

**ANNUAL REPORT
2002**

**Letové prevádzkové služby
Slovenskej republiky, štátny podnik
Air Traffic Services
of the Slovak Republic**



Letové prevádzkové služby Slovenskej republiky,

štátny podnik

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Preface by Director General

Ladies and gentlemen,

The State owned enterprise Letové prevádzkové služby Slovenskej republiky - LPS SR, š.p. (Air Traffic Services of the Slovak Republic, State owned enterprise hereinafter „company“) entered the year of 2002 as a compact entity able to provide air traffic services of the highest possible standard and in consent with the Act No. 143/1998 of the Collection of Laws on Civil Aviation (Aviation Act), international standards, recommended practices and other commitments of the Slovak Republic that result from international agreements concluded, from membership of the Slovak Republic in international organisations as well as from nationally applicable regulations, procedures and agreements.

In 2002, recession of civil aviation continued world-wide, whose consequence was shown in decreasing outputs in aviation industry including air navigation services providers. This decrease resulted in reduction of air traffic, freezing of en-route navigation fees within the Eurocontrol member states and, as a final consequence, decreasing in revenues of providers of air traffic services. Even despite this adverse development, the company reached necessary efficiency and performance.

Priority of the company was and has been to guarantee the safety standards for air traffic undertaken by the State in accordance with international commitments of the Slovak Republic.

As far as the Slovak Republic and the company, are concerned, everything essential for prospective development direction of aviation and navigation services has been defined by signing the CEATS Agreement, which substantially also determines our steps for the future and provides us with framework in co-operation with providers of flight navigation services in the surrounding countries. The CEATS project as a pilot project of the programme Single Sky for Europe is a crucial project of the EU, hence it is subject of appropriate significance. In 2002, the company kept unfolding activities within the established association of air traffic services providers (CAPA) who assumed provision of these services within the CEATS project for the upcoming period of time.

The company, became the first provider of air traffic services within the CEATS countries that, in January 2000 received the Quality certificate according to the standard STN EN ISO 9001:2000 issued by the company Det Norske Veritas Rotterdam, which will contribute primarily to higher efficiency and safety of air traffic services provided.

Significant event of 2002 was organisational and technical support for implementation of continuous transition to Reduced Vertical Separation Minimum, RVSM in the airspace of the Slovak Republic.

Within the framework of approved strategic intentions of the country, the company began gradually getting ready to legislation amendments related to providing of air traffic and navigation services at national airports and their gradual self-funding, which will contribute to higher safety and efficiency of the services provided.

Air Traffic Services of the Slovak Republic, State owned enterprise, represents the integral human potential of high expert standards provided for very specific activities whose result is provision of safe and quality services. The results of our activities show there was and has been an interest in our services on the part of our business counterparts, that is why we would like to express sincere gratitude to all those having contributed to achieving this common objective and good name of the company.

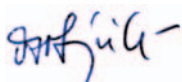


Roman Bíro
Director General

Report of the Supervisory Board

At the meeting in June 23-24, 2003 the Supervisory Board of LPS SR, State owned enterprise, on the basis of verification of the annual financial statements by the auditor Jana Tomšíková, evaluated the economic results of the company for the year 2002, concluded the performance of the company as/is in the line with valid legal standards and accounting regulations, and that planned indicators have been achieved.

The Supervisory Board discussed a proposal for the distribution of after-tax profits, and approved the proposed distribution scheme at the meeting.



Martina Pastýriková
Chairman of the Supervisory Board
LPS SR, š.p.

Company Profile

The Minister of Transport, Posts, and Telecommunications, by his decision No 144/99 of November 17, 1999 established the company LPS SR, š.p. based at M.R. Štefánik Airport in Bratislava as of January 1, 2000.

The basic subject of activity of the company is the provision of Air Traffic Services, Aeronautical Information Services, Aeronautical Telecommunications Services, and co-ordination of Search and Rescue Service. The main objective in performing of these activities is to ensure safe, effective, and orderly flow of air traffic within given airspace and at designated aerodromes.

With the establishment of the state owned enterprise, pursuant to Article 20 of Act 111/1990 Zb. on State Enterprise, a Supervisory Board was established as a decision-making and supervisory body of the company. Activities of the Supervisory Board were guided by its Statutes and Procedural Order approved by the founder.

The Supervisory Board was composed of nine members. The founder (Ministry of Transport, Posts, and Telecommunications) appointed four members of the board and its chairman, whereby one member represented the Ministry of Finance of the Slovak Republic.

