



The Strategic plan
of Železničná spoločnosť CARGO Slovakia, a.s.
for 2005 - 2007 with prospect to 2010

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INTRODUCTION

The Strategic plan of Železničná spoločnosť Cargo Slovakia, a.s. (hereinafter referred to only as ZSSK CARGO) reflects the realistic position of the company and the effort of the management to stabilize the company in 2005 and prepare it for joining of a strategic investor. The objective for the next years to advance the company towards the prospering EU railway undertakings in terms of productivity and competitiveness within the transport market inevitably requires the company to take necessary measures developed in partial strategies and upon their implementation meet the principal strategic objectives of the company.

The Strategic plan of ZSSK CARGO 2005 - 2007 forms a basic institutional plan of the company which has been developed pursuant to the analysis of external environment - transport market, competition, entrepreneurial environment, current and anticipated macroeconomic development of the SR and the neighbouring countries. Moreover, it has been worked out on the basis of internal environment analysis - the current company economy, human potential, technical and technological base, operational performance, trend of performance and earnings.

Being capable of securing the efficient existence of ZSSK CARGO on the transport market becomes increasingly demanding task. One of the instruments for doing so is to cope with the dynamic market and successfully define further aiming of the company which is the subject of this document.

Experiencing the negative tendencies in the rail freight transportation (steady decline in performance and revenues) which are the high rail infrastructure access charge, unequal conditions compared to the road transport, accession of the SR to the EU (truck transport has become more accessible and quicker), liberalisation of the rail market (entry of third party operators), stricter legislative conditions for the rail transport (II. and III. railway package, TSIs), globalisation of the transport market (growing importance of the international transport) etc., have forced the shareholder and the company management to take radical steps for achieving the company efficiency:

- **separation** of the rail freight business (to become a strictly commercial service) from the passenger (to remain the public service)
- **implementation of the process management system** within the company, and
- **entry of strategic investor** in form of privatisation, particularly by sale of 100% of the state's shares.



Besides these fundamental steps the state will soon have to initiate the system measures in terms of harmonisation of conditions for undertaking within the transport market. These shall be focused notably on decrease of the charge for usage of the rail infrastructure to the level comparable with other European countries, preferring the environmentally-friendlier transport modes (which the rail transport undoubtedly is), modernization of the rail network along with the pace of highway network construction and also creation of legislative framework for functioning of the rail sector (this refers to establishing the regulatory authority, notification authority, the Law on railways and its respective executing notices).



THE COMPANY VISION, THE COMPANY MISSION

THE COMPANY VISION

„To be a dynamic and acknowledged railway undertaking with the stable transport market share.“

Customers

Maintain the existing and win new customers by provision of integrated customer services.

Employees

By means of incentive environment contribute to enhancement of labour productivity, efficiency and quality of work.

Managerial style

Upon application of process management achieve the following:

- flexible and efficient organisational structure,
- clear responsibility for predefined processes, elimination of duplicate activities,

- management based on system of dependent indicators, their monitoring and evaluation,
- rationalization of technological procedures,
- support to introduction of progressive technology and techniques in the field of rail freight transport and business,
- introduction of IS for support of efficiency and flexibility inwards the company and towards the external environment.

Corporate culture and values of ZSSK CARGO

- customer orientation,
- continual development of quality services provided,
- employees loyalty,
- flexibility and responsiveness to new conditions,
- safety and occupational health protection.

THE COMPANY MISSION

„Provide reliable, safe, ecological and cost effective rail freight services with the focus on the customers demands“

THE PRINCIPAL STRATEGIC OBJECTIVES OF ZSSK CARGO

- 1 Stabilise the company in 2005.
- 2 Attain the planned positive income in 2006 and 2007.
- 3 Maintain the added value per an employee at the level of 400 thousand SKK.
- 4 Maintain the determined debt-equity ratio lower than 0,75.

Implementation of strategic objectives

Before the end of 2006 the Balanced Scorecard (BSC) system is necessary to be fully introduced with the aim of implemen-

ting the set strategic objectives in practice together with linking up to a system of evaluation and measurable performance.

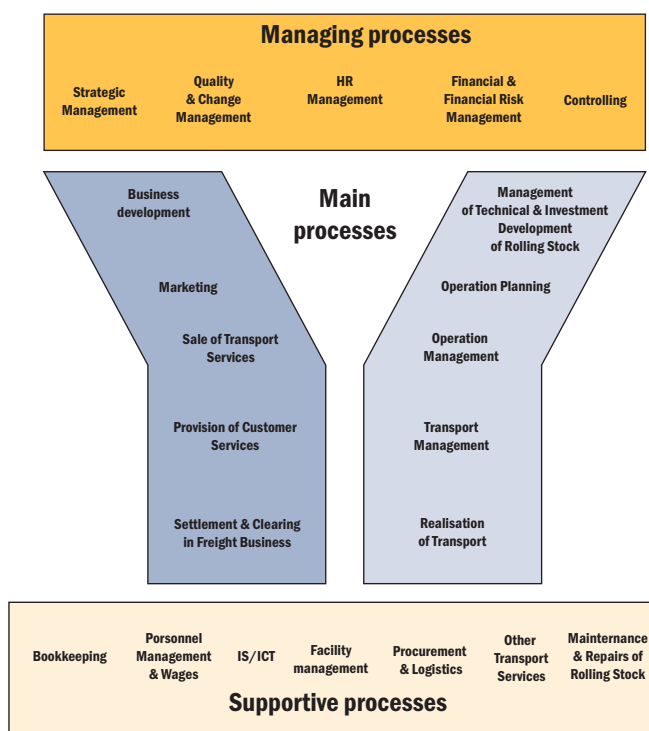
CURRENT STATE

Upon the Resolution of the Government of the Slovak Republic No. 662/2004 dated 7 July 2004, the process of transformation of Železničná spoločnosť, a.s. and consequential privatisation of the state capital participation within the company operating freight transport was approved. Since 1 January 2005 an independent Železničná spoločnosť Cargo Slovakia, a.s., has been set up as a newly established successor company of Železničná spoločnosť, a.s. The founder and 100% shareholder of ZSSK CARGO is the Slovak Republic. The rights of the state as the shareholder of Železničná spoločnosť Cargo Slovakia, a.s. are exercised by the Ministry of Transport, Posts and Telecommunications of the SR (MDPT SR). Subsequently, on 13 April 2005, the Government of the Slovak Republic adopted the Resolution No. 270/2005 on the Concept of privatisation of Železničná spoločnosť Cargo Slovakia, a.s. and registered the entire state capital participation at the list of the property participation of the state on undertaking of other legal entities dedicated to privatisation. The Concept is based mainly on the Government programme which declares the objective to finalize the privatisation process subject to economic benefits for the state, observing of the transparency and following the rules.

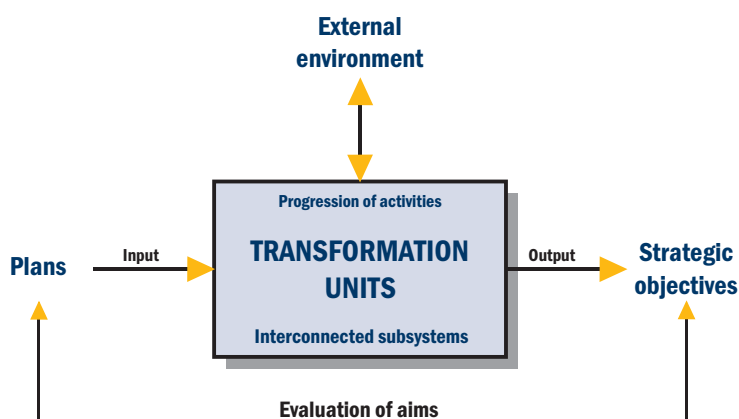
Process management

From 1 January 2005 the organisational structure of ZSSK CARGO works on basis of the process model as outcome of the one-year lasting „Project of Change“ initiated by the former Železničná spoločnosť, a.s. Currently the Project of Change continues in the implementation stage. The project has fully introduced elements of process management and unique responsibility for each process within the ZSSK CARGO. The company processes distinguish between the managing, main and supportive.

The process approach integrates several activities in compact business processes carried out by working teams which are motivated to provide maximum added value for the customer. The process approach strongly supports the focus on customer and definition of needs of all interest groups - external as well as internal. The process approach concentrates not only on the productive processes, it also deals with all processes within the organisation.



Basic view on the organization of process management

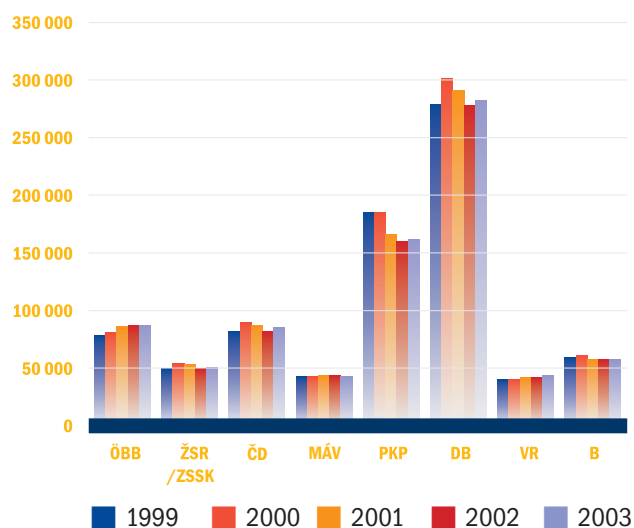




BENCHMARKING OF SELECTED EUROPEAN RAIL UNDERTAKINGS

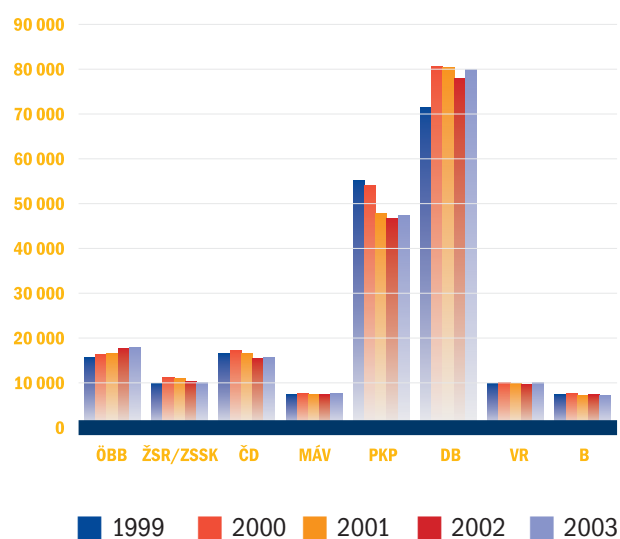
Trend of transport volume (thousand tons)

	1999	2000	2001	2002	2003
ÖBB	78 018	80 900	85 800	87 200	87 000
ŽSR/ ZSSK	49 115	54 177	53 588	49 863	50 521
ČD	82 105	89 200	87 400	81 600	85 349
MÁV	43 111	43 200	43 400	43 400	42 600
PKP	185 093	185 300	165 700	159 700	161 800
DB	279 300	301 300	291 300	278 300	282 300
VR	39 979	40 501	41 678	41 679	43 503
B	59 100	61 300	57 000	57 200	57 000



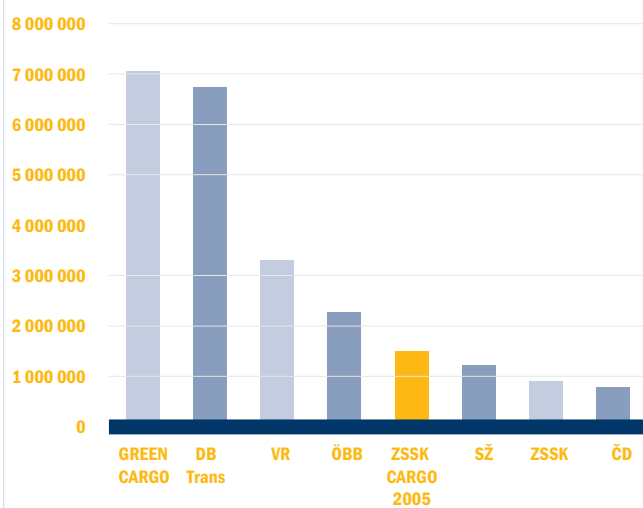
Trend of transport performance (millions net t-km)

	1999	2000	2001	2002	2003
ÖBB	15 558	16 299	16 555	17 627	17 836
ŽSR/ ZSSK	9 863	11 234	10 929	10 384	10 113
ČD	16 458	17 220	16 558	15 415	15 543
MÁV	7 381	7 721	7 367	7 320	7 568
PKP	55 076	54 015	47 656	46 564	47 394
DB	71 494	80 634	80 348	77 981	79 864
VR	9 753	10 107	9 857	9 664	10 047
B	7 393	7 674	7 080	7 300	7 200



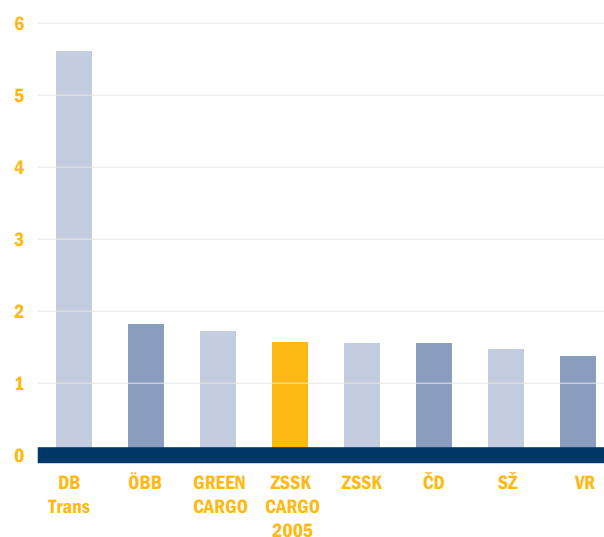


Volume of revenues per an employee in 2003



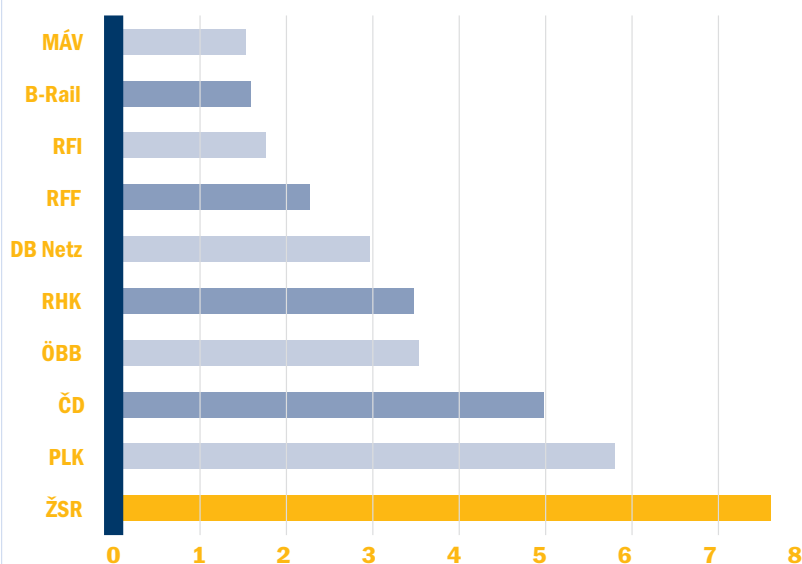
Note: DB Transport & Logistics - DB Group holding division
VR - Finnish railways
SŽ - Slovenian railways

