expenses	10	12	83.3
Income tax	1	2	50.0
Net profit/loss	10	1	
Net profit/loss attributable to equity holders	10	1	

In 2011, the SŽ-ŽIP Group achieved a negative operating result in the amount of EUR 384 thousand with operating revenues and operating expenses amounting to EUR 21,169 thousand and EUR 21,553 thousand, respectively. Financing recorded a loss of EUR 20 thousand, while other revenues recorded a profit of EUR 415 thousand. The net profit/loss of the Group therefore amounted to EUR 10 thousand.

Following the amendments made to legislation in 17 November 2011, assigned funds received from the national Health Insurance Institute and the national Pension and Invalidity Insurance Institute can now be used to finance $\leq 75\%$ of the gross wages of employees with disabilities as well as any additional costs incurred from employment of persons with disabilities and can thus be used increase other operating revenues.

Operating revenues of SŽ-ŽIP, storitve, d. o. o., mainly consisted of revenues generated from production, sales and services (distribution of office material and internal company mail, fees charged for the use of water dispensers, candle manufacture, services performed in vehicle repair workshops, bus services etc.), cleaning services, facility management (maintenance of holiday and other SŽ facilities, provision of landscape services and maintenance of single-person housing) and various security services (protection of facilities, parking lots etc.). Operating revenues of Calidus sol, d. o. o., mainly consisted of revenues generated from the management and maintenance of railway holiday facilities.

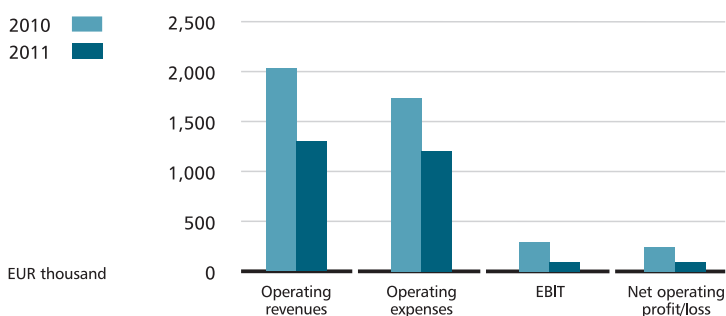
Net sales revenues account for 84.1% of all operating revenues. The largest portion (77.1%) of net sales revenues on domestic market was generated from sales within the Slovenske železnice Group.

Prometni institut Ljubljana, d. o. o.¹⁾

Activities:

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

Revenue and expenditure, profit and loss



Basic operating categories of the income statement

Income statement – Prometni institut Ljubljana, d. o. o. (EUR thousand)			
	2011	2010	Index
Operating revenues	1,302	2,032	64.1
Operating expenses	1,205	1,739	69.3
Operating profit/loss	97	293	33.1
Finance income	9	16	56.3
Finance cost	2	2	100.0
Other revenues			
Other expenses			
Income tax	14	61	23.0
Deferred tax	7	0	
Net profit/loss	97	246	39.4

In 2011, the Institute of Traffic and Transport Ljubljana, d. o. o., achieved a net profit of EUR 97 thousand. Net sales amounted to EUR 1,130 thousand and other operating revenues to EUR 172 thousand. The main partners include companies within the Slovenske železnice Group and the Ministry of Infrastructure and Spatial Planning of the Republic of Slovenia.

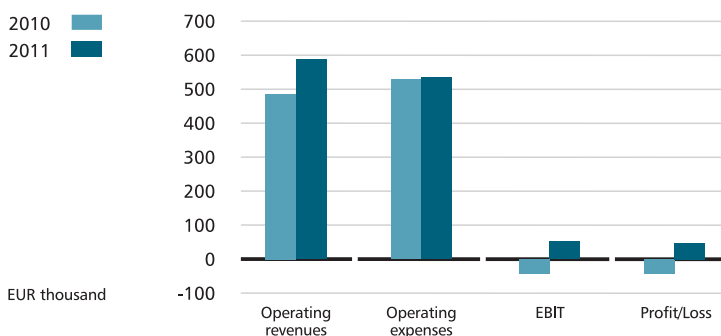
¹⁾ The Institut of Traffic and Transport

SŽ-Železniška tiskarna Ljubljana, d. d.¹⁾

Activities:

- Printing of railway tickets, transport timetables, various promotion/advertising material and railway trade forms;
- Other printing and bookbinding work.

Revenue and expenditure, profit and loss



Basic operating categories of the income statement

Income statement – SŽ-Železniška tiskarna Ljubljana, d. d. (EUR thousand)			
	2011	2010	Index
Operating revenues	586	485	120.8
Operating expenses	534	527	101.3
Operating profit/loss	52	(42)	
Finance income	3	1	300.0
Finance cost	0	1	
Other revenues			
Other expenses			
Deferred tax	(7)	0	
Net profit/loss	48	(42)	

In 2011, SŽ-Železniška tiskarna Ljubljana, d. d., achieved an operating profit of EUR 52 thousand with operating revenues and operating expenses amounting to EUR 586 thousand and EUR 534 thousand, respectively. Net profit/loss was also positive and amounted to EUR 48 thousand.

Net sales largely resemble those reached in 2010. In 2011, their largest portion consisted of sales of products and services to the Slovenske železnice Group, and amounted to EUR 438 thousand, down on sales in 2010, which amounted to EUR 455 thousand. Revaluation operating revenues amounted to EUR 76 thousand and consisted entirely of investment property sales (EUR 76 thousand).

¹⁾ Railway Printing House

Staff

Fluctuation in Human Resources

On 31 December 2011, the number of staff in the Slovenske železnice Group totalled 8,797 employees, which is 184 less than on 31 December 2010.

Company	Situation on 31. 12.		Average number	
	2011	2010 ¹⁾	2011	2010 ¹⁾
SŽ, d. o. o.	319	354	336	391
SŽ-Tovorni promet, d. o. o.	1,495	1,524	1,504	1,702
SŽ-Potniški promet, d. o. o.	666	672	670	706
SŽ-Infrastruktura, d. o. o.	2,662	2,742	2,685	2,952
SŽ-CD, d. o. o.	2,401	2,463	2,425	2,678
The ŽGP Group	382	383	383	381
The ŽIP Group	748	717	757	756
Prometni institut, d. o. o.	23	25	25	23
SŽ-Železniška tiskarna, d. d.	13	13	13	14
SŽ-Železniški zdravstveni dom	88	88	89	90
Total	8,797	8,981	8,886	9,693
SŽ-core group	6,642	6,892	6,723	7,466

The average age of the Group's employees as of 31 December 2010 was 44.9 years.

In terms of education structure, the number of Group's employees with education level IV is the highest and amounts to 2,887 or 32.7% of all employees.

Based on a call for tender in 2011, Slovenske železnice, d. o. o., gained the status of entity responsible for the education of railway operational staff²⁾ and operational staff at industrial (private) railway sidings. In 2011, Slovenske železnice performed 433 courses in professional training for railway operational staff, which were taken by a total of 4,019 railway operational employees. Based on a change in legislation, a regular professional competence assessment was conducted, which was successfully completed by 2,162 employees. 78 railway operational employees were subject to further (additional) competence assessment.