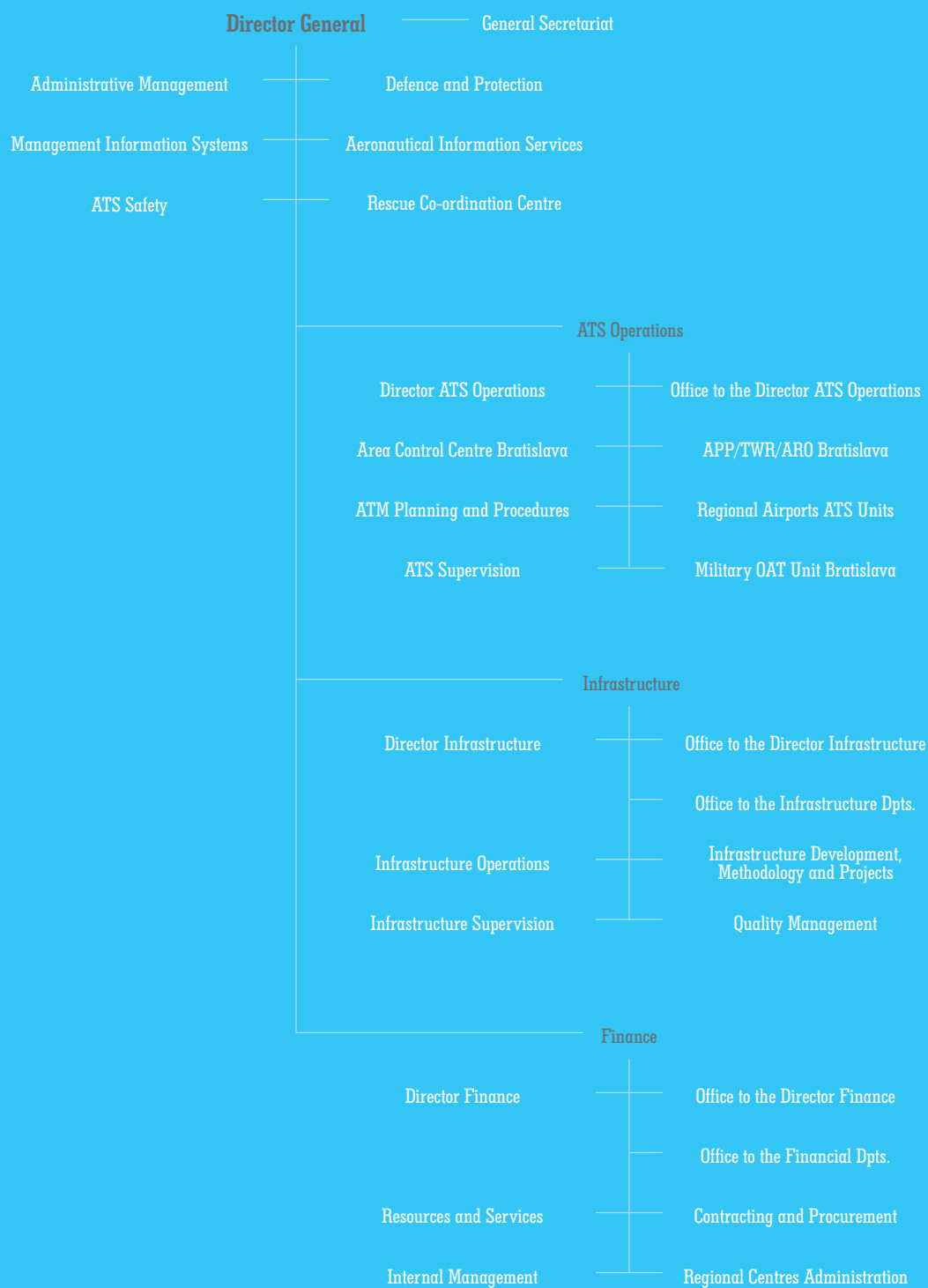
Three members of the Supervisory Board were elected by the company employees in a secret ballot and one member was delegated by trade union associations.

Activity of the Supervisory Board was focused above all on reviewing the annual and special financial statements, decision-making about distribution of profit, approval of proposals to procure and finance tangible fixed assets and intangible fixed assets in line with the Statutes control of the data in accounting ledgers, it discussed the basic development concepts of the company and its business activities, supervised over management and economic performance of the company, and it submitted to the founder the half-year and annual report about the company's economic performance.

The company's organisation structure is defined as follows: the company is led by a director general appointed by the founder. At the second management level the main organisation units ensuring the performance of the company's tasks are:

- Air Traffic Services Operations Division;
- Engineering and Infrastructure Division;
- Finance Management Division;
- Administrative Management Department;
- Aeronautical Information Services Department;
- Management Information Systems Department;
- ATS Safety Department;
- Defence and Protection;
- Rescue Co-ordination Centre.

Organizational Chart of LPS SR, š. p.



Air Traffic Services

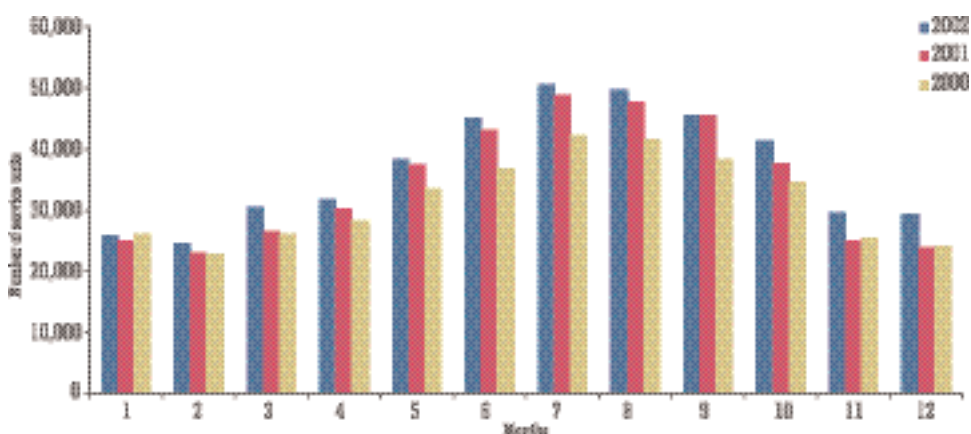
ACC Bratislava

Within the monitored period from January to December 2002, an increase in the number of movements in the controlled air space of Bratislava FIR by 6.51% was recorded. It means the number of movements increased by 13,036 within that period of the time monitored.