Revenues from freight transport / net t-km in 2003



Comparison of the level of infrastructure charging

- freight transport in European countries

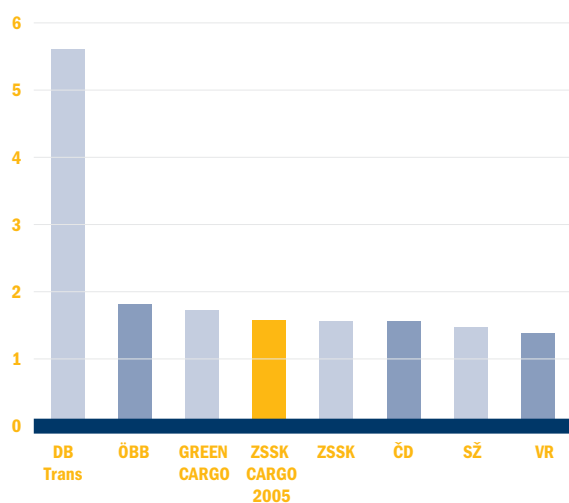


Freight train of load 1400 gross tons for 1 km
of rail infrastructure (EUR/km) in 2004

Note: B-Rail - Belgium
RFI - Italy
RFF - France
DB Netz - Germany
RHK - Finland
PLK - Poland

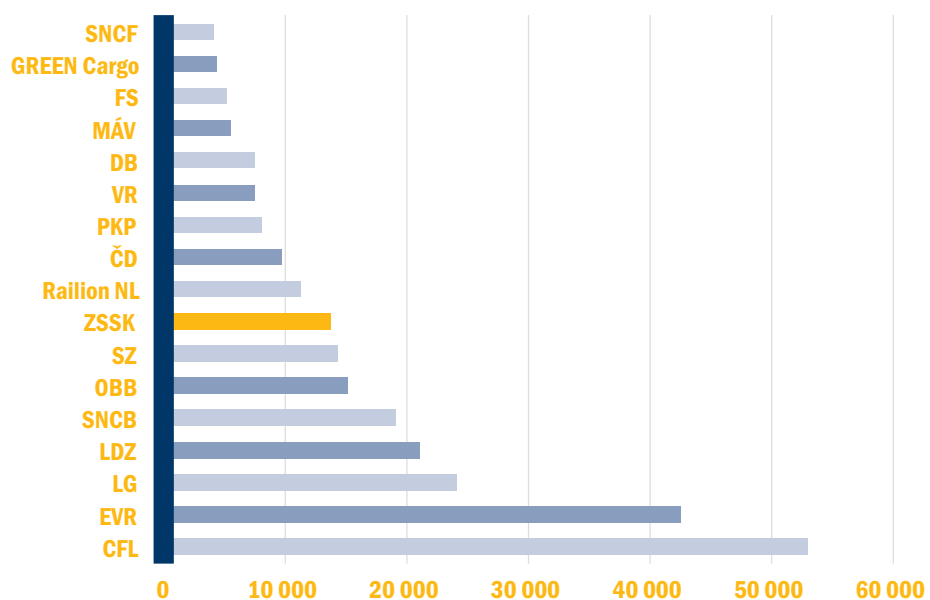


Indicator - Revenues in freight transport / net t-km (SKK)



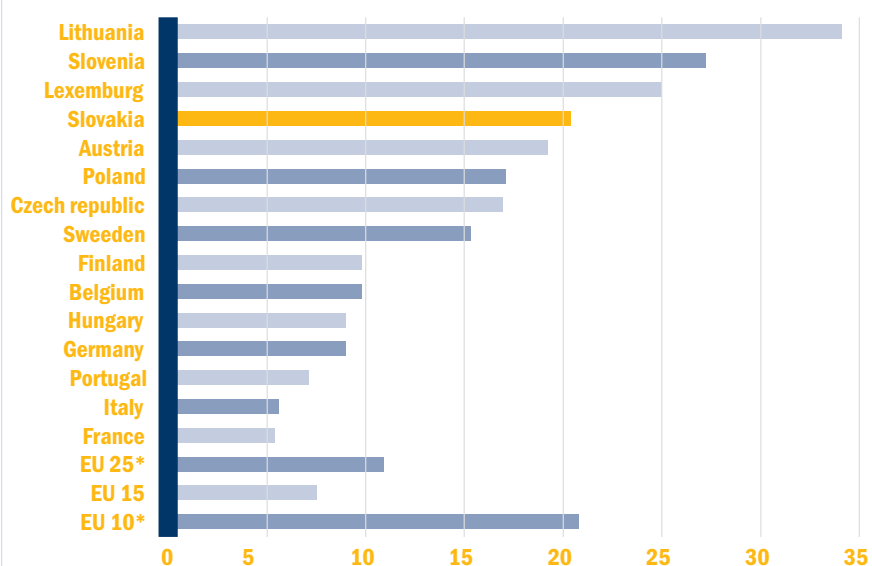
Pozn.: S - Slovenian railways
 ÖBB - Austria
 VR - Finnish railways
 CFL - Luxemburg
 LDZ - Latvia
 LG - Lithuania
 Green Cargo - Sweden
 NS - Holland
 ATOC - Great Britain
 FS - Italy
 RENFE - Spain
 CH - Greece

Transported tons / 1 km of the respective rail network





Share of rail freight transport on the transport market in selected countries (2003)



The analysis of rail freight transport share on the transport market of European countries shows that ZSSK CARGO (with almost 99 % share on rail market) has a relatively favourable start position when compared to other RUs. However, the following summary indicates that the rail freight transport share is declining every year.

*Malta and Cyprus have no rail network

Share of individual transport modes on the transport market in the Slovak Republic

Mode of transport	1999		2000		2001		2002		2003		2004	
	(thous. t)	%	(thous. t)	%	(thous. t)	%	(thous. t)	%	(thous. t)	%	(thous. t)	%
Rail	49 115	24,32	54 177	21,39	53 588	21,36	49 862	22,17	50 521	21,42	49 756	20,75
Road	151 251	74,91	197 411	77,95	195 716	78,00	173 616	77,21	174 153	73,84	178 028	74,24
Others	1 550	0,77	1 657	0,65	1 630	0,65	1 379	0,61	11 172	4,74	12 006	5,01
Total	201 916	100	253 245	100	250 934	100	224 857	100	235 846	100	239 790	100

(Other modes of transport include the pipelines transport only from 2003)



LEGISLATIVE DEVELOPMENT AND THE RESULTING IMPACT ON AIMING OF ZSSK CARGO

New Convention on COTIF and RIV 2005

New Convention concerning International Carriage by Rail (COTIF) and related rail regulations are expected to come in force at the year-end 2005 or early in 2006 at latest. Upon cancellation of the obligation to carry and the tariff obligation of individual railways, there will come to increase in requirements on their activities on liberalized transport market. This will result in greater communication requirements between the RUs as well as internally, within ZSSK CARGO. This step proves continued trend of changes in the rail sector. Along with European Commission regulations, the respective area is expected to experience an increased acquisition activity of the concerned railways. The strategic objective of ZSSK CARGO therefore becomes the enhanced demands on professional level of the individual employees, as well as technical and communication equipment. Increased demands on mutual communication between the RUs follow also from new regulations governing the wagon management (RIV) being the basic means. The matter of course is not only maintaining but also improvement of the wagons' traffic fitness in accordance with requirements of the liberalized transport market. The consequential approximation of this international law into national transport conditions becomes the task of the following period.

The 3rd Railway package and impacts of the 1st and 2nd Railway package

The process of liberalisation following from the 1st and 2nd Railway package is determined by the three milestones:

- 15 March 2003** Open access to international rail freight network TERFN (Trans European Rail Freight Network)
- 1 January 2006** Open access of international transport to entire rail network of EU member states
- 1 January 2007** Open access to entire rail network of EU member states, including cabotage

Yet the results of liberalisation process has not been fully felt in the Slovak Republic, however, it is expected that the years 2006 and 2007 will be decisive in this respect.

Early in March 2004 the European Commission (DG TREN) submitted the 3rd Railway Package drafted in compliance with the EC White Paper „European transport policy till 2010: Time to decide“. EC continues in enforcing the trend of reforms in the rail sector and by legislation it attempts for raising the competitiveness and quality of passenger and freight transport services.

Amendment of Law no. 164/1996 of Coll. on railways

The Law on railways, as amended in March 2005, with effect from 1 January 2006 establishes the Rail Transport Regulatory Authority (hereinafter referred to as „Authority“) as the state administration body charged with railways. Moreover, the law amendment governs the procedure of applying for and obtaining the licence. Authority granting the licence is also charged with issuing the safety certificate. Carriers are obliged to hold the certificate at the time of starting the operation of rail transport pursuant to the licence. The safety certificate can cover the entire network or its selected part. These provisions are fully in compliance with the EC Directive 2004/49/EC - rail safety directive. In addition, the law amendment tackles the procedures of applying for and allocating the infrastructure capacity along with the regulation of charges for usage of rail infrastructure. As from 1 January 2006 the Law on railways as amended forms a legal framework for approximation of our legislation with the EU laws.

Another law being currently subject to approximation with the EU standards and having the impact on ZSSK CARGO business is the Law no. 135/1961 of Coll. on road transport network (the road law). At the moment the draft law is under the interdepartmental marking up process with the expected coming into force from 1 January 2006. However, the temporary arrangement allows for the deadline starting „from the day of the law becoming effective till the term of introducing the electronic toll system“. Such period shall be dedicated to implementing the technical installations and the very execution of the electronic toll collection. The particular rate of toll will be fixed by the governmental decree.

State transport policy of the Slovak Republic until 2015

The transport policy has been drafted as a long-term strategic planning document. Upon its approval it is to be shifted to implementation stage, the stage which is unavoidable but even though many times neglected in the process of strategic planning. The key factor at implementing the transport policy is the necessity of creating the resources and effective investing not only in transport infrastructure but also in development of transportation services. Execution of the transport policy as the document of strategic character is often faced with an environment disfavoured towards the implementation of its objectives, even in the advanced countries occurs a late application.

For reason of necessary provision of equal competition conditions on the transport market the EU Member States have approved

the target principle according to which the user will pay all costs related to transport. One of the objectives following from the harmonisation to be applied on the transport market is the progressive equalising of charging conditions for usage of rail and road infrastructure.

The EU common transport policy and its Directive on allocation of railway infrastructure capacity and charging of infrastructure fees (2001/14) enables the Member States to set up the terms under which the infrastructure manager receives the state financial support that together with incomes on charges secures its balanced management. This financial support is of provisional nature. The directive stipulates that charging for the rail infrastructure is based on marginal approach, i.e. the cost related to operation of train and the fee may cover also other cost, for instance the cost of scarcity in certain periods, environmental costs and the cost of infrastructure maintenance.

The cost structure is currently re-evaluated also by the Slovak infrastructure manager. Change in structure of the charge for usage of ŽSR infrastructure might have influenced the shift of volume of transport from road or neighbouring rail markets. According to quantity calculation, optimistic alternative shows winning additional 2 million tons of goods and the resulting increase in revenues. The expected increase can be coped with the existing staff capacities. Increase of volume exceeding this limit will not be possible to manage with the existing staff.

Eventual excluding of depreciation from the charge for usage of infrastructure would influence the costs and the company result in general. Currently the charge for usage of infrastructure forms almost 29 % of the total cost and after its possible reduction (by cc 30%) the company costs could be cut by approximately 9 %.

Provided that 2 million tons are won we can assume the revenues amounting to cc 370 mill. SKK or almost 740 mill. SKK when the additional volume of transport will reach 4 million tons.



Another alternatives (showing the positive impact on performances and revenues of the company) are not subject of this document, nevertheless, the major factors that will influence the volume of ZSSK CARGO performance and yields are as follows:

- macroeconomic development of the SR and the neighbouring countries (inter-annual economic growth by 5,5%, almost double foreign trade until 2007),
- new traffic flows mainly resulting from development of motor-car industry within the SR (prediction of ZSSK CARGO performance and yields reflects this fact partially with launch in 2007 and thenceforth),
- changes in legislation (electronic toll system, TSIs for conventional rail lines, Regulatory and Notification Authority),
- joining of strategic investor.



ZSSK CARGO STRATEGY FOR CRUCIAL BUSINESS ACTIVITIES

Business strategy

ZSSK CARGO currently controls almost 99% of the rail transport market in the SR. The principal objective of the company is to maintain this share by pursuing active business policy, trading activities within the SR as well as abroad.

ZSSK CARGO philosophy business cooperation with other carriers is based on building close relations with all carriers (former national rail administrations, third party operators, operators of other transport modes, etc.) on condition of mutual benefits and enhancement of the company competitiveness.

With the view of winning the maximum volume of transport to be carried on ŽSR network, ZSSK CARGO admits the possible cooperation with a foreign or domestic „third party“ rail operator if this tends to attaining mutual benefit (e.g. transport of consignments by the „third“ rail operator to a certain point and provision of the following transport / distribution of consignments from this point to destination stations if the entire transport on ŽSR network cannot be acquired as a whole).