¹⁾ The display of figures for 2010 is based on the company organisation structure in 2011. Transfer of operations and staff of Vleka and TVD to SŽ-CD Ljubljana, d. o. o. on 1 October 2011.

²⁾ Staff responsible for railway safety work (work that involves or relates driving or operation of a train, control of the movement of a train, and design, construction, repair, maintenance, upgrading, inspection, testing or removal of rail infrastructure or rolling stock)

At SŽ-ŽIP, storitve, d. o. o., employees took part in various in-company and external training programmes. The former focused on education and training concerning safety and health at work, new technologies and new work procedures, cleaning technologies etc., and were attended by 1,304 employees. The latter, on the other hand, consisted of various courses, seminars, conferences, workshops etc., and were attended by 258 employees.

The pay policy was implemented according to the provisions of the Collective agreement for railway transport operation (Official Gazette of the Republic of Slovenia No. 95/07; official bulletin No 3/07), the Wage Annex to the Collective agreement (entry into force on 18 September 2007; published in Official Gazette of the Republic of Slovenia No. 95/07; official bulletin No 3/07), and the Agreement on financial stimulation for the promotion of better operating results at Slovenske železnice and on implementation of wage adjustments from 2009 and 2010.

Investments

In 2011, the Slovenske železnice Group invested EUR 26,827 thousand into capital assets, which was down 21.8% on 2010 and amounted to 66.4% of the annual investment plan.

Investments planned for 2011 consisted mostly of investments continued from 2010 and some new investments, which were necessary for normal passenger and freight operation.

(EUR thousand)	2011	2010	Index
Freight transport	14,294	9,872	144.8
Passenger transport	5,567	10,216	54.5
Infrastructure	1,866	1,524	122.4
Traffic management	74	164	45.1
Informatics	198	393	50.4
Traction	487	4,153	11.7
Technical wagon activity	42	2	
Central workshops	1,902	1,569	121.2
Property	487	283	172.1
Management	114	65	175.4
The SŽ-ŽGP Group	1,346	4,980	27.0
Traffic and transport institute	39	33	118.2
Railway printing house	25	7	357.1
The SŽ-ŽIP Group, Services	386	1,043	37.0
The Slovenske železnice Group	26,827	34,304	78.2

Investments into rolling stock (passenger, freight, and special purpose vehicles) amounted to 75.5% of all investments made by the Slovenske železnice Group in 2011. They are characterized by ongoing investments and typically include regular revisions and maintenance of railway vehicles after the end of their life cycle.

Assessment of railway transport safety and quality

Railway transport safety is assessed by comparing the number of exceptional events and incidents in railway transport as well as their consequences with the figures from previous year. The assessment of railway transport quality, on the other hand, is based on the quality of the railway services provided, on the extent of train delays and on the condition of trains and railway stations.

In 2011, 40 exceptional events (serious accidents and accidents) occurred, which is 18 events less than in 2010. Accidents which were caused by the railway amounted to nine (9) cases, and those triggered by other parties to 31 cases.

Similarly, the number of incidents in 2011 dropped too – 659 cases were registered in total, which is 31 less than the previous year. However, unlike with accidents, the majority of incidents (361, down 3 incidents on 2010), were caused by the railway and the rest by other parties (298, down 28 incidents on 2010).

The condition of trains was assessed on the basis of samples taken from individual vehicles; 99.4% of the samples were in good condition, which is up 0.9% on 2010. An even greater improvement was noted in stations – 86.1% of all samples taken were in good condition, which is up 2.9% on 2010.

Due to certain changes in legislation, railway transport safety cannot be assessed over a longer span of time. A comparison with the figures from 2010, however, suggests an improvement in railway transport safety.

Quality management system

In 2011, Slovenske železnice implemented the quality management system in conformity with the requirements of ISO 9001:2008, the Rules of Procedure and the Quality Manual. The system was subject to several internal reviews and control assessments, and also evaluated in a management review. Quality policy and objectives achieved in 2011 were in line with the capacities and business progress of Slovenske železnice.

Moreover, Slovenske železnice pay attention to re-engineering and optimisation of energy, as well as to environmental and waste management processes. Having implemented an environmental management system in conformity with ISO 14001 as early as 2002, the company made a commitment to exercise long-term and systematic control over any negative environmental impacts caused by its railway operations. In particular, efforts are made to maintain clean environment, use energy-efficient transport solutions, install energy-efficient equipment in railway buildings, vehicles and other machinery, promote optimal use of water and reduce the quantity of general waste.

In 2011, the subsidiaries SŽ-Infrastruktura, d. o. o., SŽ-Potniški promet, d. o. o., SŽ-Tovorni promet, d. o. o., and various departments of SŽ, d. o. o., obtained certification for their environmental management system in conformity with the international standard on environmental management ISO 14001. The validity period of the certificate expires on 22 January 2015.

As the Infrastructure Manager, Slovenske železnice are responsible for the implementation of the environmental protection legislation and committed to perform their regular and preventive maintenance work in accordance with the relevant environmental measures.

Consolidated financial statements of the Slovenske železnice Group with notes

Consolidated financial statements

Notes to the consolidated financial statements are considered an integral part of the said financial statements and must therefore be read in conjunction with them. For ease of reference, the items below are first set out in summarised form in accordance with Article 62 of the Companies Act (ZGD), while consolidated financial statements are presented later on in the disclosure of assets and liabilities as well as revenues and expenses.

CONSOLIDATED BALANCE SHEET
of the Slovenske železnice Group
as of 31 December 2011

DESCRIPTION (in EUR)	State on		Index
	31. 12. 2011	31. 12. 2010	
ASSETS	650,436,674	740,751,553	87.8
A. Non-currents assets	540,922,441	456,288,744	118.5
I. Intangible assets and non-current deferred expenses and accrued incomes	2,731,353	2,550,905	107.1
II. Tangible fixed assets	383,417,109	396,422,305	96.7
III. Investment property	1,090,136	1,147,266	95.0
IV. Long-term investments	16,447,017	14,257,606	115.4
V. Non-current operating receivables	137,114,317	41,727,878	328.6
VI. Deferred tax assets	122,509	182,784	67.0
B. Current assets	105,244,663	276,597,497	38.0
II. Inventories	24,478,426	20,962,253	116.8
III. Short-term investments	502,640	953,582	52.7
IV. Current operating receivables	70,514,681	205,897,691	34.2
V. Cash	9,748,916	48,783,971	20.0
C. Current deferred expenses and accrued income	4,269,570	7,865,312	54.3
LIABILITIES	650,436,674	740,751,553	87.8
A. Equity	134,072,829	186,267,881	72.0
I. Share capital	95,070,230	95,070,230	100.0
II. Capital surplus	51,364,133	79,925,860	64.3
IV. Revaluation surplus	18,951,472	1,181,255	1,604.4
V. Retained earnings	(18,941,004)	3,391,486	-
VI. Net profit/loss for the year	(16,484,980)	2,967,567	-
1. Net profit for the year	0	2,967,567	-
2. Net loss for the year	(16,484,980)	0	-
VII. Consolidated equity adjustment	(5,734)	15,484	-
VIII. Capital of minority shareholders	4,118,712	3,715,999	110.8
B. Provisions and current accrued expenses and deferred costs	43,864,629	43,516,287	100.8
C. Non-current liabilities	320,827,577	349,860,433	91.7
I. Non-current financial liabilities	320,714,049	349,804,801	91.7
II. Non-current operating liabilities	113,528	51,499	220.4
III. Deferred tax liabilities	0	4,133	-
Č. Current liabilities	143,982,526	144,756,604	99.5
II. Current financial liabilities	73,611,545	54,231,761	135.7
III. Current operating liabilities	70,370,981	90,524,843	77.7
D. Current accrued expenses and deferred costs	7,689,113	16,350,348	47.0