Since January 2002 RVSM (Reduced Vertical Separation Minimum) has been applied within the controlled airspace of Bratislava FIR above FL 245.

Upon overall evaluation of 2002 the air traffic, it is necessary to take into account tragic events taking place in September 2001 in the USA, that were also reflected in a decrease in traffic at the Airport of M. R. Štefánik in the first quarter 2002 by 12% compared with the same period of 2001.

Evolution of service units for the years 2000 to 2002



Aerodrome ATS Units (APP/TWR)

Bratislava

At the turn of the first and second quarters of 2002, a low-cost transporter SKY EUROPE AIRLINES entered the aviation market, starting its operation with its first flight from Bratislava to Košice on 13 February 2002.

Thanks to those activities and an increased number of charter flights in the summer season, even despite a decreased number of training flights by 27%, the total number of movements was 11% higher compared the previous year 2001.

The total number of movements in the TMA Bratislava, including en-route flights in the relevant delegated airspaces, totalled 25,172 movements representing an increase by 4% compared to the year 2001.

Poprad

The control unit providing airport control services, TWR, was providing these services without any restrictions, while providing approach control services within a restricted scope (without radar services).

Services of the air-traffic reporting office, ARO, were provided on a continuous basis for 24 hours just in a restricted scope, as the methods of performing work at the ARO and at the TWR substantially differ from each other.

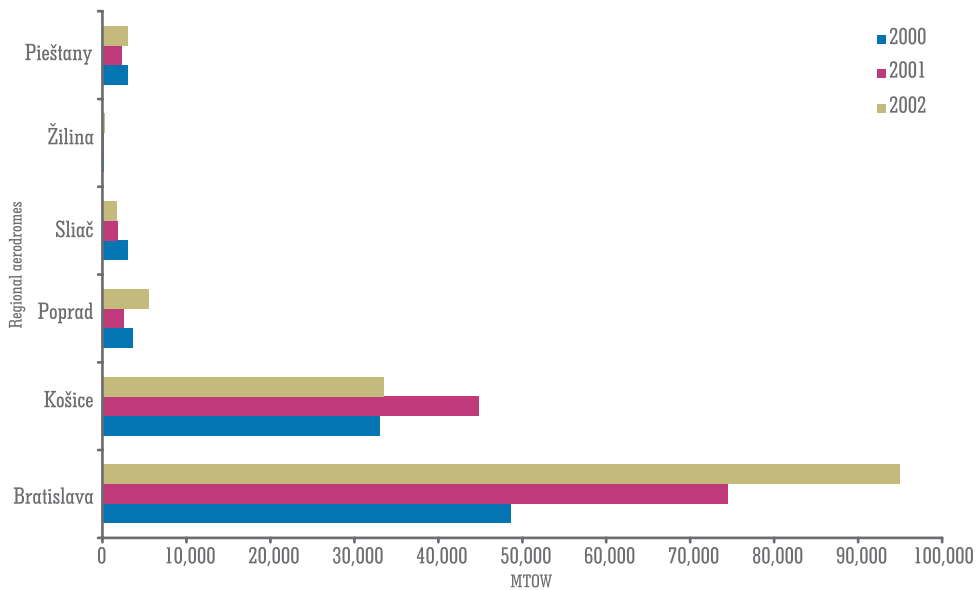
Sliač and Žilina

During 2002, flight operation services at the control units of LPS SLIAČ/ŽILINA were provided in reasonable quality with regard to staffing and technical equipment. From the perspective of safety of air-traffic operations, there have not been any faults (LMÚ or incidents) caused the LPS recorded.