ZSSK CARGO will develop the cooperation with carrier operating other transport modes with the objective of expanding the service portfolio (e.g. door-to-door service, collection and distribution of consignments in logistic centres, etc.).

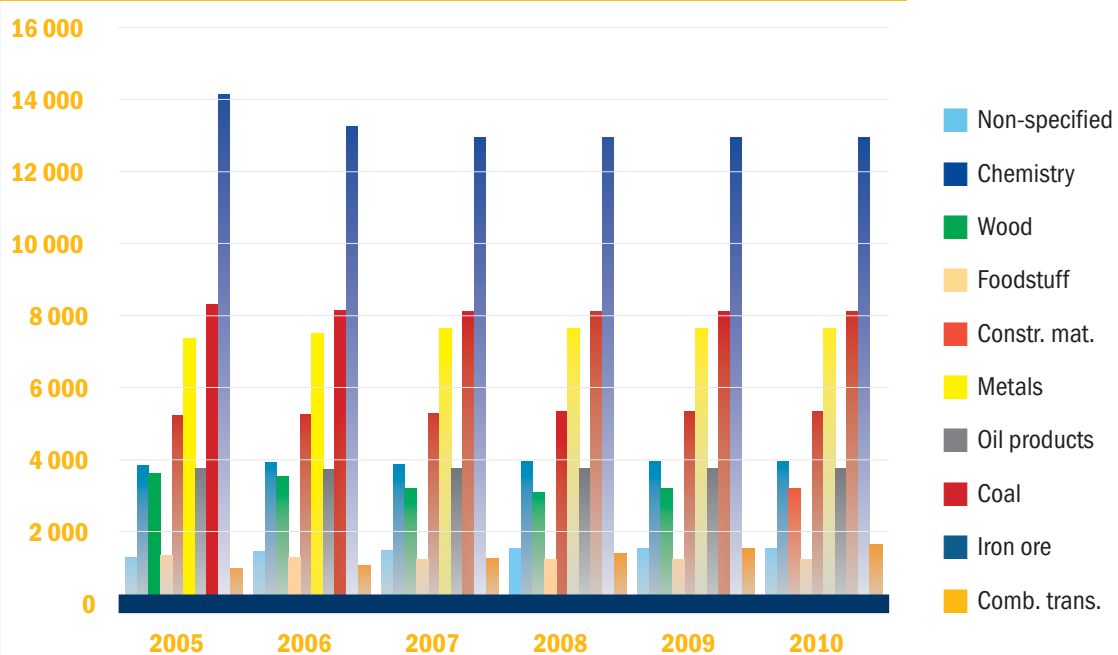
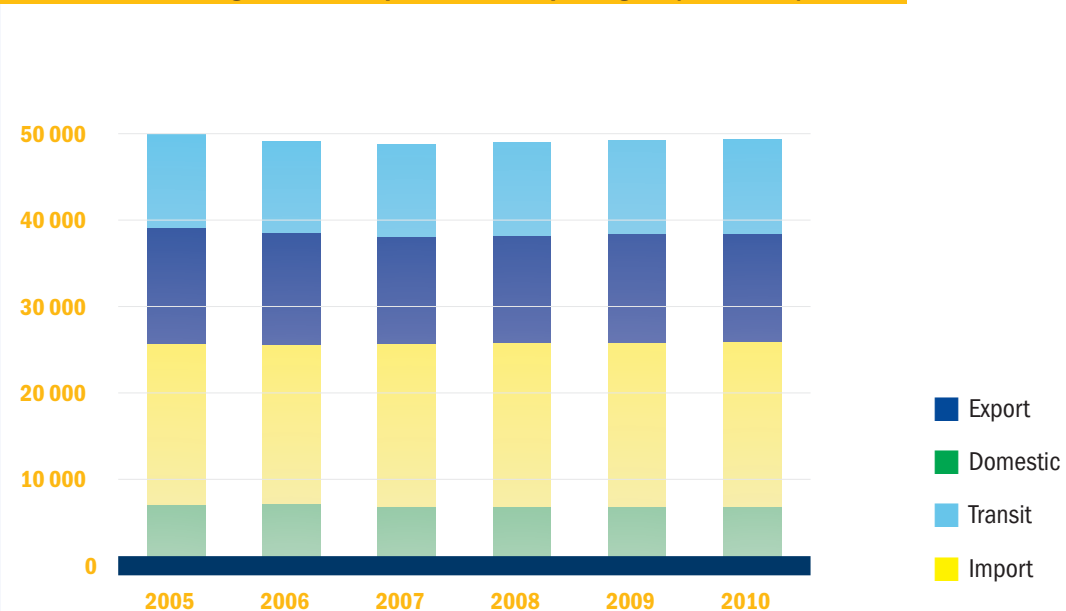
Prediction of freight transport volume and revenues trend until 2007

Prediction had been developed on the basis of analysing several segments (analysis of each business case, route, competition, micro- and macroeconomic situation of undertakings or the national economy) and according to realistic opportunities and abilities of the company to attain the respective volume of transport in period from 2005 till 2007. The target performance and revenues can be achieved only if the initial - system conditions (decrease of the charge for usage of the rail infrastructure, introducing of electronic toll system in truck transport, legislation for development of factory sidings) of carrying on business in rail transport will not change. The respective measures are focused on attracting the volume of transport and revenues as stated below.

Prediction of trend of goods volume until 2010

(thous. of tons)	2005	2006	2007	2008	2009	2010
Total	49 848	49 106	48 785	48 990	49 220	49 330
non-specified	1 274	1 450	1 490	1 540	1 540	1 540
chemistry	3 834	3 930	3 850	3 960	3 960	3 960
wood	3 599	3 540	3 190	3 090	3 190	3 190
foodstuff	1 348	1 270	1 220	1 220	1 220	1 220
constr. mat.	5 230	5 240	5 300	5 330	5 340	5 340
metals	7 371	7 500	7 650	7 650	7 650	7 650
oil products	3 766	3 730	3 750	3 750	3 750	3 750
coal	8 305	8 131	8 130	8 100	8 100	8 100
iron ore	14 153	13 250	12 950	12 950	12 950	12 950
comb. trans.	968	1 065	1 255	1 400	1 520	1 630

(thous. of tons)	2005	2006	2007	2008	2009	2010
Domestic	7 068	7 152	6 855	6 840	6 840	6 840
Import	18 560	18 460	18 790	18 970	19 020	19 060
Export	13 490	12 884	12 390	12 380	12 510	12 540
Transit	10 730	10 610	10 750	10 800	10 850	10 890
Total	49 848	49 106	48 785	48 990	49 220	49 330

**Prediction of trend of goods volume specified in comodities (thous. tons)****Prediction of trend of goods volume specified in transport regime (thous. tons)**



Prediction of trend of transport volume of individual commodities

Wood

Analysis of transport volume in 2007 - 2010 is prospective.

Market opportunities and threats:

a) Opportunities

Expansion of transport of the commodity and increase in volume of transport can be achieved only if the following assumptions are observed:

- Setting up appropriate price policy,
- Exercising individual treatment of customers and meeting their requirements,
- Operation of logistic block trains,
- Reduction of conveyance time,
- On-time and even addition of wagons to factory sidings.

Between 2005-2006 the growth of export of calamity wood is expected with the follow-up in 2007. In 2008 - 2010 it is expected that transport will slightly decline because of gradual depletion of wood.

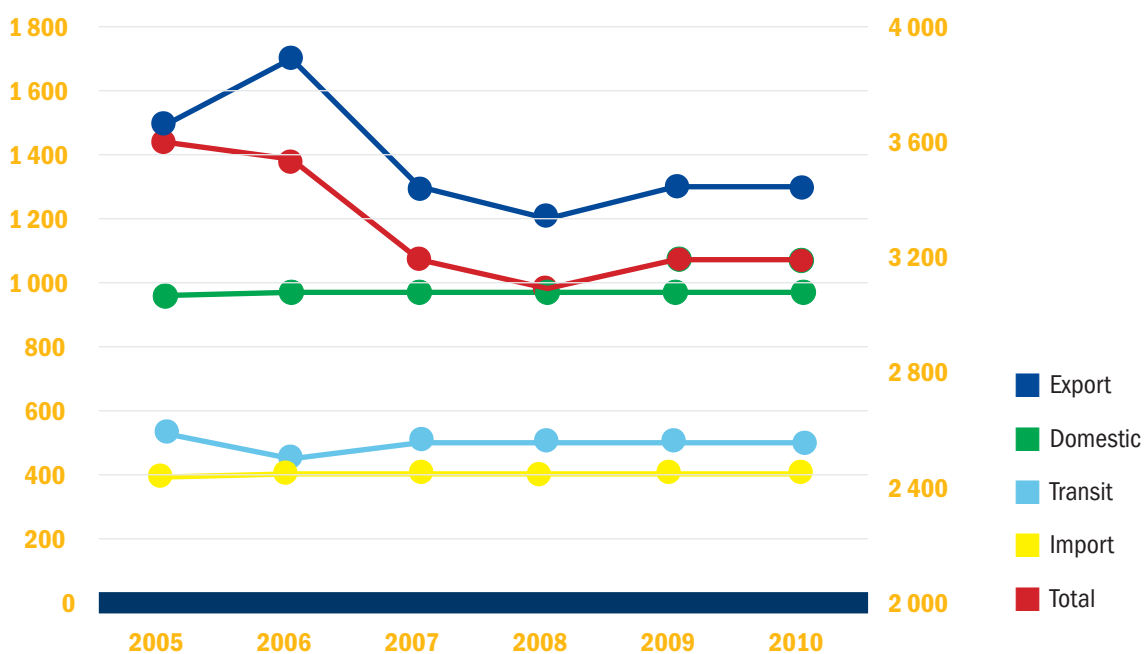


b) Threats

The major risk lies in further atomization of the state forest and wood stocks. At the same time, the number of traders in wood industry utilising own truck transport is increasing.

Commodity Wood

thous. tons	2005	2006	2007	2008	2009	2010
Total	3 599	3 540	3 190	3 090	3 190	3 190
Export	1 490	1 700	1 300	1 200	1 300	1 300
Domestic	960	970	970	970	970	970
Transit	530	450	500	500	500	500
Import	409	420	420	420	420	420



Construction materials

Market opportunities and threats:

a) Opportunities

From the long-term view the most stable business is the transport of magnesite which can possibly experience the growth in transport volume.

Considering the environment related legislation there is assumption of growth in transport of the iron-industry slag.

b) Threats

The main risk consists in unexpected decline in the Slovak building industry production and a massive shift of transport to road (notably in segment of short transport distances).

Market saturation and gradual decrease in transport of cement is expected. After access of the SR into the EU the transport of cement is subject to certain risk of possible import of cheap cement from Poland and the CIS countries. Moreover, the cement production is often transported by the customers own means of transport.

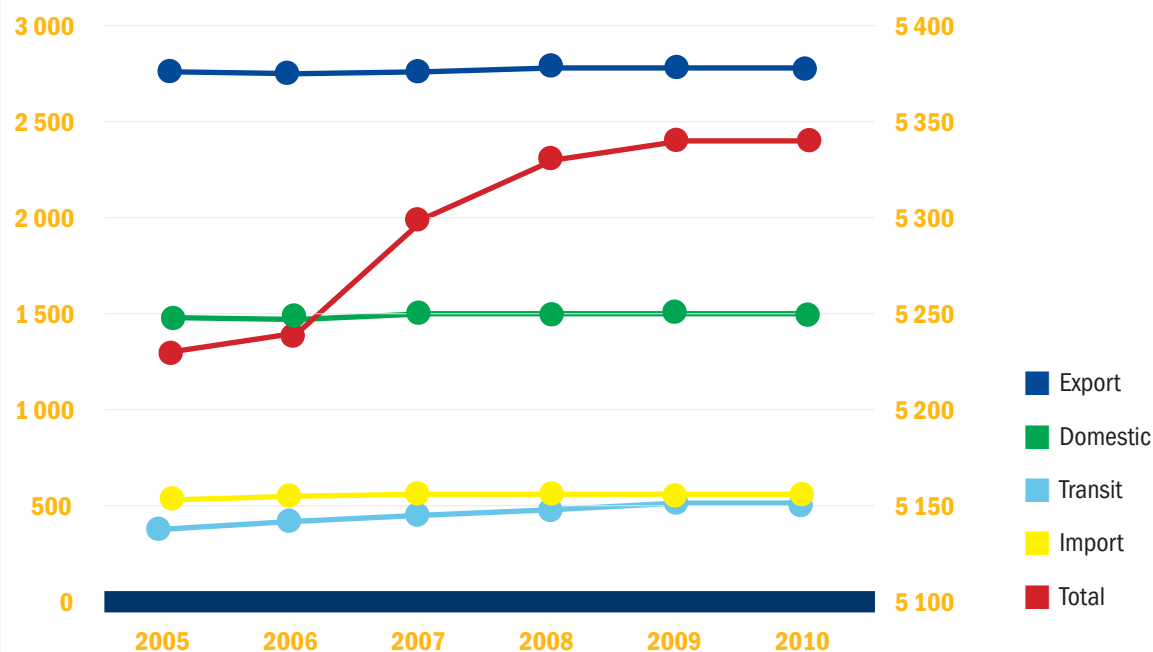
Commodity of dolomites is influenced by fluctuations in metallurgical industry. The risks can be assumed in respect of excessive



fluctuations at import of raw materials for the Ostrava metallurgical plants. Slight decrease of transport volume can be expected.

Commodity Construction materials

thous. tons	2005	2006	2007	2008	2009	2010
Total	5 230	5 240	5 300	5 330	5 340	5 340
Export	2 760	2 750	2 760	2 780	2 780	2 780
Domestic	1 480	1 470	1 500	1 500	1 500	1 500
Import	530	550	560	560	560	560
Transit	460	470	480	490	500	500





Metals

Market opportunities and threats:

a) Opportunities

The key customers operate their functional industrial sidings where they are provided the addition of wagons in due time before shipping. Their sidings are sufficiently equipped for collection and forming of block trains.