CONSOLIDATED INCOME STATEMENT
of the Slovenske železnice Group
for the period 1 January–31 December 2011

DESCRIPTION (in EUR)	2011	2010	Index
1. Net sales revenues	395,502,294	363,388,610	108.8
a) Revenues in the domestic market	217,689,695	233,885,529	93.1
1. Transport revenues	34,497,055	35,016,540	98.5
2. Other revenues	183,192,640	198,868,989	92.1
b) Revenues in the foreign market	177,812,599	129,503,081	137.3
1. Transport revenues	161,609,812	114,968,494	140.6
2. Other revenues	16,202,787	14,534,587	111.5
2. Change in inventories of finished goods and work in progress	3,361,685	(583,048)	-
3. Capitalised own products and own services	22,253,725	23,015,625	96.7
4. Other operating revenues (including revaluation operating revenues)	57,592,590	50,386,659	114.3
a) Other revenues from operations	52,420,583	49,330,946	106.3
b) Revaluation operating revenues	5,172,007	1,055,713	489.9
5. Costs of goods, materials and services	197,753,448	160,079,814	123.5
a) Costs of goods and materials sold and costs of materials used	72,824,865	73,390,815	99.2
b) Costs of services	124,928,583	86,688,999	144.1
6. Labour costs	228,628,966	236,731,024	96.6
a) Costs of wages	163,568,752	165,326,630	98.9
b) Social security costs	34,206,915	34,476,161	99.2
c) Other labour costs	30,853,299	36,928,233	83.5
7. Depreciation/amortisation costs	46,254,079	43,425,973	106.5
a) Depreciation/Amortisation	40,211,873	38,389,138	104.7
b) Revaluation operating expenses for intangible non-current assets and tangible fixed assets	717,329	583,661	122.9
c) Revaluation operating expenses for capital employed	5,324,877	4,453,174	119.6
8. Other operating expenses	3,882,646	3,004,428	129.2
Operating profit/loss (1±2+3+4-5-6-7-8)	2,191,155	(7,033,393)	-
9. Financial revenues from interest	314,088	8,708,503	3.6
10. Financial revenues from loans	6,789,234	4,394,934	154.5
11. Financial revenues from operating receivables	1,359,719	998,655	136.2
12. Financial expenses for impairment and write-offs of investments	256,827	891,910	28.8
13. Financial expenses for financial liabilities	27,913,936	30,205,199	92.4
14. Financial expenses for operating liabilities	493,376	741,300	66.6
Operating profit/loss from ordinary activities (1±2+3+4-5-6-7-8+9+10+11-12-13-14)	(18,009,943)	(24,769,710)	72.7

DESCRIPTION (in EUR)	2011	2010	Index
15. Other revenues	5,276,205	7,886,381	66.9
16. Other expenses	870,116	1,184,065	73.5
17. Income tax	1,686,657	1,106,619	152.4
18. Deferred taxes	(60,023)	(13,582)	441.9
19. Net profit/loss of accounting period (1±2+3+4-5-6-7-8+9+10+11-12-13-14+15-16-17±18)	(15,350,534)	(19,187,595)	80.0
a) majority shareholders	(16,484,980)	(19,999,594)	82.4
b) minor shareholders	1,134,446	811,999	139.7

CONSOLIDATED BALANCE SHEET OF THE COMPREHENSIVE INCOME of the Slovenske železnice Group for the period 1 January-31 December 2011

DESCRIPTION (in EUR)	2011	2010	Index
19. Net profit/loss of the accounting period	(15,350,534)	(19,187,595)	80.0
a) majority shareholders	(16,484,980)	(19,999,594)	82.4
b) minor shareholders	1,134,446	811,999	139.7
20. Surplus changes in revaluation of intangible assets and tangible fixed assets	0	77,276	-
a) majority shareholders	0	77,276	-
b) minor shareholders			
21. Surplus changes in revaluation of financial assets, available for sale	(8,834,947)	(15,486,301)	57.1
a) majority shareholders	(8,827,608)	(15,486,301)	57.0
b) minor shareholders	(7,339)	0	-
22. Gains and losses from company's foreign operations	(18)	2,549	-
a) majority shareholders	(18)	2,549	-
b) minor shareholders			
23. Other components of the comprehensive income	(28,389,787)	0	-
a) majority shareholders	(28,389,787)	0	-
b) minor shareholders			
24. Total comprehensive income for the accounting period (19+20+21+22+23)	(52,575,286)	(34,594,071)	151.98
a) majority shareholders	(53,702,393)	(35,406,070)	151.68
b) minor shareholders	1,127,107	811,999	138.81

CASH FLOW STATEMENT
of the Slovenske železnice Group
for the period 1 January–31 December 2011

CASH FLOW STATEMENT (Version II.) (in EUR)		2011	2010
A. OPERATING CASH FLOW			
a) Profit-and-loss-account items		45,429,697	35,438,040
Operating revenues (excluding revaluation) and financial revenues from operating receivables		458,458,254	420,389,301
Operating expenses without depreciation expenses (excluding revaluation) and financial expenses from operating liabilities		(411,338,019)	(383,761,228)
Income tax and other taxes, not included in operating expenses		(1,690,538)	(1,190,033)
b) Changes in net production means (and accruals, provisions, deferred receivables and tax liabilities) of balance sheet operating items		(17,319,725)	(50,473,197)
Opening less closing operating receivables		15,860,873	(60,831,046)
Opening less closing deferred expenses and accrued income		3,637,866	40,368,971
Opening less closing inventories		(3,516,173)	2,120,483
Closing less opening operating debts		(58,238,699)	(33,000,187)
Closing less opening deferred costs		24,936,408	868,582
c) <i>Net cash from proceeds in operations or net cash of expenditure in operations (a+b)</i>		28,109,972	(15,035,157)
B. CASH FLOWS IN INVESTING ACTIVITIES			
a) Proceeds from investing activities		8,969,376	29,125,297
Proceeds from received interest and profit shares, referring to investments		647,322	12,569,354
Proceeds from disposals of intangible assets		87,982	60,166
Proceeds from disposals of tangible fixed assets		1,210,584	2,775,026
Proceeds from disposals of investment properties		90,500	–
Proceeds from disposals of non-current investments		–	1,169,541
Proceeds from disposals of current investments		6,932,988	12,551,210
b) Expenditure on investments		(29,470,735)	(37,123,072)
Expenditure on intangible assets purchase		(873,895)	(570,968)
Expenditure on tangible fixed assets purchase		(26,628,302)	(35,504,139)
Expenditure on acquiring long-term investments		(1,942,492)	(11,229)
Expenditure on acquiring short-term investments		(26,046)	(1,036,736)
c) <i>Net cash from proceeds in investments or net cash in expenditure on investments (a+b)</i>		(20,501,359)	(7,997,775)
C. CASH FLOW IN FINANCING ACTIVITIES			
a) Proceeds in financing activities		75,841,541	124,238,437
Proceeds from increased non-current liabilities		2,927,547	53,202,494
Proceeds from increased current liabilities		72,913,994	71,035,943
b) Expenditure on financing activities		(122,485,209)	(114,595,131)
Acquisitions for paid interest, referring to financing activities		(26,490,389)	(15,795,513)
Acquisitions for repayment of non-current liabilities		(1,077,543)	(18,884,148)
Acquisitions for repayment of current liabilities		(94,917,277)	(76,676,865)
Acquisitions for dividends paid and other profit shares		–	(3,238,605)
c) <i>Net cash from proceeds in financing or net cash of expenditures on financing activities (a+b)</i>		(46,643,668)	9,643,306
Č. Cash at the end of period			
x) Net cash flow of period (total net Ac, Bc and Cc)		(39,035,055)	(13,389,626)
y) Cash at the beginning of period		48,783,971	62,173,597
Cash at the end of period (x+y)		9,748,916	48,783,971