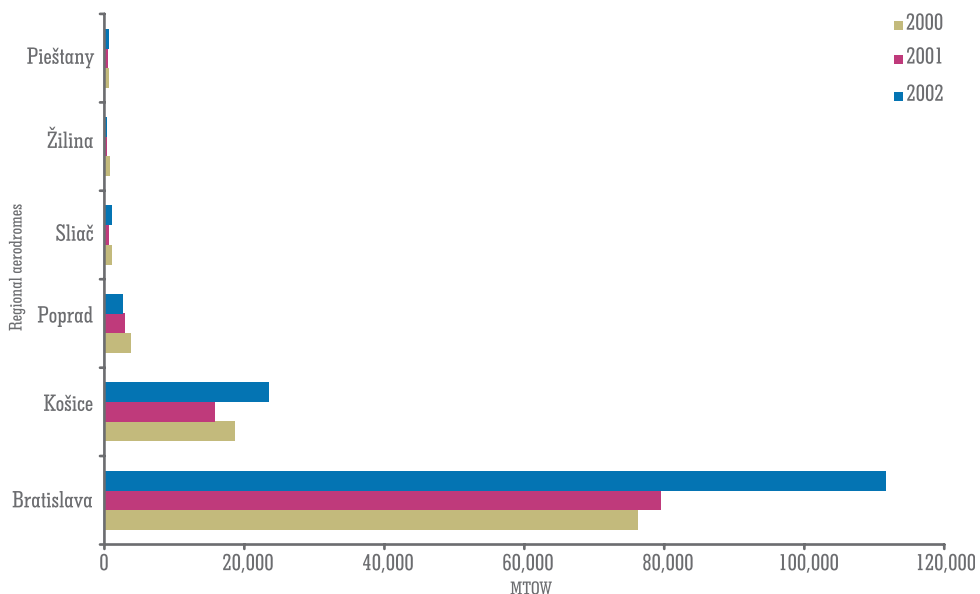
Piešťany

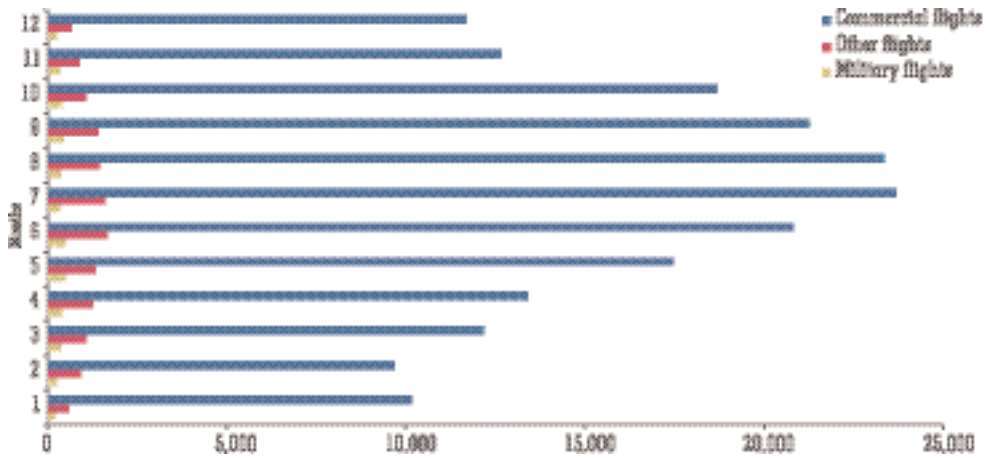
Air-traffic control services in Piešťany were provided without LMÚ in the year 2002. Statistical data are available in the Department of statistics. Economic data are in the power of other departments.

Evolution of Terminal Performance - International flights



Evolution of Terminal Performance - Domestic flights





Search and rescue (SAR)

Activities of the Integral rescue co-ordination centre of aviation (IZKSL) were directed to carry out the co-ordination of civil, military and safety bodies upon searching the craft and rescuing human lives (in compliance with commitment of our company pursuant to the Aviation Act No. 143/1998 of the collection of Laws).

In the year 2000 in compliance with this commitment, the IZKSL assured searching for a source of transmission on emergency frequencies of 121.5 MHz a 243 MHz in 62 cases of which 26 were identified. There was a close co-operation with members of the units of the Ministry of Defence of the Slovak Republic as well as with neighbouring SAR centres in their locating.

A period of insecurity INCEFRA was declared in four cases, while ALERFA (period of readiness) was declared twice and DETRESFA (period of distress) in two cases. Aviation search and rescue service of the Army of the Slovak Republic was brought to readiness degree N.1 in 14 cases upon our incentive, out of which it took off 8 times to perform tasks of search and rescue.

Upon loss of connection in eight registered cases of flight activities in the airspace of the Slovak Republic, operation of IZKLS was activated.

Assistance was also asked for by the neighbouring rescue co-ordination centres (Czech Republic 3x, Hungary and Poland).

Altogether, operations of the IZKSL centre were used to address 85 cases in 2002.

Employees passed a training course aimed at using AFTN and in relation to upgrading of the workplace as well as a retraining course to use the applications of LETVIS SAR and LETVIS RDP.

In the course of the year, employees of the IZKSL were taking part in testing a new system for searching and rescuing within trial operation. The system was put into full operation in the fourth quarter.

Engineering and Infrastructure

One of the four fundamental subjects of activities the LPS SR š. p. performed in compliance with the foundation deed is also carrying out telecommunication services. A large group of services and facilities can be found behind this common name, without which performance all the other activities of the LPS of the Slovak Republic would be inconceivable.

To perform the air information service and to co-ordinate the co-operation of civilian, military and safety bodies in searching for the craft and rescuing human lives today would not be possible any more without a high-quality of technical provision of the required standard, i.e. with high preciseness, readiness, reliability and practically round the clock for the whole of the year.

High responsibility and direct impact upon safety, regularity and economy cause that extraordinarily high claims are put upon the facilities belonging to this group.

In the same way as our life is inconceivable without the air, operation of these facilities is inseparably linked to and conditioned by an assurance of uninterrupted supplies of electric power.

Today we can make neither without air-conditioning devices for workplaces, nor without separate facilities working the whole year round in a wide range of exterior temperatures.