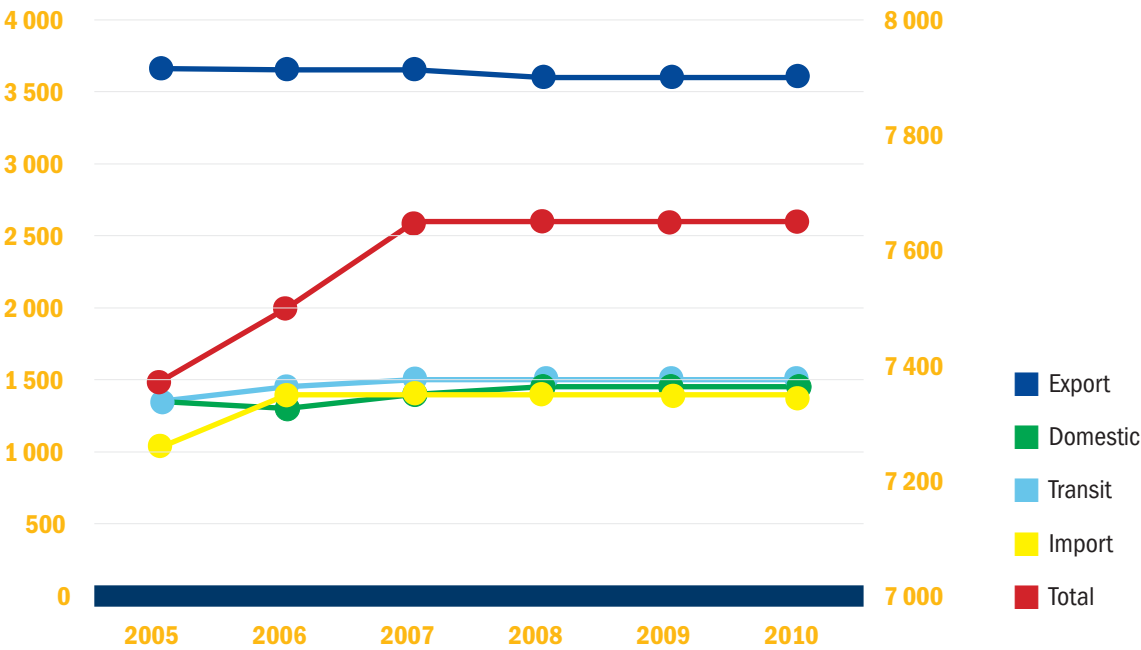
b) Threats

Insufficient flexibility of just-in-time transport especially because the customers mainly order transport of final production in this way of delivery.
Risks may follow from change in ownership of the steel plants and change in export quotas on finished production from non-EU countries. Upon anticipated accession of another South-East European countries into EU in about 2006 the volume of this transport will decrease.



Commodity Metals

thous. tons	2005	2006	2007	2008	2009	2010
Total	7 371	7 500	7 650	7 650	7 650	7 650
Export	3 661	3 650	3 650	3 600	3 600	3 600
Import	1 352	1 300	1 400	1 450	1 450	1 450
Transit	1 350	1 450	1 500	1 500	1 500	1 500
Domestic	1 008	1 100	1 100	1 100	1 100	1 100



Coal

Market opportunities and threats:

a) Opportunities

The current most significant opportunity for ZSSK CARGO is the gradual increase in natural gas prices what might have a positive impact notably on slight growth of import of coal transiting our territory. Potential of transit transport in direction east - west (CIS - Czech Republic).

Increase in price of coal and transport in Ukraine and consequently to power stations in Hungary and Romania, import of coal from Poland and the Czech Republic could contribute to growth in transit transport.

b) Threats

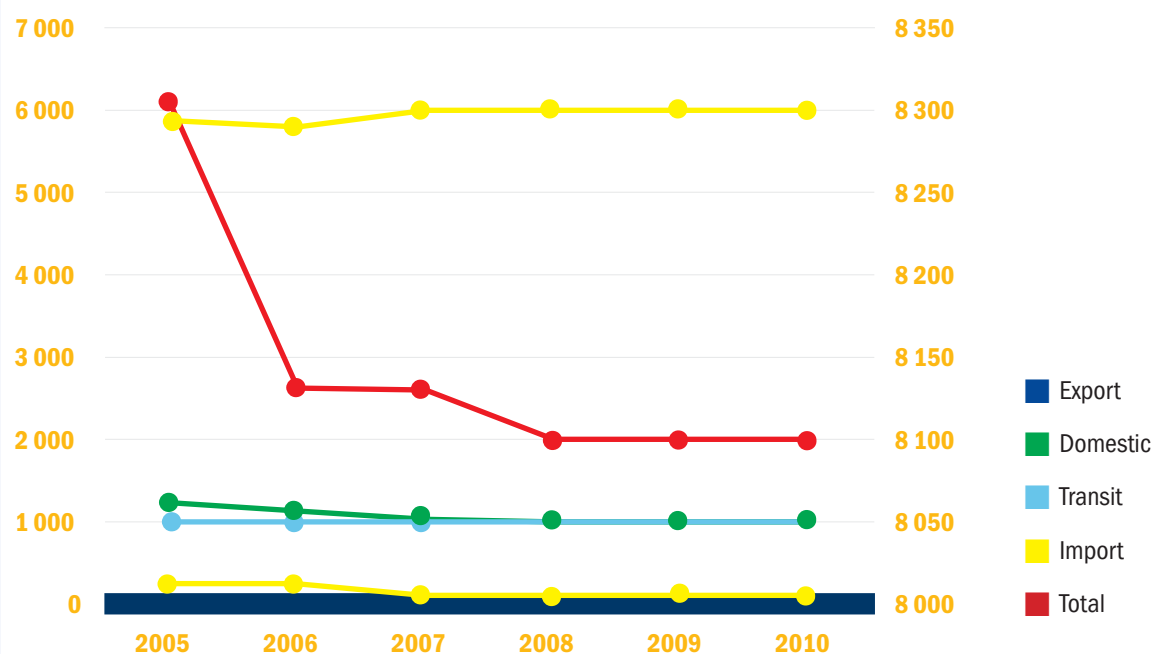
The risks can be seen in the prices (growth) or increase in energy prices (natural gas, mazut, electric energy).

Risk related to the transit transport lies mainly in change of ownership in the Hungarian steel plant where a significant part of coal transport from Poland and the Czech Republic is routed (cc 50%) as well as the eventual change in import of coal from Ukraine.



Commodity Coal

thous. tons	2005	2006	2007	2008	2009	2010
Total	8305	8131	8130	8100	8100	8100
Import	5 875	5 800	6 000	6 000	6 000	6 000
Domestic	1 229	1 130	1 030	1 000	1 000	1 000
Transit	1 000	1 000	1 000	1 000	1000	1000
Export	201	201	100	100	100	100





Iron ore

Market opportunities and threats:

a) Opportunities

There are more possibilities which can be seen as opportunities:

- Re-routing of transport of ore for the Czech customers from Polish network,
- Potential increase in volume subject to coming to agreement with ŽSR on change of fee for usage of rail infrastructure (possible takeover of transport from PKP by ZSSK CARGO),
- Stability of transport of primary raw materials for the metallurgical plants.

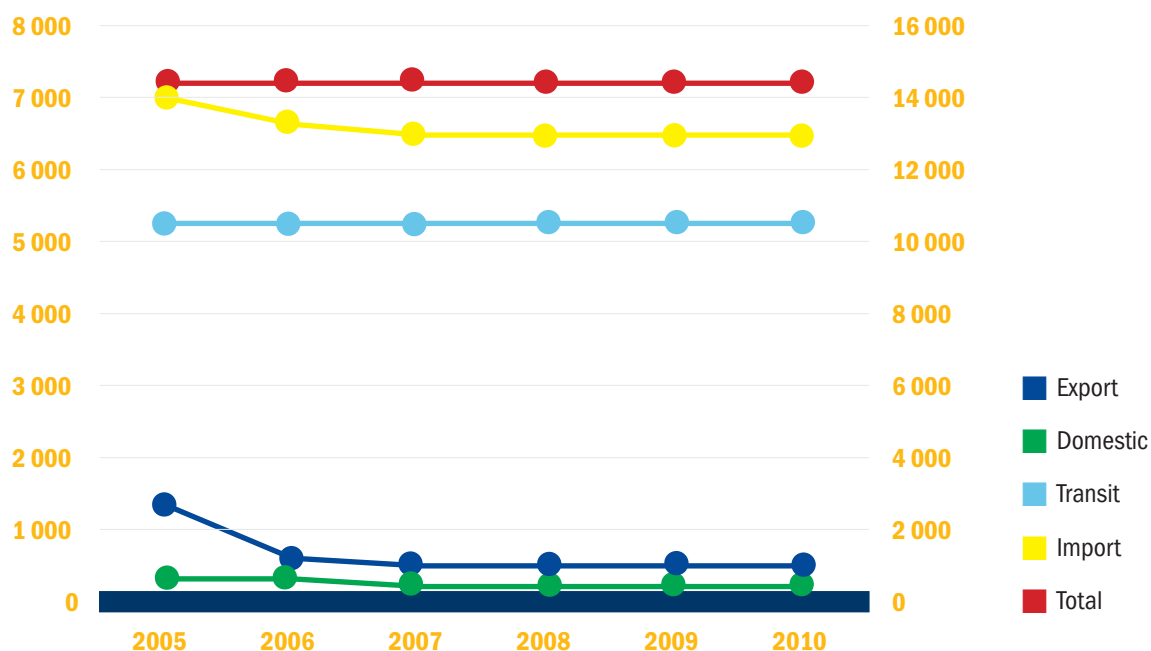
b) Threats

The most important risk factor is the entry of other national or international undertakings to the network. Risk of fluctuations following from the EU trade policy with impact on the market of metallurgical products. Transit of ore currently reaches the maximum amount. The risk lies mainly in diversion of transit of ore to the Czech Republic via Poland.



Commodity Iron ore

thous. tons	2005	2006	2007	2008	2009	2010
Total	14 003	13 250	12 950	12 950	12 950	12 950
Import	7 200	7 200	7 200	7 200	7 200	7 200
Transit	5 250	5 250	5 250	5 250	5 250	5 250
Export	1 350	600	500	500	500	500
Domestic	203	200	0	0	0	0



Non-specified

Market opportunities and threats:

a) Opportunities

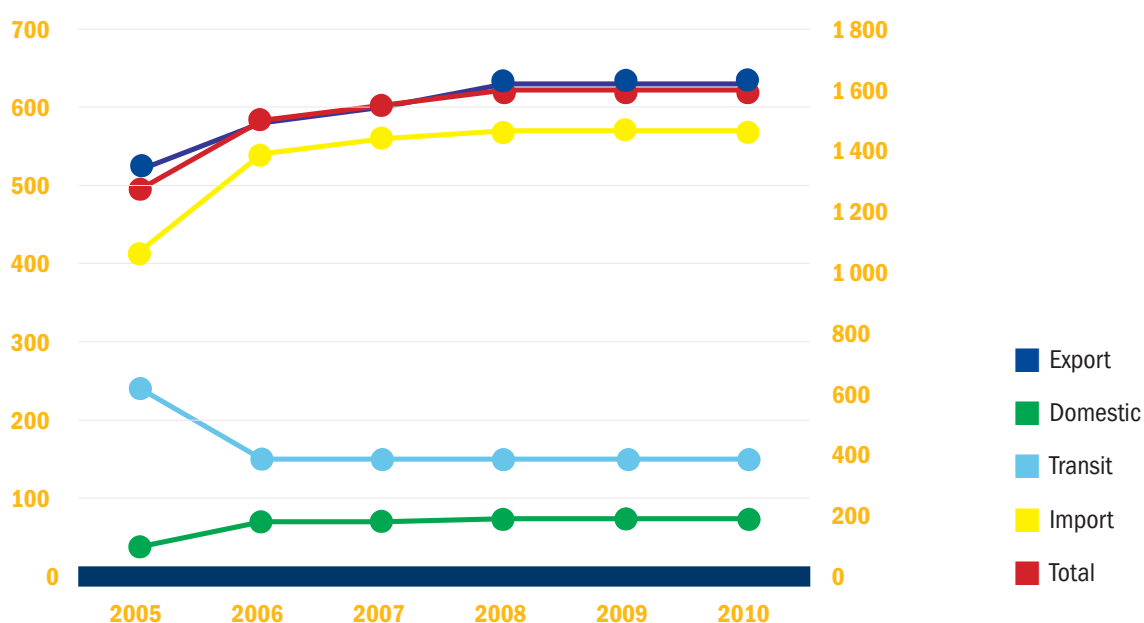
- Sound price policy,
- Reduction in transport time,
- Punctual and regular addition of wagons to the industrial sidings,
- New potential production in the next years,
- Potential of goods transport to and from the supplier's parks.

b) Threats

Transport of commodity non-specified is irregular and it depends on product prices of neighbouring countries. Considering the past amount of transported volume of goods and the current year trends, the existing volume of transport or possible slight increase can be realistically expected.

Commodity Non-specified

thous. tons	2005	2006	2007	2008	2009	2010
Total	1 274	1 500	1 550	1 600	1 600	1 600
Export	520	580	600	630	630	630
Import	416	540	560	570	570	570
Transit	240	150	150	150	150	150
Domestic	98	180	180	190	190	190



Commodity Motorcars

Market opportunities and threats:

a) Opportunities

Construction of new car plants (with consequential capacity of sub-deliveries) gives the opportunity for rise of car production in the next period (launch of production in 2006-2007). In this area we can offer the comprehensive package of services related to industrial sidings including the maintenance and operation of sidings.

In this connection increased attention shall be paid to future development of logistics centres providing comprehensive range of services to motorcar industry and their integration with inter-modal transport terminals.

b) Threats

The major risk consists in world-wide recession of the motorcar industry.



Chemistry

Market opportunities and threats:

a) Opportunities

Application of sound price policy, reduction of transport time, punctual and regular addition of wagons to industrial sidings are the major perspectives for development and increase in volume of transport.

Customers have available sufficiently equipped industrial sidings system therefore measures taken in respect of saving of related cost could eliminate possible competition threat of road haulage. After launching the product Industrial Sidings growth of rail transport can be expected.