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
of the Slovenske železnice Group
for the period 1 January–31 December 2011

DESCRIPTION (in EUR)	Share capital	Capital reserves	Revaluation surplus	Retained net profit/loss	Net profit/loss for the period	Consolidation adjustment	Minority interests	Total
A.1. Balance at 31 Dec 2010	95,070,230	79,925,860	1,181,255	3,391,486	2,967,567	15,484	3,715,999	186,267,881
A.2. Balance at 1 Jan 2011	95,070,230	79,925,860	1,181,255	3,391,486	2,967,567	15,484	3,715,999	186,267,881
B.1. Changes in equity - transactions with owners	0	0	0	2,968,169	0	0	(729,958)	2,238,211
g) Dividends paid				3,395,874			(807,980)	2,587,894
i) Other changes in equity				(427,705)			78,022	(349,683)
B.2. Total comprehensive income for the period	0	(28,561,727)	19,435,053	(28,268,226)	(16,484,980)	(21,218)	1,132,671	(52,768,427)
a) Entry of net profit/loss for the period					(16,484,980)		1,134,446	(15,350,534)
c) Change in revaluation reserve of tangible fixed assets			(154,453)	154,453				0
č) Change in revaluation reserve of financial investments			19,589,506	(28,422,679)			(1,775)	(8,834,948)
d) Other components of comprehensive income for the period		(28,561,727)						(28,561,727)
e) Gains and losses from company's foreign operations						(21,218)		(21,218)
B.3. Changes in equity	0	0	(1,664,836)	2,967,567	(2,967,567)	0	0	(1,664,836)
a) Allocation of the remaining net profit part for the comparative period to other capital components				2,967,567	(2,967,567)			0
f) Other changes in equity			(1,664,836)					(1,664,836)
C. Balance at 31 December 2011	95,070,230	51,364,133	18,951,472	(18,941,004)	(16,484,980)	(5,734)	4,118,712	134,072,829
BALANCE SHEET PROFIT/LOSS				(18,941,004)	(16,484,980)			(35,425,984)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY of the Slovenske železnice Group for the period 1 January–31 December 2010

DESCRIPTION (in EUR)	Share capital	Capital reserves	Revaluation surplus	Retained net profit/loss	Net profit/loss for the period	Consolidation adjustment	Minority interests	Total
A.1. Balance at 31 Dec 2009	95,070,230	0	16,855,588	698,207 (171,941)	(28,269,227)	12,935	3,622,066	87,989,799 (171,941)
a) Retroactive recalculation				126,506	(126,506)			0
b) Retroactive adjustments	95,070,230	0	16,855,588	652,772	(28,395,733)	12,935	3,622,066	87,817,858
A.2. Balance at 1 Jan 2010	134,261,600	0	0	(4,037,415)	3,537,975	0	(718,066)	133,044,094
B.1. Changes in equity – transactions with owners	134,261,600			(3,537,975)	3,537,975		(762,245)	134,261,600 (762,245)
c) Entry of additional paid-in capital				(499,440)			44,179	(455,261)
g) Dividends paid				265,308	(19,999,594)	2,549	811,999	(34,594,071)
i) Other changes in equity	0	0	(15,674,333)		(19,999,594)		811,999	(19,187,595)
B.2. Total comprehensive income for the period			(188,032)	265,308				77,276
a) Entry of net profit/loss for the period								
c) Change in revaluation reserve of tangible fixed assets			(188,032)	265,308				
e) Change in revaluation reserve of financial investments			(15,486,301)					(15,486,301)
e) Gains and losses from company's foreign operations						2,549		2,549
B.3. Changes in equity	(134,261,600)	79,925,860	0	6,510,821	47,824,919	0	0	0
a) Allocation of the remaining net profit part for the comparative period to other capital components				(28,395,733)	28,395,733			0
c) Settling loss as deductible capital item	(54,335,740)			34,906,554	19,429,186			0
f) Other changes in equity	(79,925,860)	79,925,860						0
C. Balance at 31 December 2010	95,070,230	79,925,860	1,181,255	3,391,486	2,967,567	15,484	3,715,999	186,267,881
BALANCE SHEET PROFIT/LOSS				3,391,486	2,967,567			6,359,053

Key figures

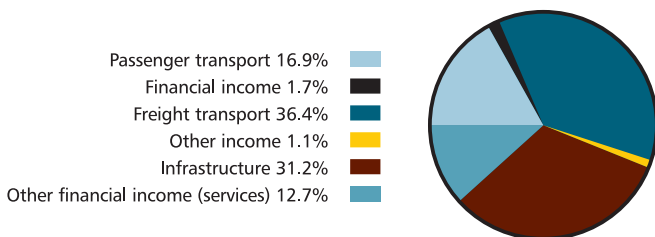
The Slovenske železnice Group	2008	2009	2010	2011
Operating revenues (in thousand EUR)	458,205	402,921	468,334	478,710
Operating expenses (in thousand EUR)	456,142	428,935	475,367	476,519
EBIT – operating income (in thousand EUR)	2,063	(26,014)	(7,033)	2,191
Net income (in thousand EUR)	2,474	(27,636)	(19,188)	(15,351)
Assets (in thousand EUR)	974,708 ¹⁾	1,005,105 ¹⁾	740,752	650,437
Equity (in thousand EUR)	76,510	87,990	186,268	134,073
Revenues/Expenses	1.005	0.939	0.985	1.005
EBIT/Operating revenues	0.005	(0.065)	(0.015)	0.005
Return on equity	0.037	(0.288)	(0.131)	(0.091)
Equity/Debt	0.139 ²⁾	0.145 ²⁾	0.252	0.206
Goods transported (in thousand tonnes)	19,013	14,636	17,257	17,647
Tonne-kilometres (in million)	3,873	2,982	3,617	3,869
Train kilometres in freight transport (in thousand)	8,442	6,792	8,126	8,798
Passengers transported (in thousand)	16,661	16,355	16,220	15,743
Passenger-kilometres (in million)	834	840	813	773
Train kilometres in passenger transport (in thousand)	10,590	10,677	10,717	10,764
Average number of employees	10,321	10,157	9,694	8,886

¹⁾ Balance sheet comprise Public Railway Infrastructure assets and liabilities in accordance to Railway Transport Act.