With regard to serious consequences of contingencies within air traffic as well as due to the safety and prophylactic reasons, all important communication channels and data are recorded on media by recording devices constituting also a significant group without which up-to-date operations would not be possible.

Due to the global trends in safety and economy, overall integration of all groups of devices into systems of remote control and supervision is continually growing.

It follows from the brief survey shown that to keep all the complex in operable condition is a demanding task in technical, financial and organisational terms, putting high requirements upon the relevant staff.

Of course, there is also a necessity for innovations added, given by continual technical progress and increasing requirements of operators and other users of services. Behind innovations, there is a huge amount of work of the all units of the LPS SR, š.p., actually as e.g.:

- air-traffic controllers who are the most frequent immediate users wording operation requirements upon many devices;
- technical specialists who make sure for specification of technical requirements upon devices for suppliers, taking part in the process of checking the devices before putting them into operation;
- operation workers who take a distinct part in installation, mostly under very aggravated conditions, where the initial device is required to be kept going on simultaneously implementing the phases of preparing the newly installed devices and managing retraining for new technology;
- specialists working in the investment area providing for a challenging side of projects, mostly with a foreign supplier.

Out of the most important events contributing in a significant way to the quality of providing services of technical support of LPS in the year 2002, the following could be emphasised:

- Tests of connection of monitoring of objects to the central board of protection in the Technical co-ordination centre in Bratislava;
- Connection of objects to the centre of registration of alarms of the Police Corps of the Slovak Republic;
- Replenishment by new radio-communication means for connection of ground - air with a channel spacing of 833 kHz;
- Implementation of aerial complexes to support communication ground-air in the UHF band;
- Installing of extractor of radar signals from the radar RL-41 for the system LETVIS (back-up system to process and to display radar data);
- Putting the system LETVIS into operation at the IZKSL workplace as well as equipping the OAT workplaces (Army of the Slovak Republic) with a working station LETVIS;
- Preparation of the LETVIS stations for the airport Košice;
- Installation of new FMP terminals to control the flow of the air traffic at the workplaces of ACC and ARO in Bratislava;
- Implementation of a technical platform of the system EUROCAT 2000 (the main system to process and to display radar and flight data);
- Re-installing of the equipment of MKR into the ILS system in Piešťany;
- Establishing new or faster data connections (from Bratislava to Poprad, Košice, Žilina, Piešťany);
- Upgrading of the node of the data network SACON in Budapest;
- Implementation of structured cabling of the network SACON/LAN at the airports Košice, Poprad, Sliac, Žilina and Piešťany and optical routes at the airports Košice, Sliac and Bratislava;
- Testing of transmission of radar data in the format ASTERIX from Velký Javorník to Prague;
- Technical support to the international show of aviation technology SIAD 2002 in Bratislava;
- Commencement of implementing the system of operational information of technical facilities;
- Implementation of new switchboards of a back-up distribution of electric power;
- Innovation and extension of the GLOMON system for monitoring of back-up sources of electric power;

After succeeding in a certification audit of the quality management system and after a ceremonial handover of the certificate of conformity to requirements of the standard STN EN ISO 9001, continual improvement of the built system through in-house audits of quality is going on as well as by setting measurable targets of quality, remedial and prophylactic measures, investigating the quality management system on the part of the management, setting up a questionnaire for air operators.

From among other activities, it is necessary to mention provision for processing and co-ordinating preparation of the national document LCIP of the European programme EATMP, representation of the Slovak Republic in expert groups of this programme in the area of Communications, Searching, ATC systems, ATM/CNS Advisory Group.

Aeronautical information services (AIS)

The major mission of the AIS is to provide air information necessary for safety, regularity and economy of the air traffic. In addition to these activities, the employees of the AIS SR provided also for activities directed to improvement of provided services by mediation of various automated systems.

In the area of automation, activities were focused especially on the system and creation of an Aeronautical Information Publication (AIP) of the Slovak Republic. Within the period monitored, there was prepared a schedule of putting the system into ordinary operation. As of the date of efficiency of September 5, 2002, an extensive AIP amendment was issued in lines with this plan, taking into consideration the changed format and structure of provisions numbering. At the same time, parallel operation of a new system and putting the data into the database were launched. Further, trial operation of the new version (4.0) of the system IntegMon was finished, which was put into ordinary operation after acquiring an operation certificate. As well testing and necessary arrangements of the module BRAVO were continued.

Within preparatory works to connect the national AIS system to EAD (European AIS Database), preparation of a plan of transition as well as other related activities were continued. Those were focused especially on specification of necessary adjustments of the systems with the aim to make sure for compatibility with EAD.

In the area of integration of civil and military AIS, the planned condition in issuing aeronautical information on military operations has not been achieved. Efforts in this field were focused on preparing a proposal of the manner to publish military information in the AIP of the Slovak Republic.

Employees of AIS were taking active part in activities related to fulfilment of the tasks of the programme EATMP in the field of AIS.

Safety in ATM

The LPS SR, š.p., provides services in compliance with the Act No. 143/1998 on Civil Aviation (Aviation Act) within the wording of later regulations, focusing especially on safety, efficiency and orderly flow of air traffic. In the interest of attaining and keeping a high standard of safety, the company has defined its aim in this area in its safety policy, undertaking to establish a system of safety of the services provided and assigning the highest priority to safety, preferring it to commercial, environmental and social effects.