Considering the transit transport and taking into account that there are two types of goods which can only be transported by rail it is realistic to expect sustaining of the existing transport volume.

b) Threats

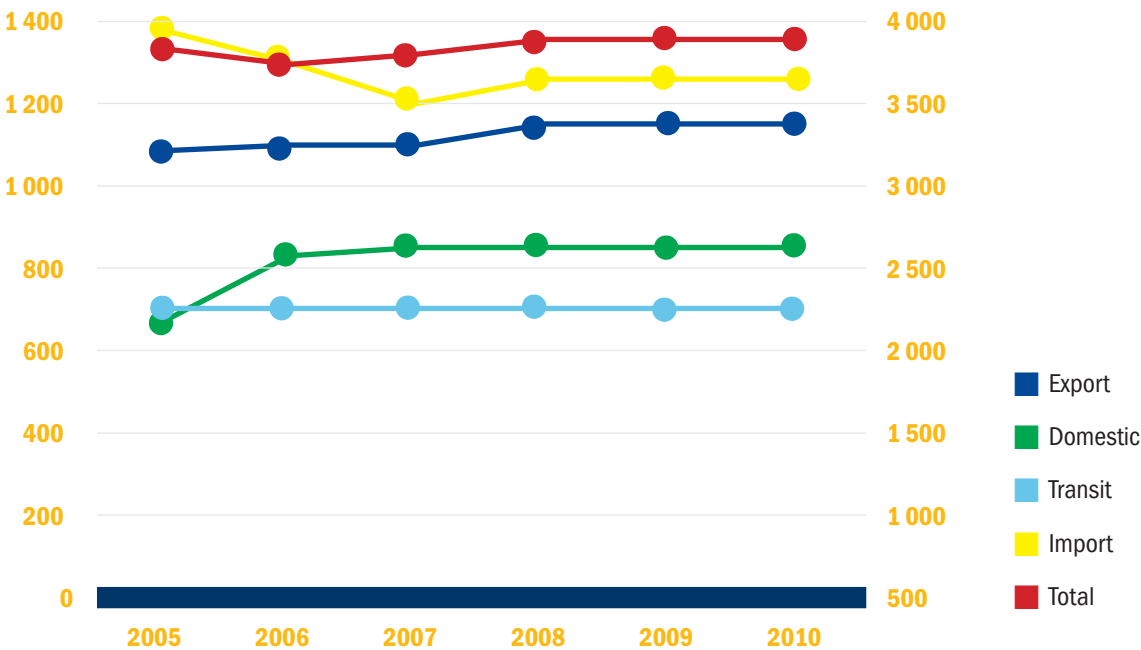
After accession to the EU - import prohibition on artificial fertilizers from the former CIS countries into the EU applies. Possible risk consists mainly in increase in energy prices for the Slovak



chemical factories. Another risks follow from the price level of transportation of this commodity. Structure and volume of transported chemicals can be significantly influenced by the change in EU legislation related to environment or the import duties imposed by the EU on selected chemical products.

Commodity Chemistry

thous. tons	2005	2006	2007	2008	2009	2010
Total	3 834	3 740	3 800	3 890	3 890	3 890
Import	1 380	1 300	1 200	1 260	1 260	1 260
Export	1 085	1 100	1 100	1 150	1 150	1 150
Domestic	669	830	850	850	850	850
Transit	700	700	700	700	700	700



Foodstuff

Market opportunities and threats:

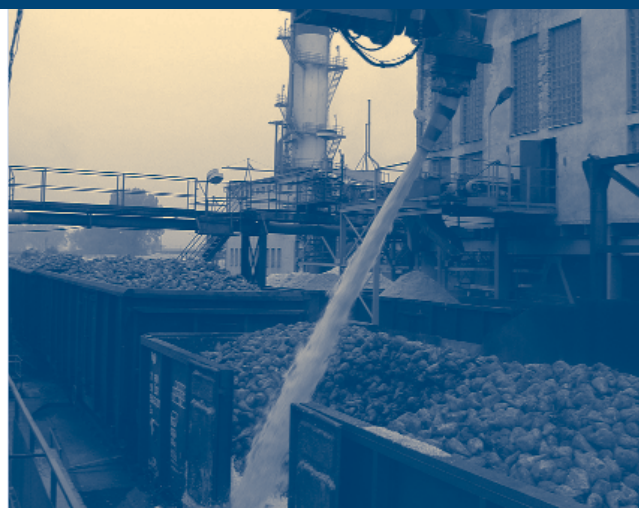
a) Opportunities

Majority of customers has available the industrial sidings and a sound adjustment of prices related to siding fees and launch of the product Industrial Sidings can be supportive to maintaining dependence of the customers on rail transport.

b) Threats

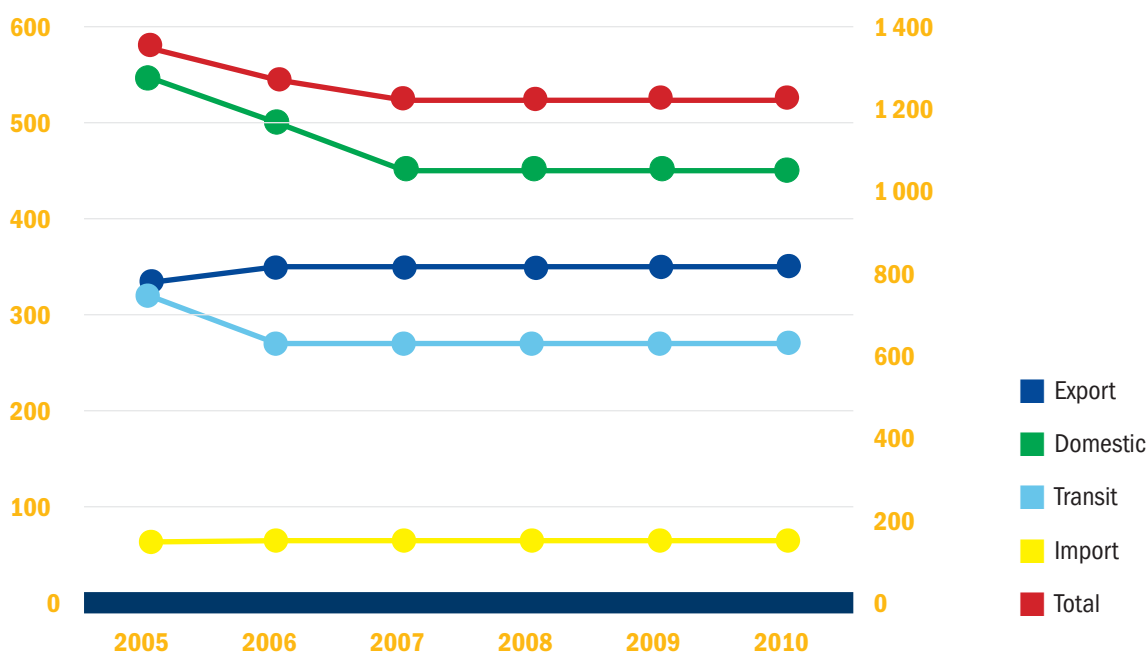
Transport depends on quantity and quality of state-wide crop (import and export quotas) and exploitation of warehousing capacities, building up State Reserves which are the reasons of instability and low predictability on this market.

Although the transport of foodstuff is largely irregular and dependent on crop and product price of neighbouring countries and taking further account of the past transport volume, volume transit transport can be realistically expected to reach the same level.



Commodity Foodstuff

thous. tons	2005	2006	2007	2008	2009	2010
Total	1 348	1 270	1 220	1 220	1 220	1 220
Domestic	547	500	450	450	450	450
Export	333	350	350	350	350	350
Transit	320	270	270	270	270	270
Import	148	150	150	150	150	150





Oil products

Market opportunities and threats:

a) Opportunities

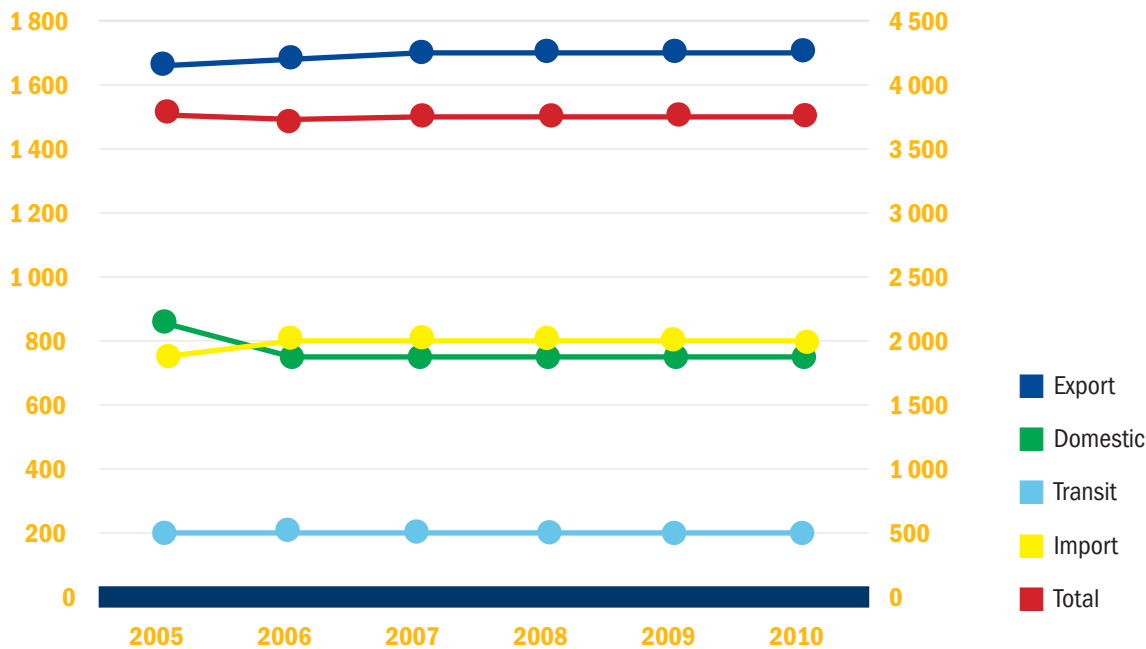
All customers have available a functional industrial sidings system which enables the loading and rail transport of logistic trains directly within the customer premises.

b) Threats

Risk consists in possible price fluctuations following notably from the capacities of world-wide extraction of oil and development of the exchange rate of USD.

Commodity Oil products

thous. tons	2005	2006	2007	2008	2009	2010
Total	3 766	3 730	3 750	3 750	3 750	3 750
Export	1 660	1 680	1 700	1 700	1 700	1 700
Domestic	856	750	750	750	750	750
Import	750	800	800	800	800	800
Transit	500	500	500	500	500	500



Combined transport

Market opportunities and threats:

a) Opportunities

- potential of new investments in motorcar industry,
- potential of goods transport to and from the supplier's parks,
- growing importance of container transport with respect to connection to Transsiberian railway and utilization of the capacities of the combined Transport Terminal in Dobrá,
- development of entire combined transport system within Europe,
- expected put in operation of several connections of the Ro - La accompanied transport system.

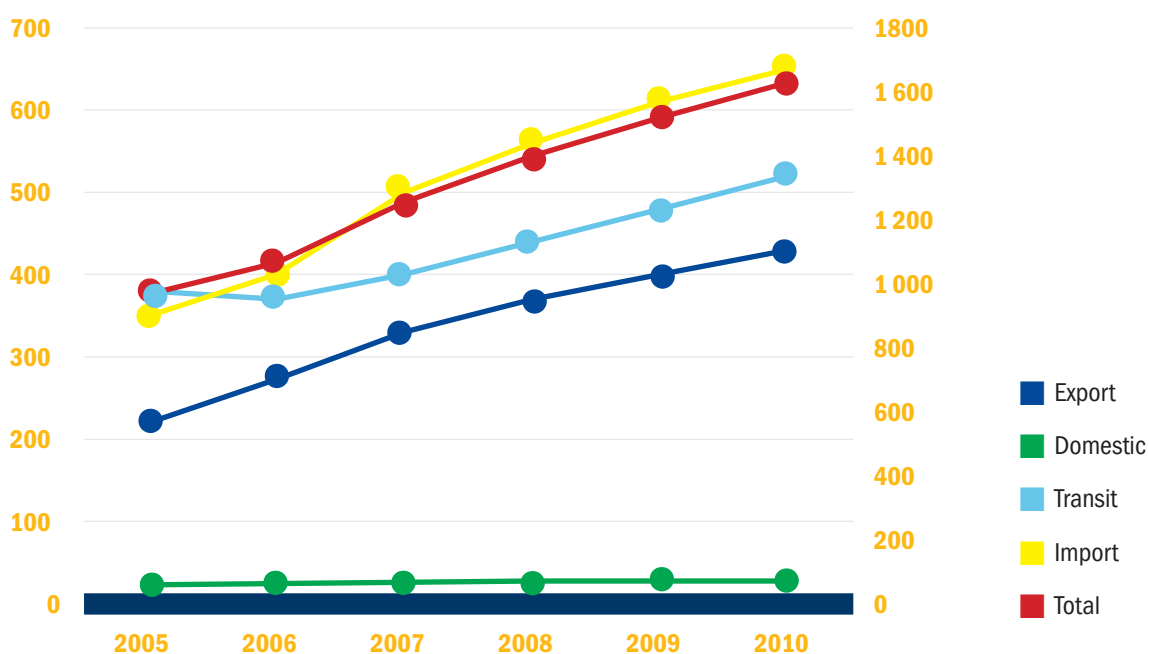
b) Threats

- Current preference given to road transport,
- Failure to get involved in the European combined transport projects,
- Decline of financial incentives for shift from road to rail.



Commodity Combined transport

thous. tons	2005	2006	2007	2008	2009	2010
Total	968	1 065	1 255	1 400	1 520	1 630
Transit	380	370	400	440	480	520
Import	350	400	500	560	610	650
Export	220	273	330	370	400	430
Domestic	18	22	25	30	30	30





Business economy resources

A. Basic assumptions for medium-term development of key parameters of the business economy

1. Revenues

Revenues are assessed according to results of marketing activities and analyses of external and internal environment for the entire planning period. They are defined based on the following:

- Market opportunities,
- Market threats,
- Expected macroeconomic situation,
- Analysis of individual business cases,
- Prediction of traffic streams.

2. Production consumption

Increase (decrease) in production

consumption must be lower (higher) than the growth (decline) in revenues. This represents the first assumption for rise in added value.

3. Added value

Added value per employee must grow quicker than revenues.

4. Staff costs

Staff costs must grow slower than added value.