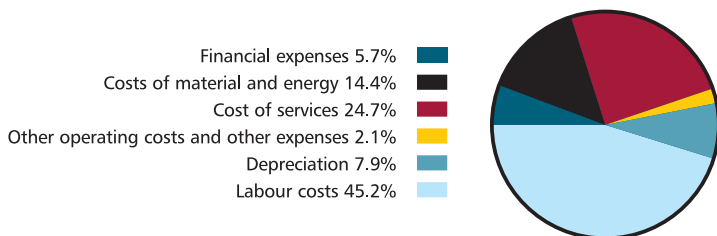
²⁾ Without Public Railway Infrastructure liabilities.

Revenues and costs

Revenues structure



Cost structure

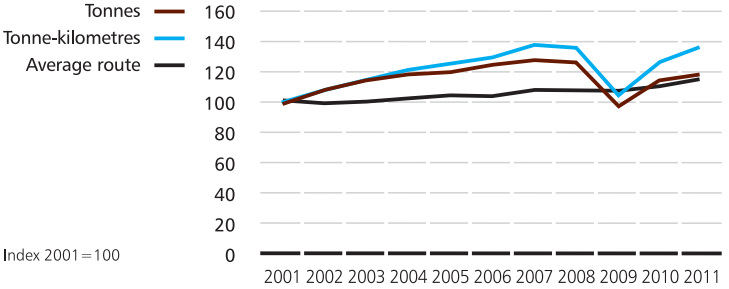


Financials

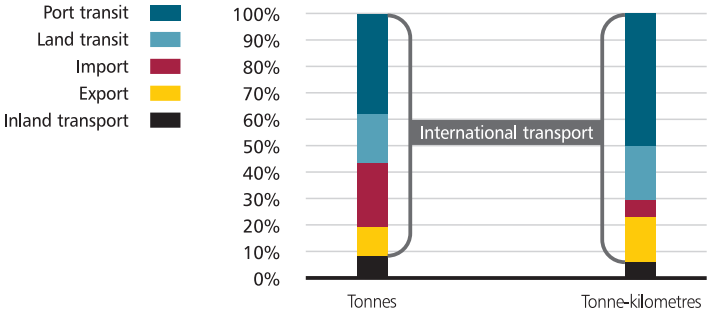
The Slovenske železnice Group	2008	2009	2010	2011
PROFIT AND LOSS ACCOUNT (in thousand EUR)				
Operating revenues	458,205	402,921	468,334	478,710
Transport revenues	166,151	127,605	182,110	196,107
– freight transport	132,274	93,983	144,713	159,858
– passenger transport	33,877	33,622	37,397	36,249
Revenues from public services	186,700	186,113	180,905	193,015
– passenger transport	38,997	47,921	45,069	44,584
– infrastructure	147,703	138,192	135,836	148,431
Other operating revenues	105,354	89,203	105,319	89,588
Operating expenses	456,142	428,935	475,367	476,519
Costs of material and energy	75,722	68,382	73,391	72,825
Costs of services	91,000	77,128	118,815	124,929
Costs of labour	248,409	239,112	236,731	228,629
Depreciation	32,646	36,302	38,389	40,212
Other operating costs	8,365	8,011	8,041	9,924
EBIT – operating income	2,063	(26,014)	(7,033)	2,191
Financial income minus financial expenses	(3,943)	(8,221)	(17,736)	(20,201)
Other income minus other expenses	5,331	7,416	6,702	4,406
Income tax	263	817	1,121	1,747
Net profit/loss for the year	2,474	(27,636)	(19,188)	(15,351)
INVESTMENTS (in thousand EUR)	54,171	67,874	34,304	26,827
BALANCE SHEET (in thousand EUR)				
Assets	974,708	1,005,105	740,752	650,437
Fixed assets	803,416	818,113	456,289	540,922
Current assets	160,217	138,758	276,598	105,245
Other	11,075	48,234	7,865	4,270
Liabilities	974,708	1,005,105	740,752	650,437
Equity	76,510	87,990	186,268	134,073
Non-current liabilities	703,909	747,965	393,377	364,692
Current liabilities	160,238	150,668	144,757	143,983
Other	34,051	18,482	16,350	7,689