Safety management represents a group of expert activities by employees of the ATS Operations Division, the Engineering and Infrastructure Division and the ATS Safety Department who guarantee all the risks affecting or threatening safety to be identified, judged from the standpoint of their significance and influence, and reasonable measures to be taken to minimise their consequences.

To achieve the set aim, a number of routine activities were performed in 2002. The matter was primarily in creation and modification of operational management acts and information documents, including AIP SR, in-house safety guidelines, national equivalents of documents of the international organisations ICAO, EUROCONTROL and JAA (especially extensive amendments of the regulations L 4444 and JAR OPS), carrying out input audits of safety of the ATS and TZL workplaces, investigation of incidents in air traffic under competence of the company, including proposals of remedial measures and co-operation in investigation with external bodies etc. The fact might be positively evaluated, that in the year 2002 several voluntary reports were received, which also contributed to an increase in safety standard, but especially to enhancement of the level of safety culture with the operation staff, thus providing a good signal for the future.

A significant event was organisational and technical provision for and implementation of smooth trouble-free transition to using (Reduced Vertical Separation Minimum, RVSM) in the airspace of the Slovak Republic with its efficiency since January 24, 2002.

In the area of introducing safety normatives EUROCONTROL in the Slovak Republic, the LPS SR, š. p., prepared draft documents ESARR 2, 3, 4, while it took part in processing a draft ESARR 5. Representatives of the company provided for and took part in the assessment of implementation of those normatives in the Slovak Republic, collaborated processing of the final report "Country Dossier-ATM in Slovak Republic" for the European Commission. Major task for 2003 will be to finish the legislation process of adopting safety normatives and to meet a requirement for introducing the safety management system in the ATM within the required deadline, i.e. until the end of 2003.

Legal agenda and cross-sectional assignments of the general administration unit

The LPS SR, š.p., acted in the agenda of fundamental documents of the company and other agenda with its founder.

Human resources

The number of employees of the LPS SR, š. p., has been stabilised. As of December 31, 2002, the company reported a registered number of employees to be 508, representing a decrease by three employees compared with the year 2001.

Despite the fact the number of employees was stabilised in 2002, the Department issued from a need to fill in vacancies and to complete the plan of employees.

In 2002, the Department of human resources development provided for training activities for employees of the company. Various forms of language and training courses, workshops and expert courses, including those at the Institute of Flight Navigation Services EUROCONTROL.

Inspection activities

In-house inspection activities at the company consisted of audits carried out by the Unit of internal inspection as well as of audits performed at the level of managing workers.

The Unit of internal audit carried out ten planned inspections in consent with the approved plan of inspection activities. The performed inspections were mainly focused on adherence to generally binding legal regulations, internal management acts and technical/operational documentation. Three inspections of them were aimed at checking fulfilment of adopted measures to remove faults and causes of their occurrence found out by inspections in the previous period.

Three inspections were carried out by the bodies of external inspection in 2002. The matter was in audits by the Tax Office of Košice IV at the Regional airport of Košice and the Tax Office of Bratislava VI as well as an inspection by the district health officer in Banská Štiavnica at a purpose-built facility of the company.

No findings leading to a proof of damage or other such findings occurred within the inspection activities carried out at the company.

Assignments resulting from the Order by the Director of the LPS SR, š. p., No. 4/2002 of 11 June 2002 to find out and to carry out inspections of occupational health and safety and those of labour environment at all workplaces and facilities of the company were satisfied within the set deadlines.

Economic Performance Report of LPS SR, š. p. for the Year 2002

Compared with the previous year, LPS SR, š. p., preserved the trend of gradual increasing of efficiency of the company and that of enhancement of volumes of revenues and profits.

Comparison of the standard of actual fulfilment of economic indicators for 2002 with an assumption expressed in the plan for 2002 has confirmed reality of the intentions of the management of the company LPS SR, š. p., which were adopted in the financial plan for 2002 expressing growth of these indicators compared with 2001.

In comparison with 2001, there was recorded a growth in indicators of revenues in total by SKK 85,404 thousand, representing the index of 1.07. Compared to 2001, the major source of growth in revenues in total represents growth in revenues of sale of own services of which revenues for track fees that were growing with an index of 1.09.

In comparison to 2001 total expenditures grew by SKK 52,464 thousand, representing a growth with an index of 1.05. Upon absolute amount of indicators, the growth in costs did not attain the level of the growth in revenues, so affecting positive development of other selected indicators.

In 2002 compared with 2001, profit and loss after taxation grew by SKK 32,940 thousand, representing the index growth of 1.73. That is the difference between the growth in revenues that were growing faster than expenditures in absolute terms.

The registration number of employees at the end of 2002 dropped down to the level of the total number of employees - natural persons of 508.

Average earnings per employee grew approximately by the same index of 1.06 in comparison with 2001.