5. Number of employees

Number of released employees will, besides the optimization, depend also on rise in added value, increase in staff costs and intentions of the company owner (- s).

B. Definition of company investment expenditures

In line with the planned result for 2005-2007, amount of depreciation and compulsory instalment in principal there have been assessed maximum investment expenditures following from the principle of „inevitable raising of funding sources to the amount that would make the company able to repay the principal and interest on loans“.

Annual limit of company investment expenditures is subject to the following relation:

Result retained from previous years + Existing loans + Depreciation - Loan repayments

≥

Investment expenditures in planned year

Company economic strategy

Financial management

Main objective: Secure the long-term financial stability of the company comprising the following:

- Remittance of payables in due time,
- Effective acquisition of third-party funding sources for capital maintenance and development to the extent sufficient for attaining the company competitiveness,
- Fulfilment of key financial indicators.

Action plans supporting the main objective

2005

- Completion of implementation of financial management processes

2006

- Utilization of results of implementation of financial management processes
- Optimization of cash flow,
- Optimization of third-party funding sources,
- Optimization of receivables structure,
- Promotion of capital investments with higher ROI,
- Promotion of cost management policy.

2007

- Promotion of financial management expansion consisting in:
- Financial controlled undertaking,
- Promotion of capital investment management.

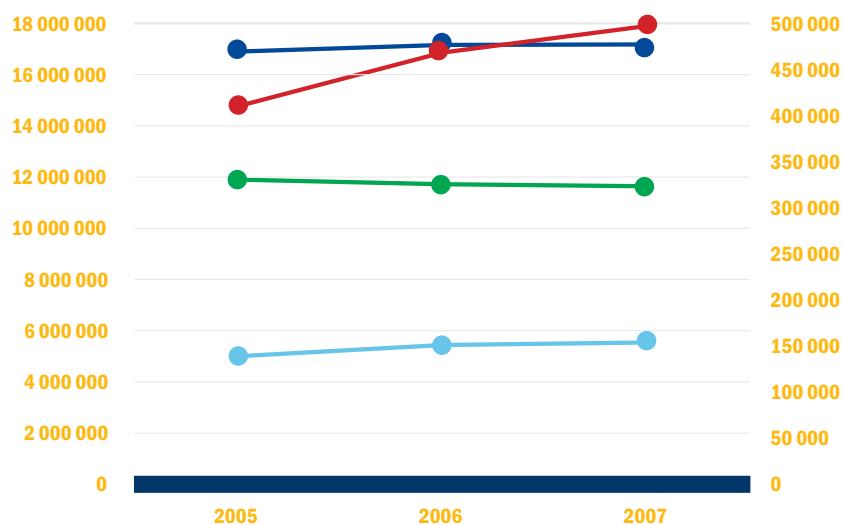
Fulfilment of strategic objective depends on achieving the following key financial indicators:

- Working capital ≥ 0
- Debt equity ratio < 0,75
- Total liquidity ≥ 1
- Second-rate liquidity ≥ 1
- Debt servicing coverage ≥ 1

Added value per employee

In 2004 (former ZSSK operating the passenger and freight transport) the added value per employee amounted to 80 473 SKK. This was caused notably by significant shortfall in revenues from transport of goods as well as increased production consumption in comparison with the plan. In 2005, assuming the revenues and performance of the company, the added value per employee is planned to amount to approximately SKK 409 thousand what represents the rise by 409% compared to results of 2004! In comparison with similar railway undertakings ZSSK CARGO will attain favourably positive level in the area of added value productivity if the planned parameters are complied with.

Prediction of trend of added value per employee in years 2005 - 2007 (SKK/empl.)



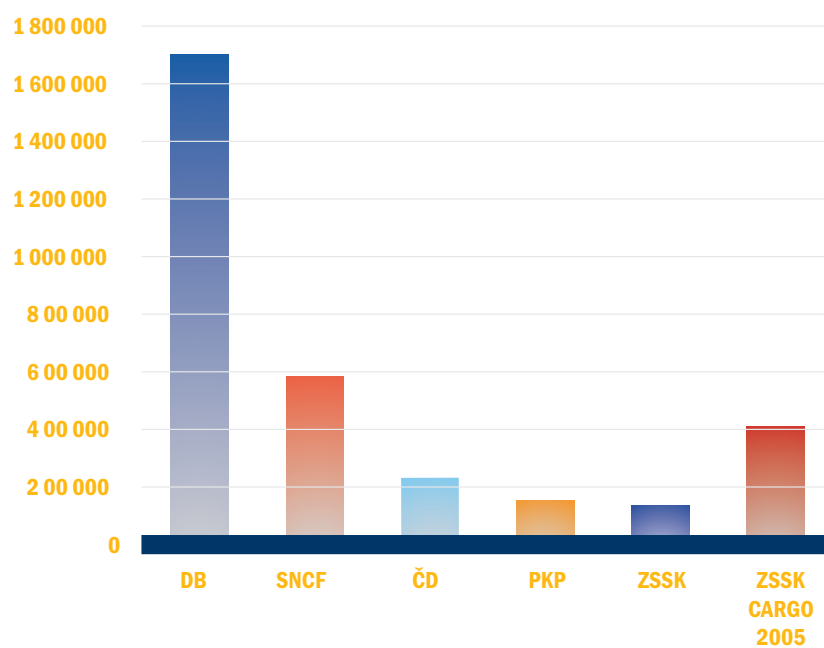
● Production+Magin (thous. SKK)	16 886 695	17 150 322	17 176 599
● Production consumption (thous. SKK)	11 893 604	11 711 317	11 639 179
● Added value (thous. SKK)	4 993 091	5 439 004	4 537 420
Number of employees	12 183	11 615	11 145
AV Inex/employee	409,3 %	14,3 %	6,1 %
● Added value/employee (SKK)	409 841	468 274	496 852

Main objective:

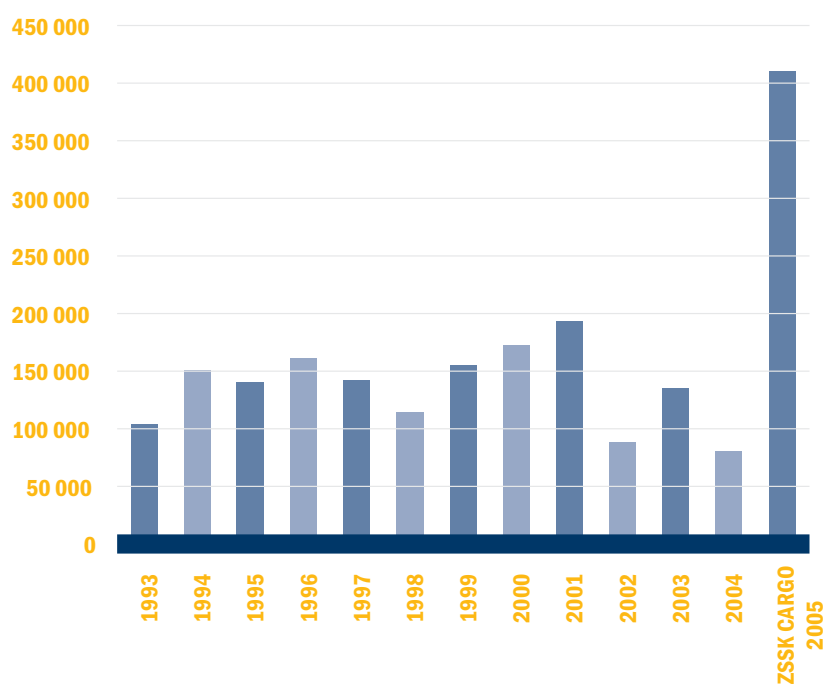
Maintain the added value per employee at the level of 400 thousand SKK



Added value per employee (SKK/empl.) in 2003



Trend of added value per employee at ŽSR/ZSSK (SKK/empl.)



Operation strategy

Operation of rail transport is the key for carrying on ZSSK CARGO business and has the direct impact on its profitability, efficiency of individual business cases and thus influences the whole company economy.

Operation involves more than 7700 employees and almost 800 engines and more than 16 000 freight wagons.

The major priority in operation is planning of technical-investment development of rolling stock and transshipment technology, operational planning and management, traffic management and transport execution.

Traction units management strategy

Determinants of structure and quantity of traction units:

- Planned volume of transport until 2007 with outlook until 2010,
- Gradual rationalization of shunting operations by ŽSR till the complete cancellation of shunting in another stations,
- Growth of tractive diesel prices (diesel traction thus to become more expensive than electric),
- Planned changes in the structure of infrastructure charge (the principal fee and planned exclusion of shunting from the basic package of services),
- Effect of change in charging of train-km to gross tonne-km within the charge for infrastructure usage,
- Electrification of line Banská Bystrica - Zvolen,
- Modernisation of Corridor V. (change of voltage on line to Žilina with eventual application on the entire V. corridor under consideration),
- Legislation - noise, safety, emissions, strength limits, etc.

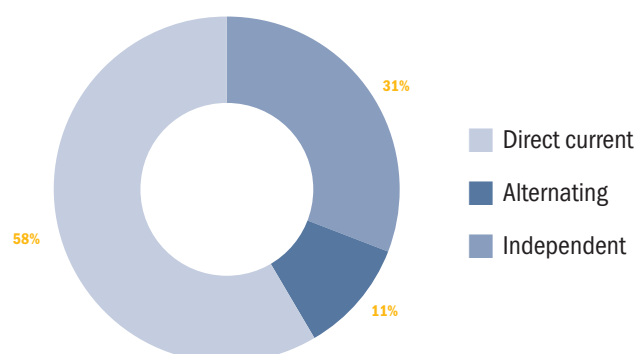
The above stated factors require the optimization of the rolling stock. Optimization shall mean their sale, liquidation or conservation. The accepted solution will depend on economic suitability and business objectives of the company (with taking into account the competitors).

Traction units will require investments resulting in enhancement of their technical and economic parameters, reduction of maintenance cost and conformity with TSIs (emissions, noise, strength, safety, etc. parameters). Measures should focus on homologation of selected types of traction units operated on the railway network of neighbouring countries.

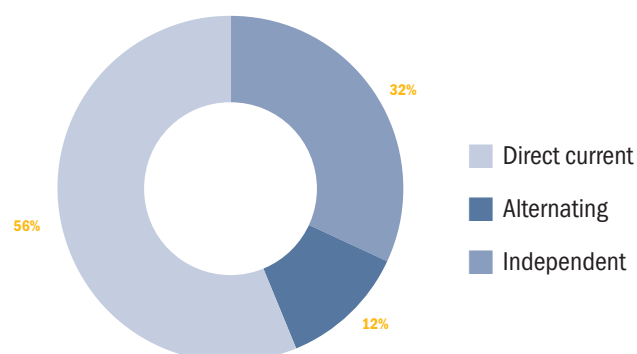
Target quantity of traction units as per 31 December 2007:

Traction	Quantity 12/2007	Quantity 03/2005
Direct current	223	255
Alternating	83	88
Independent	393	483
Total	722	851

Quantity 03/2005



Quantity 12/2007





Wagon management strategy

According to new conditions of COTIF Convention, Annex D (CUV) there has come to cancellation of the obligation of railway operators to carry and the tariff obligation of individual railways, as well as distinction between wagons of railway undertakings and wagons of forwarders and, moreover, the wagon owner shall at own expenses control the wagon management also abroad.

Consequently, new General agreement on registration (GAR), replacing the RIV and UIC Regulation (with expected coming in force from 1 January 2006), rules that wagons will not be permitted to be loaded abroad without the contest of owner and even their eventual loading should be organised by owner. Loaded and empty wagons will be carried with a consignment note and will have to be insured. Similarly, the recently approved EU legislation oblige the railway undertakings to provide their customers all relevant information on their consignment.

The above stated conditions result in:

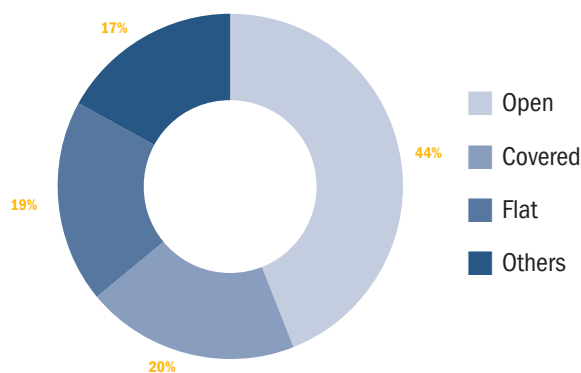
- necessity to improve the wagon management,
- development of conditions for continual tracking and tracing of wagons and eventually for organizing of loading abroad,
- provision of adequate information, as well as change in price policy.

Considering the above stated facts, ZSSK CARGO has proceeded to build new up-to-date centralized wagon-control office that will comply with the new requirements related to wagon management in Europe. The office will be manned with qualified and language skilled staff and located in new premises equipped with adequate technical facilities and software, closely connected to the infrastructure manager units (aimed at strengthening mutual communication).

The office will comply with the new terms of freight wagons regulation and will be equipped with compatible communication interface for exchange of data between the domestic systems applied at ŽSR, ZSSK as well as foreign railway undertakings and infrastructure managers.



Structure of ZSSK CARGO freight wagons



Determinants of structure and quantity of freight wagons:

- Planned volume of transport until 2007 with outlook until 2010,
- Structure of transported commodities and requirements following from the business strategy for provision of individual business cases,
- Legislation - noise, safety, emissions, strength limits, etc. as stipulated by TSIs for conventional lines.

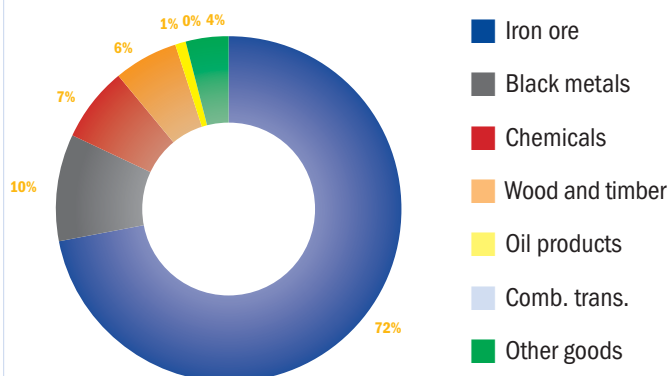
Analyses carried out so far imply that the total number of wagons amounting to 16 300 will necessarily have to be reduced by almost 1500 wagons until 2007, furthermore the Investment plan of ZSSK CARGO includes modernisation of 990 wagons and purchase of approximately 500 wagons. The target planned quantity in 2007 is nearly 15 300 freight wagons.