Freight transport

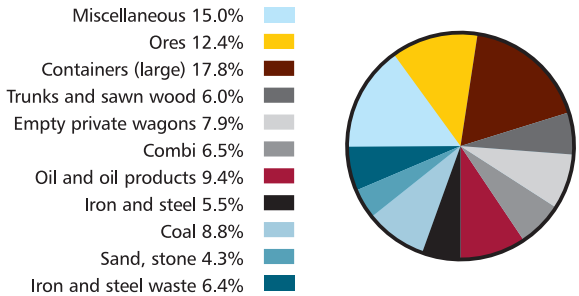
Development of freight transport volume



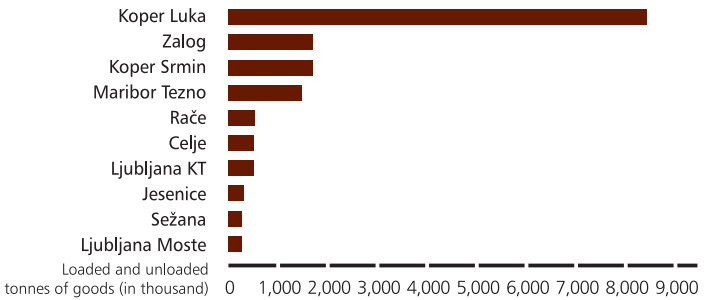
Freight transport structure



Structure of goods transported



Key stations



	2008	2009	2010	2011
INCOME STATEMENT¹⁾ (in thousand EUR)				
Operating revenues	180,000	132,198	166,753	185,712
Operating expenses	186,863	170,664	181,004	190,852
EBIT – operating income	(6,863)	(38,466)	(14,251)	(5,140)
Financial income minus financial expenses	(6,343)	(3,203)	(13,434)	(12,687)
Other income minus other expenses	(1,485)	1,501	2,203	1,478
Income tax	0	0	0	0
Net profit/loss for the year	(14,691)	(40,168)	(25,482)	(16,349)
GOODS TRANSPORTED				
(wagon consignments, in thousand tonnes)	18,977	14,607	17,224	17,616
INLAND TRANSPORT	1,880	1,631	1,830	1,441
INTERNATIONAL TRANSPORT	17,097	12,976	15,394	16,175
– Import	5,341	4,064	4,333	4,279
– Export	2,089	1,857	1,994	1,938
– Land transit	3,773	2,816	3,340	3,306
– Port transit	5,894	4,239	5,727	6,652
thereof:				
COMBINED TRANSPORT	3,848	3,229	4,032	4,284
– Accompanied piggyback	1,485	936	1,042	1,151
– Unaccompanied piggyback	2,363	2,293	2,990	3,133
WORK PREFORMED (in million tonne-kilometres)	3,873.2	2,981.7	3,617.1	3,869.2
INLAND TRANSPORT	303.0	246.9	262.3	223.6
INTERNATIONAL TRANSPORT	3,570.2	2,734.8	3,354.8	3,645.6
– Import	825.6	644.8	656.5	672.8
– Export	241.6	236.8	270.6	249.7
– Land transit	847.2	610.9	762.4	772.2
– Port transit	1,655.8	1,242.3	1,665.3	1,950.9
thereof:				
COMBINED TRANSPORT	687.0	678.3	874.6	973.0
– Accompanied piggyback	31.4	22.6	21.6	22.4
– Unaccompanied piggyback	655.6	655.7	853.0	950.6
AVERAGE ROUTE (km)	204.1	204.1	210.0	219.6
INLAND TRANSPORT	161.2	151.4	143.2	155.2

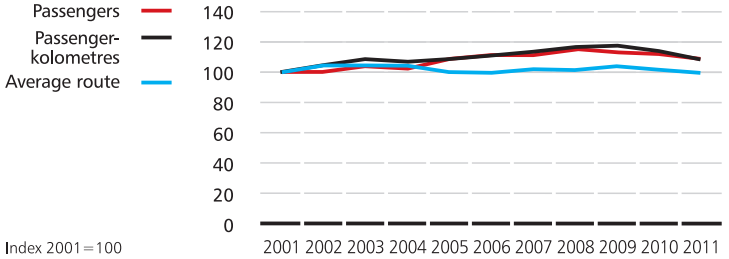
¹⁾ Since 1 January 2011, transport revenues are accounted for in a different manner, which influenced the levels of operating revenue and expenditure.

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

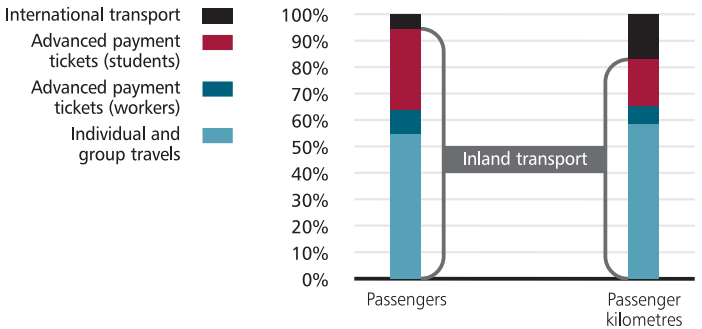
	2008	2009	2010	2011
INTERNATIONAL TRANSPORT	208.8	210.8	217.9	225.4
thereof:				
COMBINED TRANSPORT	178.5	210.1	216.9	227.1
– Accompanied piggyback	21.1	24.1	20.7	19.5
– Unaccompanied piggyback	277.4	286.0	285.3	303.4
AVERAGE WEIGHT PER WAGON				
(only for wagon consignments, in tonnes)	32.9	34.1	33.2	33.7
GOODS TRANSPORTED (parcels, in thousand tonnes)	36.4	28.7	33.2	31.1
INLAND TRANSPORT	35.7	28.7	33.2	31.1
INTERNATIONAL TRANSPORT	0.7	0.0	0.0	0.0

Passenger transport

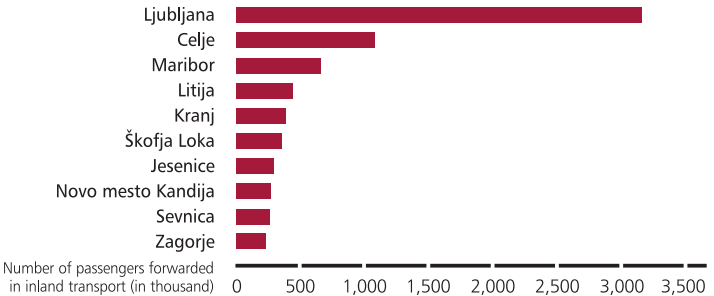
Development of passenger transport volume



Passenger transport structure



Key stations



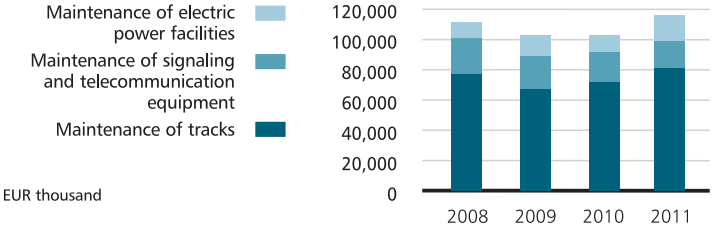
	2008	2009	2010 ¹⁾	2011 ¹⁾
INCOME STATEMENT (in thousand EUR)				
Operating revenues	76,086	85,636	86,657	85,764
Operating expenses	83,050	82,787	84,689	87,168
EBIT – operating income	(6,964)	2,849	1,968	(1,404)
Financial income minus financial expenses	(7,471)	(4,133)	(2,468)	(4,409)
Other income minus other expenses	307	1,284	67	389
Income tax	0	0	0	0
Net profit/loss for the year	(14,128)	0	(433)	(5,424)
PASSENGERS TRANSPORTED (in thousand)				
INLAND TRANSPORT	15,753	15,434	15,294	14,838
– Individual and group travels	9,105	8,809	8,720	8,601
– Advance payment tickets (workers)	1,401	1,356	1,395	1,434
– Advance payment tickets (students)	5,247	5,269	5,179	4,803
INTERNATIONAL TRANSPORT	908	921	926	905
LUGGAGE FORWARDED (in tonnes)	175.4	231.5	222.9	264.0
ACCOMPANIED CARS	16,622	12,226	11,220	13,909
PERFORMED PASSENGER KILOMETRES				
(in million)	834.1	840.1	813.3	773.2
INLAND TRANSPORT	712.6	717.5	679.5	641.3
– Individual and group travels	509.3	519.0	483.1	453.3
– Advance payment tickets (workers)	47.7	46.0	48.4	50.7
– Advance payment tickets (students)	155.6	152.5	148.0	137.3
INTERNATIONAL TRANSPORT	121.5	122.6	133.8	131.9
NUMBER OF SPECIAL TRAINS	429	601	399	383
AVERAGE ROUTE (km)	50.1	51.4	50.1	49.1
INLAND TRANSPORT	45.2	46.5	44.4	43.2
INTERNATIONAL TRANSPORT	133.8	133.1	144.5	145.7

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

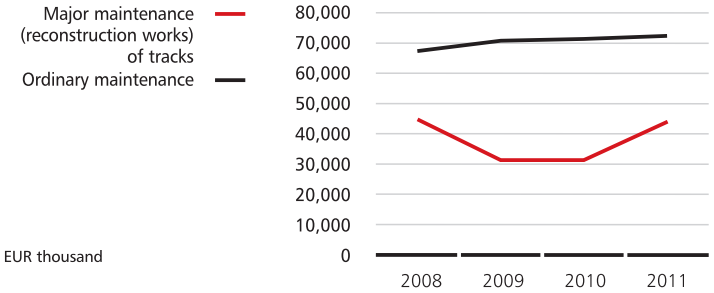
For comparison purposes, transport revenues have also been recalculated for 2010.