Revenues

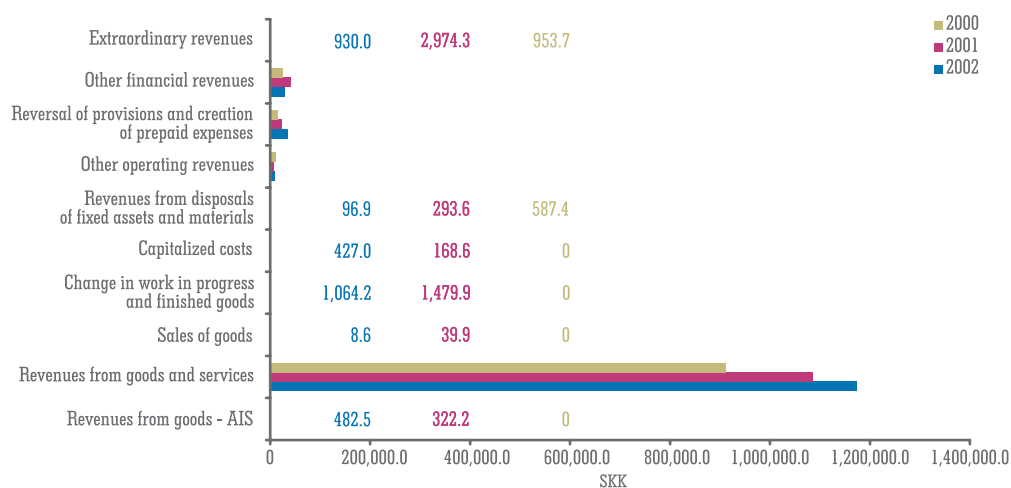
Fulfilment of the plan for 101.9% was reported, comparing the really attained and planned values of the indicator of revenues for 2002 in total, which is by SKK 23,753 thousand more in comparison with the plan.

Revenues of sale of services constituted the major component of income by the LPS SR, š. p., while they were fulfilled for 99.7 % of which revenues for track fees were fulfilled for 99.6 %, revenues for approaching fees for 157.7 %, revenues for training flights for 20.7% and those for other services for 68.9 % compared with the plan of 2002.

Revenues for Year 2002

Revenues from goods - AIS	482.5
Revenues from goods and services	1,034.2
Sale of goods	0.8
Change in work in progress and finished goods	1,034.2
Capitalized costs	427.8
Revenue from disposal of fixed assets and materials	96.3
Other operating revenues	7,880.7
Reversal of provisions and creation of prepaid expenses	35,025.8
Other financial revenues	27,886.5
Extraordinary revenues	630.1

Evolution of revenues for 2000 to 2002 years



National unit rates of Eurocontrol members state for 2002 year in EUR

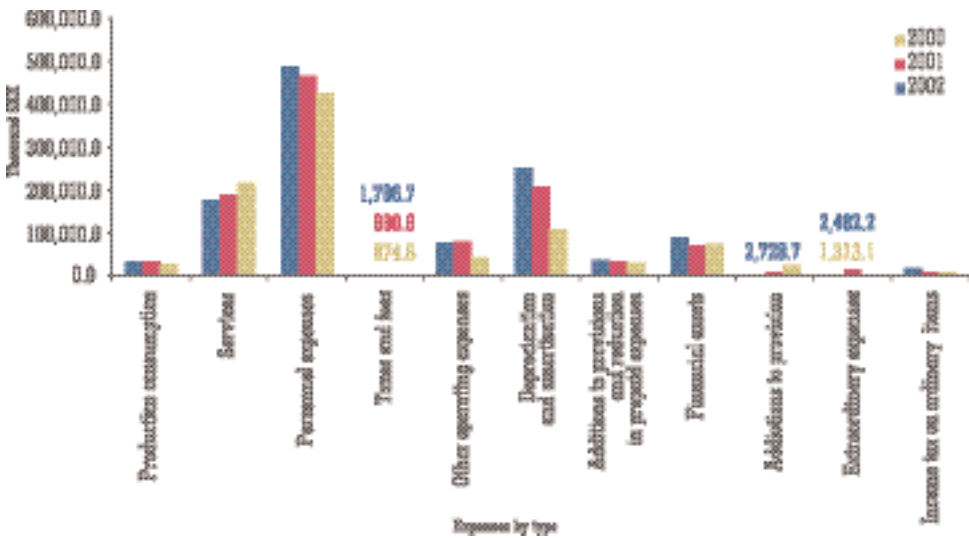
	to 31.3.2002	from 1.4.2002
Belgium - Luxembourg	66.91	90.47
Switzerland	78.40	86.50
United Kingdom	84.69	85.14
Germany	68.03	77.22
Austria	65.57	70.82
Spain - Canarias	50.22	62.5
Spain - Continental	49.20	62.20
Slovenia	59.69	61.85
Norway	54.50	60.89
France	52.42	59.91
Netherlands	53.09	59.81
Slovak Republic	58.32	59.39
Italy	56.47	58.57
Macedonia	53.11	58.54
Sweden	47.69	57.76
Portugal Lisboa	40.46	57.41
Bulgaria	55.29	55.30
Denmark	52.21	54.28
Republic of Moldova	45.14	50.54
Romania	42.52	47.08
Croatia	43.47	43.48
Malta	40.37	40.38
Finland	38.68	39.27
Greece	37.07	38.76
Czech Republic	35.99	36.00
Hungary	29.58	35.95
Turkey	30.10	30.11
Cyprus	19.61	26.44
Portugal Santa Maria	12.78	23.67
Ireland	19.67	22.15