Strategy of East Slovak Transshipment Yards

ESTY are of crucial importance for ZSSK CARGO as they are the strategic point at the interface of gauges and dispose of significant capacities for provision of complementary services.

	Transshipment in ESTY (tones)
2001	16 365 296
2002	16 282 887
2003	15 585 782
2004	17 185 039

Transhipped commodities in Čierna nad Tisou

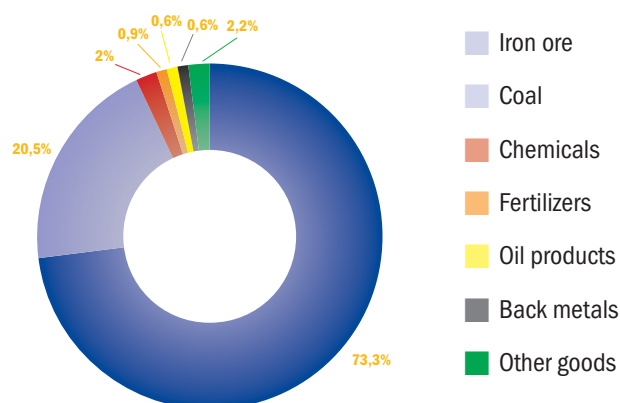


The importance of ESTY have the rising tendency for reasons of relocation of production facilities to the eastern part of Europe, development of relations between the Ukraine and EU, rising significance of the Trans-Siberian railway and dependence of central and western Europe metallurgical plants on mineral reserves located in eastern Europe. Technical and technological equipment of ESTY will soon need to be improved. This, however, requires decision of the company shareholder on settlement of property of major part of ESTY.

ESTY will henceforth primarily focus on activities related to change of gauges, namely transshipment and re-pumping of goods and change of bogies. Along the transshipment and change of rolling stock they provide services connected with the change of transportation law and complementary services.



Transhipped commodities in Maťovce



Execution of tasks will in next years necessitate investment in purchase of new transshipment machinery, modernisation of existing technologies with the aim of adapting to newly emerging conditions, flexibly responding to customers requirements, reducing the operating cost a observing the environmental and safety requirements set to handling of goods. Investment support must be focused on achieving the advanced technical and technological level of ESTY. Investments are closely connected with promotion of ESTY in Europe. Therefore it is inevitable to apply active business and marketing policy promoting ESTY as a modern transshipment centre and eliminate all bottlenecks affecting the operation performance in close cooperation with ŽSR.



Strategy of rolling stock maintenance and repairs

The primary objective in the area of maintenance and repairs of rolling stock is to provide comprehensive care of rolling stock all over the territory of the SR. The goal is to carry out services of maintenance and repairs of rolling stock noted for their quality, reliability and at reasonable prices that will lead to retention of existing and winning new customers.

Current portfolio of services provided within maintenance and repairs of rolling stock focuses on performance for ZSSK CARGO - operation level, for ZSSK (passenger transport operator) and also for another external customers. Service (for standard as well as special rolling stock) is intended mainly for engine and wagon management:

- Periodic maintenance of motive power units, freight wagons and passenger carriages,
- Non-periodic maintenance of motive power units, freight wagons and passenger carriages,
- Construction adjustment (reconstructions, modernisation and standard adjustments of MPU, freight wagons and passenger carriages).

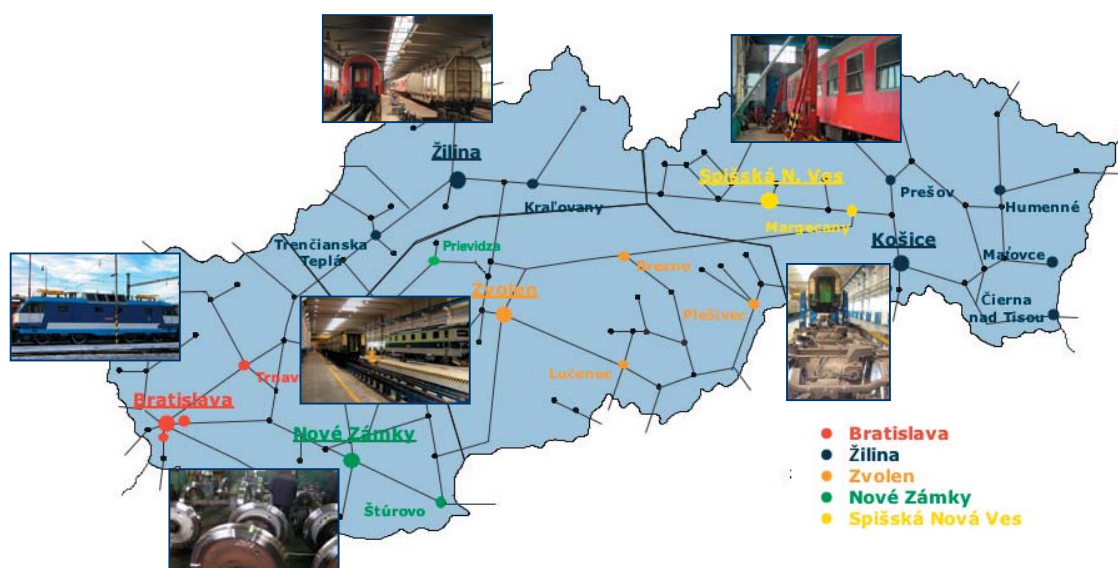
Further development of maintenance and repairs depends on continual strengthening and improving the existing range of services and expanding into segments demanded by customers. This can be achieved with sound utilization of potential which lies notably in purposeful location of maintenance and repairs workplaces in Slovakia, quality expert base and long-term experience. Pursuant to the Law on railways no. 164/1996 of Coll. as later



amended it is inevitable to continue in maintaining and obtaining any relevant licences, certificates and permits needed for carrying out maintenance and repairs.

Investments in maintenance and repairs of rolling stock shall target the following:

- Purchase of new technology and equipment to restore the obsolete and ineffective operation,
- Purchase of equipment to replace those unfit for occupational health and safety and industrial sanitation reasons,
- Purchase of technology and equipment needed for obtaining the quality certificate and enlarging the portfolio of rolling stock maintenance and repairs services.



Energetics strategy

„Energy saving has the largest economic contribution, however, the saved energy is not free of charge, it always costs money“

In the area of energetics among the supporting tools to strategic objectives is elimination of impacts of increase in prices of electric energy and taking of measures aimed at enhancement of energy consumption effectiveness and decrease of the company energy intensity.

For achieving the minimum prices at each consumption place conventional methods can not be applied in case of discreet kind of goods. Moreover, in case of strategic goods the price is not the only and neither the most decisive factor. More important is **availability, independency, safety, reliability and stability of supplies.**

The objective of the strategy for transformation of rail transport energy management is to define the basic framework and trends of comprehensive solution of the following:

1. Efficiency of energy purchase determined for operation of electric traction on the liberalized market secured by long-term contracts and flexible energy trade.
2. Economize and optimize energy consumption with regard to acquisition, management and execution of transport process by means of operative consumption management.
3. Management and operation of energy devices, distribution systems with the aid of technical equipment designed for objective and direct quantification of energy intensity of individual operation segments.
4. Management of rail transport energy and its transformation into process-managed unit.

Moreover, it is becoming inevitable to influence actively the following areas of the ZSSK CARGO energetics:

1. Electric energy for operation of electric traction
2. Energy media designed for support operation
3. Management of process of energy services provision



Solution to fulfilment of the above set objectives is, among others, establishing of an energy trade centre - Energy trade control centre (ETCC). Rationalization of electric energy consumption can also be achieved by installing of measuring and optimizing devices on engines, monitoring of consumption and on-line data transfer between the engines and energy trade centre.

The target of the whole process shall eventuate into establishing of a trade - operation energy centre (TOEC) charged with management of process of energy service within the rail transport.



Logistics strategy

The basic task of logistics is provision of necessary material and services in demanded quality, quantity and time to place of delivery for individual organisational units of the company with the aim of efficient spending of financial resources. Further it deals with provision of car transport for business use and centralised procurement of services, goods and work.

Logistics of the company is based on management of logistic chain (material, traction diesel and active stock management), provision of car transport and procurement.

Management of logistic chain

From the point of view of financial intensity the priority process is provision of material and traction diesel. Price of tax privileged diesel is set by the market. Pursuant to purchase contract ZSSK CARGO purchases diesel also for ZSSK.

The objective in the field of stocks is the active management and central procurement.

Car transport

The task of the car transport is to provide quality services. The major objective is building up centralised dispatching system for management of car transport controlled from the company centre and regional network junctions. Centralisation shall bring in cost saving by at least 20% in comparison with current cost level, moreover, it shall speed up and make the transport services more effective in terms of cost monitoring.

Procurement of services, goods and work for ZSSK CARGO

Since the establishment of ZSSK CARGO on 1 January 2005 the company is not more liable to provide the public services and also the range of activities stated in Commercial Registry doesn't include the public service obligation.



In this connection ZSSK CARGO observes the Law 523/2003 of Coll. on public procurement and the company management decided to continue in following the rule of this law at procurement of goods, services and works.

After a new investor joins the company in form of change of ownership, namely privatisation of 100% shares of the state it will depend on his decision whether to continue in observing the law or follow the Commercial Code.

In order to regard ZSSK CARGO as provider by course of Law no. 523/2003 of Coll. on public procurement, two conditions must be fulfilled:

- Controlling capital participation held by the state,
- Provision of public services in rail transport.

If these two issues are settled, ZSSK CARGO will upon the Board of Directors decision be possibly exempted from duty as follows from the Law no. 523/2003 of Coll. on public procurement.

Quality management system strategy

In respect of certification of the product „logistic trains“ first it is necessary to pass successfully the inspection audits in 2005 and 2006. In 2007 the certification audit will have to be carried out and the certificate shall be extended to other selected block logistic trains according to requirements of the Business Section. In 2005 the system of monitoring of technical and loading faults of freight wagons as follows from the Annex XII to RIV 2000 will have to be introduced. The project is going to be implemented as

part of building of a new information system of ZSSK CARGO designed for operation support.

In 2006 preparations for introducing of the quality management system in the field of Logistics will be started and in 2007 it is planned to obtain the certificate in compliance with the quality standard ISO 9001:2000.



Schedule of introducing the quality management system within ZSSK CARGO

Akcia	2005	2006	2007	2008	2009
Adapting the documents for quality to ZSSK CARGO conditions, harmonization of certified processes with ZSSK CARGO process model					
Preparation for inspection audits, elimination of faults discovered by certification audit, in 2007 re-certification audit					
Certified product to be extended by other trains according to requirements of Sections 10 and 20 or achieve certification of the whole freight transport					
Certification in compliance with standard ISO 14001- environment					
Certification in compliance with standard OHSAS 18001- occupational safety					
Certification of rolling stock maintenance in compliance with ERA guidelines					
Introducing the quality management system in monitoring of wagon defectiveness in compliance with Annex XII to RIV 2000					
Introducing the quality management system in Logistics and obtaining the quality certificate ISO 9001:2000					



Information and communication technologies (ICT) strategy

In the area of informatics it is particularly necessary to implement the project Re-design SAP R/3 and integrate the existing solutions of operational information systems with the new ones.

The existing information system IRIS-N which currently functions as the main information system for support of operation has been created at the time of „joint“ ŽSR. Thenceforward the company has undergone several significant transformations, whether organisational or operational. Its functionality is similar to the original state for which it has been designed with possible adjustments to be implemented during its operation. Currently it is inevitable to apply large transformation to the system that will result in the expected flexibility, real description of the existing operating conditions and its transformed and newly emerged needs. The system must meet the parameters of up-to-date information systems as are the flexibility and high adaptability to topical needs, independency, low maintenance and operating cost and economic appreciation. New Operational information system (OIS) integrates the existing operational solutions into the new system.

New OIS will monitor and control the transport capacity, train operation, train staff activity, moreover it will track and trace the consignments in real time and respond to customers requirements, communicate with another railway undertakings and infrastructure managers and it will control the operation of industrial sidings and the local wagon operations at the stations.



Occupational health and safety strategy

In the area of railway transport safety it will be necessary to incorporate the European Union legal norms in ZSSK CARGO rules. Prevention and the consequential investigation of accidents necessarily requires adequate equipment of workplaces with demanded measurement devices. Diagnostics without any disassembly works shall be supportive to prevention of accidents that can be caused by hidden defects. Observance of safety regulations shall ensure the safety and occupational health protection and thus prevent the risk of threat to life, health, property and environment.

The issue of railway safety is governed by the Law 164/1996 of Coll. which in § 46a defines the safety certificate of a carrier. It exactly rules that the carrier is obliged to hold the safety certificate at the time of starting the operation of network-wide or regional rail transport pursuant to the licence. ZSSK CARGO in its safety certificate demonstrates professional competence of persons operating the railway transport as well as it satisfies the terms of operating the rolling stock.

During the period 2002 to 2004 the railway transport safety area has been subject to the following development:

Period	Comparison of accidents development				Category
	A	B	C	D	
Year 2002	1	1	13	455	470
Year 2003	0	1	11	402	414
Year 2004	0	1	127	-	128

Note:

A - severe accidents, B- medium accidents, C - threat to rail traffic safety, D - service failures

Amendment of ŽSR Regulation no. D17 has brought in the re-classification of the original categorisation D - operating failures to category „C“ including the threat to safety of railway traffic. Due to this reason objective comparison with the preceding year cannot be submitted.

During the period 2002 to 2004 the occupational health protection area (accidents at work) has been subject to the following development:

Year	Accidents at work				Number of AaW Disablement	
	Total	Fatal	Heavy	Mass	per 100 emp.	in cal. days
2002	127	2	0	0	0,64	4 347
2003	100	2	0	0	0,54	5 148
2004	87	0	1	0	0,48	3 755

In this area the priority step of ZSSK CARGO remains introduction of the project „Safety and occupational health management system“ with the objective to implement OHSAS 18 000 by the year 2009, namely in terms of bringing in solutions which satisfy the requirements as defined in the Law 330/1996 of Coll. The company will henceforth create favourable working conditions with respect to all working aspects.