Infrastructure

Maintenance of public railway infrastructure



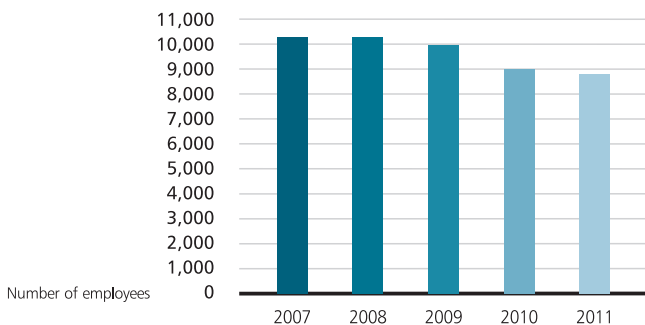
Investment maintenance of public railway infrastructure



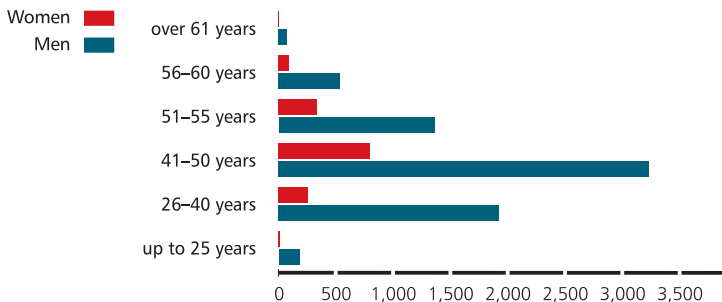
	2008	2009	2010	2011
INCOME STATEMENT (in thousand EUR)				
Operating revenues	159,849	164,732	165,818	173,063
Operating expenses	155,983	158,934	161,365	172,363
EBIT – operating income	3,866	5,798	4,453	700
Financial income minus financial expenses	1,380	509	1,706	645
Other income minus other expenses	1,507	1,958	1,153	1,860
Income tax	0	0	0	
Net profit/loss for the year	6,753	8,265	7,312	3,205
MAINTENANCE OF PUBLIC RAILWAY INFRASTRUCTURE (in thousand EUR)				
Maintenance of tracks	77,972	68,129	71,759	81,439
Maintenance of signaling and telecommunication equipment	22,766	21,761	19,709	18,057
Maintenance of electric power facilities	11,325	12,423	11,143	16,965
Total	112,063	102,313	102,611	116,461

Staff

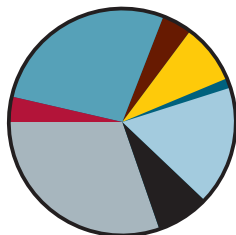
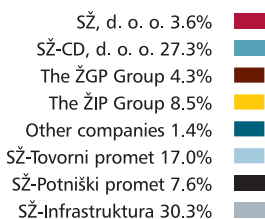
Number of employees 2001–2011 (year end)



Age and sex structure



Employees by organisational units

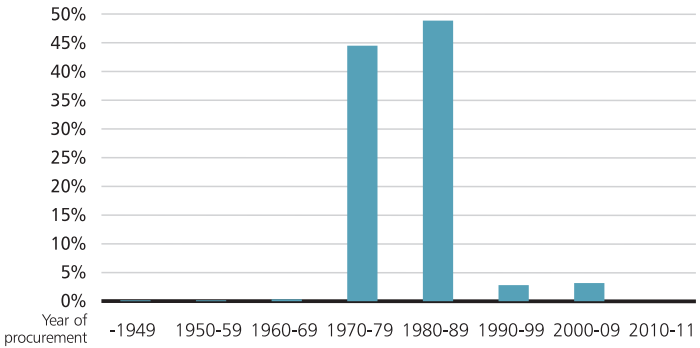


Transport services

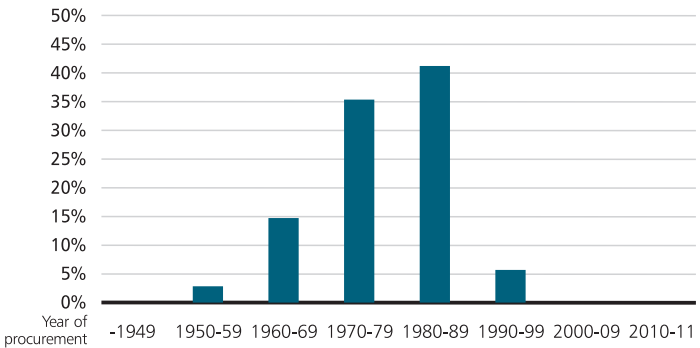
	2008	2009	2010	2011
Trains performance (thousand train km)	19,032	17,469	18,843	19,562
Freight trains (thousand train km)	8,442	6,792	8,126	8,798
Passenger trains (thousand train km)	10,590	10,677	10,717	10,764
Frequency of trains per day and route (number)	699	674	708	702
Freight trains (number)	198	157	194	197
Passenger trains (number)	501	517	514	505
Turnover of freight wagons (days)	4.6	5.5	4.9	5.5
Seat occupancy (%)	31.6	28.9	29.1	27.0
Average commercial speed				
Freight trains (km/h)	39.51	40.99	38.35	39.46
Passenger trains (km/h)	53.17	53.31	53.23	53.69
Delays				
Freight trains (min/100 train km)	68.6	39.6	78.8	68.0
Passenger trains (min/100 train km)	3.3	2.8	2.7	1.9
Available seats in passenger trains (No. of seats/train)	205	204	201	186
Average number of passengers per train (number)	91	87	86	97
Gross tonnes per freight train (tonnes)	914.1	906.8	930.9	926.6
Transported tonnes per freight train (tonnes)	485.6	475.9	460.2	462.7
Ratio net/gross tonnes (%)	48.5	49.1	49.4	49.9
Work of traction vehicles				
Electric locomotives (operation km/unit)	162,569	159,542	169,107	158,758
(thousand GHTK/unit)	108,609	100,327	112,821	119,920
Diesel locomotives (operation km/unit)	62,062	60,075	59,064	58,391
(thousand GHTK/unit)	20,433	16,372	17,696	18,122
Electric motor unit trains (operation km/unit)	166,444	167,933	174,485	179,600
(thousand GHTK/unit)	20,301	20,195	20,766	21,126
Diesel motor unit trains (operation km/unit)	103,357	103,340	108,802	106,078
(thousand GHTK/unit)	7,904	7,744	8,176	8,013
Specific power consumption				
Electric power (kWh/million GHTK)	24.68	25.24	24.72	24.31
Diesel fuel (kg/thousand GHTK)	8.06	9.91	9.31	9.00