Human resources development strategy

The objective of ZSSK CARGO personnel strategy is managing the company employees so that they could extensively participate in the company productivity and efficiency enhancement.

The basic targets of the human resources development at ZSSK CARGO is:

- Continual enhancement of employees qualification,
- Active and individual approach to each company employee,
- Active employment planning,
- Competency management as basis to further training and manning of individual jobs,
- Social affairs which cover creation of incentive payment system, attractive social program and respectable relations with the employees representatives.

For fulfilment of the above stated objectives the company implements several projects in the following areas:

Training and employment management in form of:

- training,
- labour relations methodology,
- occupational affairs,
- organisational affairs.

Social affairs and motivation management in form of:

- remuneration and motivation,
- collective bargaining and employees care,
- working time and rotating shift schedule,
- social benefits and social welfare.



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- Social affairs which cover creation of incentive payment system, attractive social program and respectable relations with the employees representatives.

For fulfilment of the above stated objectives the company implements several projects in the following areas:

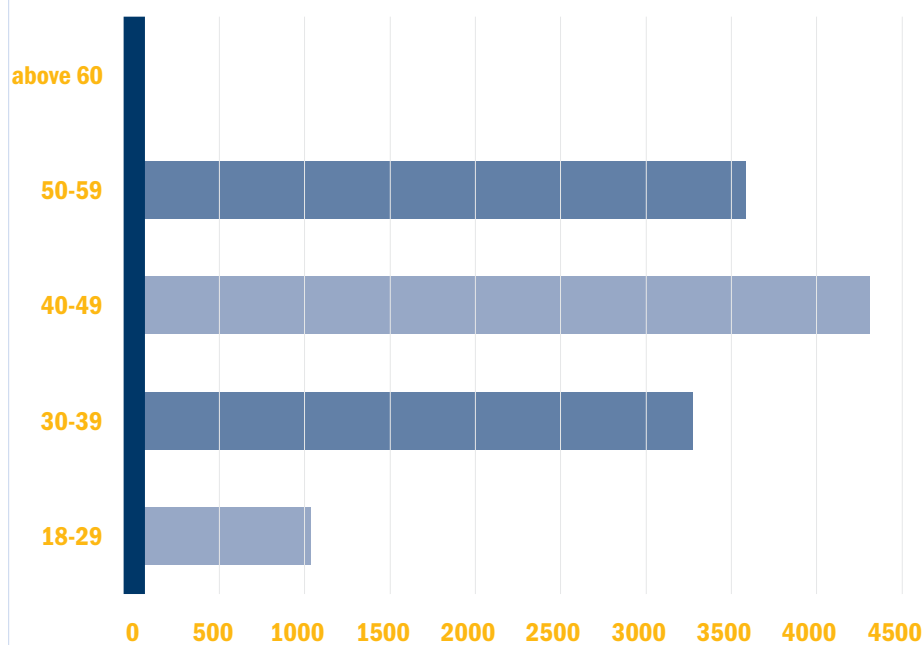
Training and employment management in form of:

- training,
- labour relations methodology,
- occupational affairs,
- organisational affairs.

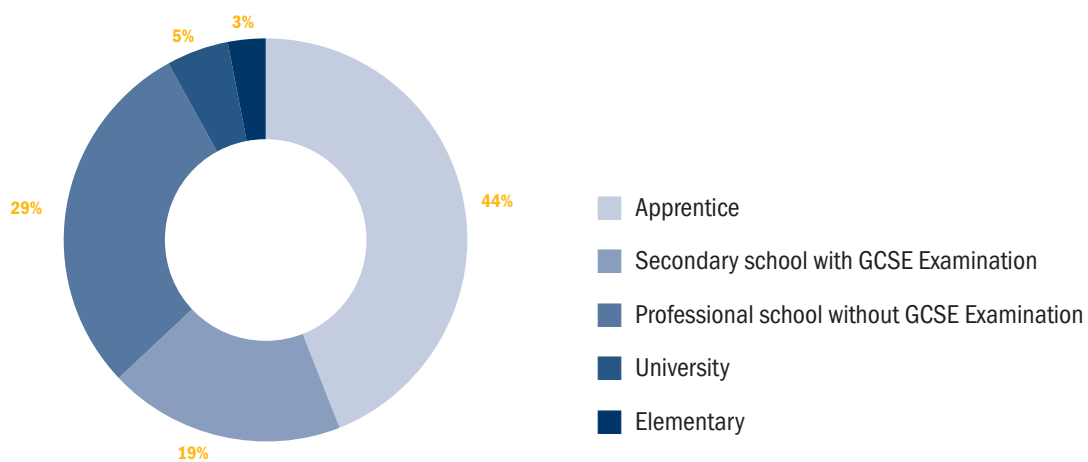
Social affairs and motivation management in form of:

- remuneration and motivation,
- collective bargaining and employees care,
- working time and rotating shift schedule,
- social benefits and social welfare.



**Chart 1: Age structure of ZSSK CARGO employees as at May 2005**

From the point of view of education 44% employees completed the professional school education and 5% employees graduated from university.

Chart 2: Educational structure of ZSSK CARGO employees as at May 2005



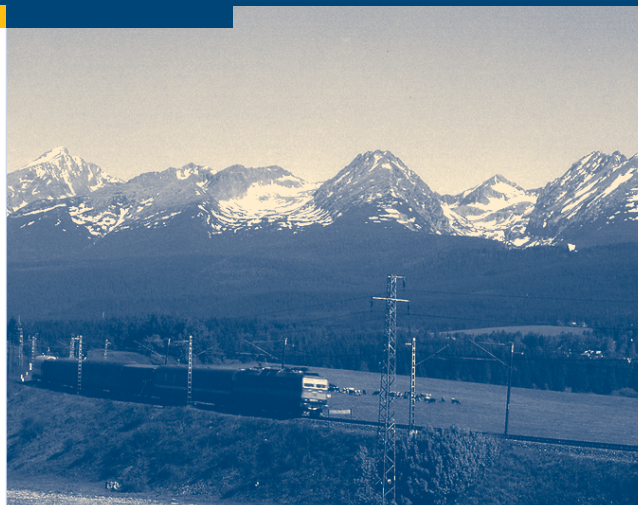
International cooperation and External / Internal communication strategy

ZSSK CARGO is a carrier acting on the global market of rail freight transport determining its fundamental orientation at attaining business success. Strategic necessity of active performing in the field of international relations follows from the type of activity of rail transport that forms an integrated and connected, and thus mutually dependent system of transport continuously aiming at higher degree of interoperability ensuing from the European legislation.

After accession of the Slovak Republic into the EU on 1 May 2004 the national transport policy has become more linked to the European transport policy which nowadays, from the point of view of railway freight undertakings, primarily tends to harmonisation of conditions focused on establishing a real single rail transport market guaranteeing the free movement of goods, services and labour force, liberalisation of access on the market, interoperability, enhancement of the carriers performance quality, sustainability of the transport system and, last but not least, also harmonisation of conditions on the transport market related to competitive position of individual transport modes.

ZSSK CARGO international activities are focused on two spheres. In the first place it is involved in bilateral cooperation with the neighbouring railways and secondly it is a member in several international organisations acting in the field of rail transport. Membership in international organisations of strategic importance:

- membership in International Railway Union (UIC)
- membership in Community of European Railway and Infrastructure Companies (CER)
- membership in Organisation for Cooperation of Railways (OSŽD)
- membership in International Coordinating Council of Transsiberian Transportation (CCTST)
- membership in International Rail Transport Committee (CIT)
- membership in Forum Train Europe (FTE)
- membership in International Coordination Committee of the Rail-Road Combined Transport (INTERUNIT)



Membership of ZSSK CARGO in international organisations enables the company to gain access to technical, legal and political information and, at the same time, it gives the company possibility of feedback by active involvement in several working groups and panels established within the internal structures of these organisations. From the strategic point of view it appears as important to focus on membership in those international organisations which contribute to deepen the specialization in the field of freight transport, intermodal transport and maintenance and repairs of rolling stock and which by acquired know-how significantly contribute to increase in added value of services provided to the customers.

External and Internal communication

Communication strategy is the key instrument to form the corporate identity. Identity and communication are inseparably linked. Quality communication is a persuasive medium for identity and vice-versa. The identity reflecting the coherent and attractive value contents adds the credit to communication and thus to all activities within the organisation.

In case of large employers, the sensitivity to failures in communication tends to be particularly high. The process coordinating the communication from the strategic centre of the company therefore deserves high status among the managerial priorities of the decision-makers and continual monitoring with purposeful feedback.

INVESTMENT DEVELOPMENT IN 2005 - 2009

In the period 2005 - 2009 ZSSK CARGO plans to focus its resources notably on renewal of the traction rolling stock and freight wagons (modernisation, refurbishment and purchase of new vehicles). In 2005 the ZSSK CARGO investments are allotted mainly to vehicles fleet (motive power units, wagons, motorcars) representing 83 % of the total amount of funds assigned to investment for the given period.

Motive power units

Currently a refurbishment and modernisation of selected types of MPU is in process. The middle-term investment plan considers a gradual renewal of the rolling stock with the objective of meeting the required interoperability standards and fulfilment of criteria inevitable for operating transport services on the railway infrastructure of foreign countries.

Freight wagons

Throughout the years 2005 - 2009 it will become necessary to ensure demanded number of wagons that will satisfy the customer's requirements.

For transport of rolled sheet metal ZSSK CARGO plans to purchase modernised Rilns wagons (300 pc) and new Shimmns wagons (200 pc). The major advantage of the stated wagons for the customers is protection of higher added value goods against atmospheric exposure.

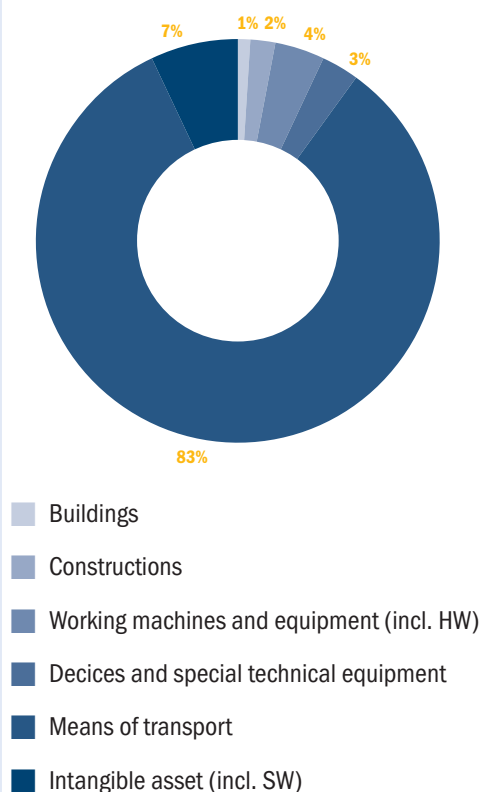
For transport of wood, furniture, cellulose and other commodities which require protection against atmospheric exposure the company plans purchasing of Habbins wagons (100 pc).

In 2005 the Eas wagons are modernised for the purpose of increasing the axle load to 22,5 tons, as well as refurbishment of Gbkks wagons to Hirrs and Hbis wagons used for transport of palletized and pieced goods is realized.

For transport of bulk substrates ZSSK CARGO plan to purchase 80 pieces of Fals wagons.



**Planned investment cost in 2005-2009
according to asset classes**





FINANCIAL MODEL FOR PERIOD 2005 - 2007

Draft financial model is based on the Business plan 2005 and the planned financial statements forasmuch as there has not been presented any opening balance sheet so far.

Construction of the financial model for 2006 and 2007 is based on the following assumptions:

- In 2006 and 2007 ZSSK CARGO will provide the same scope of services, including the services supplied by the third parties, at about the same financial amount for the company ZSSK Slovensko,
- The anticipated level of inflation will be 2,8 % in 2006 and 2,5 % in 2007,
- Optimization of the number of employees is expected to continue,
- The expected growth in wages will follow the anticipated inflation, i.e. 2,8 % in 2006 and 2,5 % in 2007,
- No subsidy from the state budget is expected in 2006 and 2007,
- The expected profit in 2006 will not be accumulated. Part of it shall be paid over the statutory reserve fund.

Basic economic indicators

Economic indicators	Plan 2005	2006	2007
Cost (thous. SKK)	17 811 113	17 697 732	17 666 001
Income (thous. SKK)	17 811 113	18 198 677	18 170 911
Profit/loss (thous. SKK)	0	500 945	504 910
Staff cost (thous. SKK)	3 755 001	3 777 545	3 810 386
Wages intensity (%)	21,08%	20,76%	20,97%
Performance (thous. net-tkm)	9 474 319	9 549 000	9 486 000
Labour productivity on perf. (Net-tkm/emp)	777 667	822 127	851 144
Average number of employee	12 183	11 615	11 145
Added value (thous. SKK)	4 993 091	5 439 004	5 537 420
Labour produc.on added value (SKK/emp)	409 841	468 274	496 852
Operating cost without depreciation (thous. SKK)	16 305 209	16 117 308	16 089 172
Operating income without subsidy (thous. SKK)	17 516 031	17 783 650	17 821 261
Labour ratio (%)	93,09%	90,63%	90,28%

ANNEX 1

Certificate ISO 9001:2000 for the product International freight transport (logistic trains)



tuv
CERT

CERTIFICATE

The TÜV CERT Certification Body
of TÜV Management Service GmbH
certifies in accordance
with TÜV CERT procedures that

Železničná spoločnosť Cargo Slovakia, a.s.
Drieňová 24
SK – 820 09 Bratislava

including the plants see enclosure

has established and applies
a Quality Management System for

International freight Transport (Logistic Trains)

An audit was performed, Report No. 70091959
Proof has been furnished that the requirements
according to

ISO 9001: 2000

are fulfilled. The certificate is valid in conjunction
with the main-certificate until 2007-11-17
Certificate Registration No. 12 100 24607

Munich, 2005-02-18

Deutscher
Anlassungs
DAR

TGA-ZM-18-96

M. Norgel

TÜV
SUD

Management Service

TÜV CERT Certification Body
of TÜV Management Service GmbH
TÜV SUD Gruppe
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D-80339 München

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