Traction and hauled vehicles

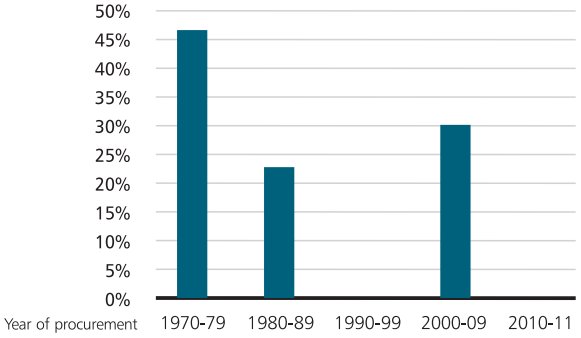
Age structure of freight wagons (as of 31. December 2011)



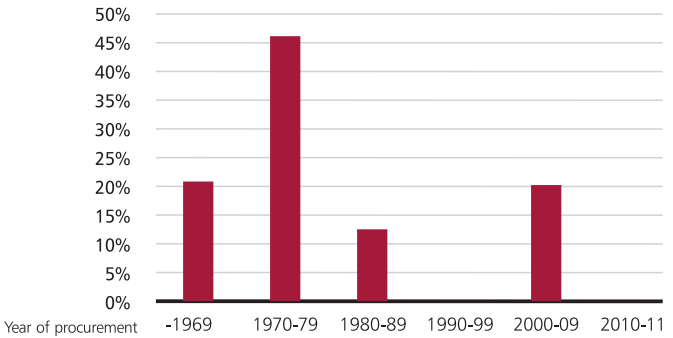
Age structure of conventional coaches (as of 31. December 2011)



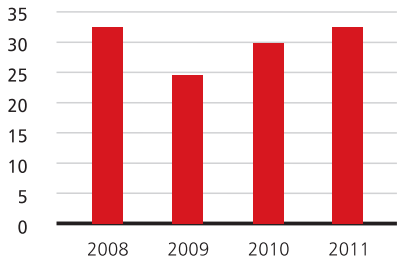
Age structure of passenger motor units trains (as of 31. December 2011)



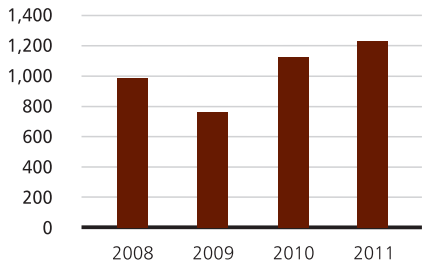
Age structure of locomotives (as of 31. December 2011)



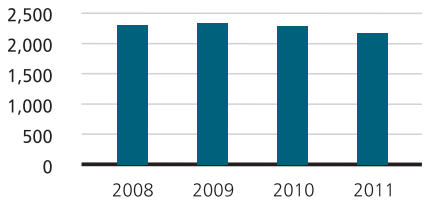
Gross hauled tonne-kilometres/locomotive (in million)



Tonne-kilometres/freight wagon (in thousand)



Passenger kilometres/passenger vehicle (in thousand)



Traction vehicles inventory

(Number)	2008	2009	2010	2011
Total	271	273	271	265
Electric locomotives	82	86	84	78
Electric motor unit trains	39	39	39	39
Diesel locomotives	76	74	74	74
Diesel motor unit trains	70	70	70	70
Museum steam locomotives	4	4	4	4

Freight wagons inventory

(Number)	2008	2009	2010	2011	4-axle	Average carrying capacity of wagons (tonnes)
Total	3,921	3,905	3,211	3,142	2,798	53.6
E open – ordinary	973	974	829	828	812	58.2
F open – special	507	507	478	478	478	56.6
G covered – ordinary	411	390	143	105	42	38.5
H covered – ordinary	375	375	348	328	258	51.7
K flat – ordinary	181	181	148	148	0	26.8
L flat – special	65	65	64	64	25	33.6
R flat – four-axle ordinary	160	160	145	145	145	55.5
S flat – four-axle special	272	279	253	253	253	57.0
T with sliding roof	721	721	558	549	541	53.9
U special	99	96	96	96	96	57.1
Z tank wagons	157	157	149	148	148	58.0
P private included in SŽ rolling stock	555	469	416	415	415	60.9

Passenger coaches inventory

(Number)	2008	2009	2010	2011	Average number of seats per coach	Portion 1. cl.
2-axle coaches						
Baat	3	3	2	2	28.0	
4-axle coaches						
Passenger coaches (A, AB, B)	98	93	93	93	58.0	13.9%
Restaurant coaches (WR, AR, BR)	5	5	5	5	17.8	33.7%
Couchettes (Ac, Bc)	2	2				
Sleeping cars, saloons (WI)	2	2				
DI	2	2	2	2		
TOTAL	109	107	102	102		
thereof: air-conditioned	13	13	13	13		
S flat – special				7		

Statistic about infrastructure

		2011	%
SŽ – Stations	(Number)	129	
– For freight transport		9	7.0%
– For passenger transport		8	6.2%
– For passenger and freight 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		1,119.8	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)	396	
	(km)	11	
Culverts (stone, concrete, reinforced concrete, steel)	(Number)	2,942	
	(km)	6	

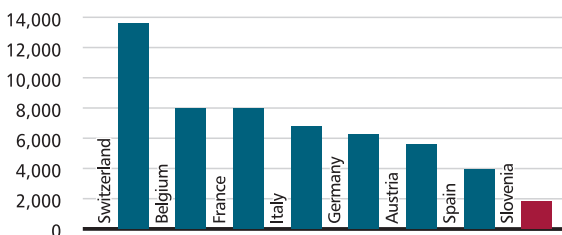
Superlatives

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 then 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 then 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

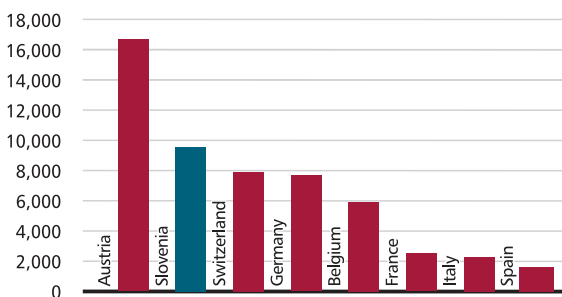
European railways comparison – 2010

Country	Railway	Lines			Average number of employees
		Length (km)	Electrified (km)	Electrified (%)	
Germany	AAE, DB AG, GVG, KEG	33,707	19,819	59	239,635
Italy	FS SpA, FNME, RTC	18,011	13,090	73	84,754
Austria	GKE, ÖBB, SLB	5,039	3,427	68	no data
Spain	RENFE, FEVE, FGC, EuskoTren	15,543	9,267	60	32,300
Switzerland	BLS, CFF/SBB/FFS	3,573	3,573	100	30,643
Belgium	SNCB/NMBS	3,578	3,005	84	37,130
France	SNCF, RFF	29,841	15,635	52	155,210
Slovenia	SŽ	1,228	503	41	7,466

Average number of passengers per day per km of line – 2010



Average number of tonnes per day per km of line – 2010





Sources:

Slovenian Railways Annual Report
International Railways Statistics UIC
Slovenian Railways Statistical and Analytical data