Costs

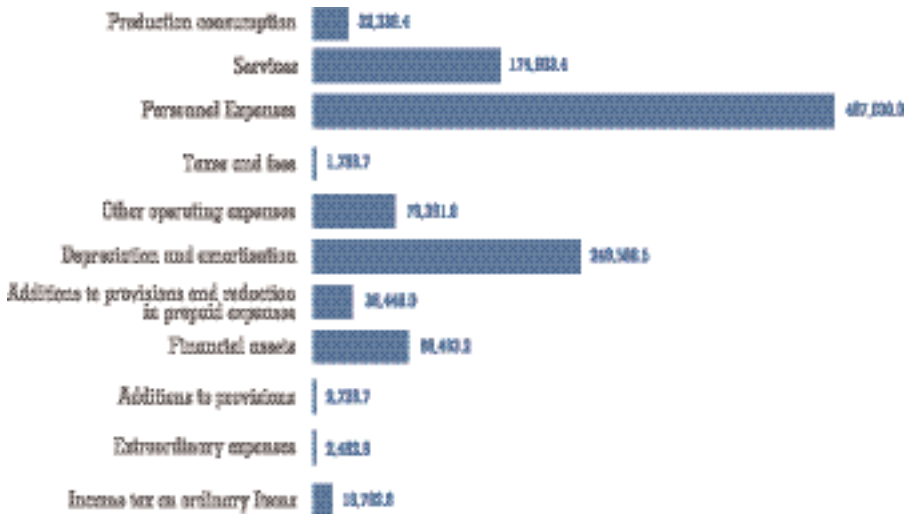
The financial plan for 2002 in the sum of cost items ensure the assignments resulting from the foundation deed of the LPS SR, s.p., contained the amount of SKK 1,217,231.7 thousand. The real withdrawal of the costs for the period evaluated was SKK 1,168,933.4 thousand. It represents saving of costs in the total amount of SKK 48,298.3 thousand and withdrawal percentage of 96.0%.

Savings were reported in most of the cost items. In comparison to the 2002 plan, the total economy of the company was shared especially by services, where economies by SKK 44,189 thousand were attained in comparison with the plan, staff costs - economies by SKK 14,136 thousand, other operation costs - economies by SKK 19,778 thousand, depreciation of intangible fixed assets and tangible fixed assets - economies by SKK 26,640 thousand and financial expenditures - economies by SKK 3,486 thousand.

Evolution of expenses for 2000 to 2002 years



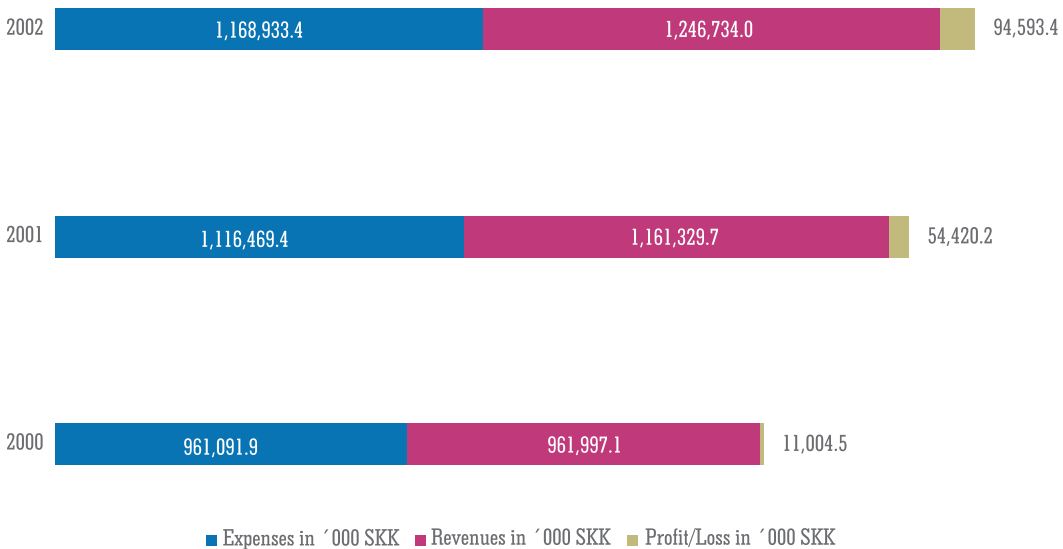
Expenses for Year 2002



Profit/Loss for the Year

Due to the relatively high savings in cost items and surpassing the planned revenue items the real economic result before taxation for 2002 attained the amount of SKK 94,593.4 thousand. Having transferred the tax, there remained a real available profit amounting SKK 77,800.6 thousand for 2002 as a quality evaluation indicator.

Evolution of Expenses, Revenues and Profit/Loss for 2000 to 2002 years



Fulfilment of conditions of a loan by the EIB and reimbursement of debt

As of 1 January 2003, all funds of the loan were transferred to the account of the LPS SR, š.p., for the purpose of providing for the Project of air-traffic services in lines with the Financial agreement concluded between the EIB, the Slovak Republic and LPS SR, š.p. Conditions related to reimbursement of the loan were continuously met by the LPS SR, š.p., in consent to the payments schedule.

In 2002 the LPS SR, š.p. continued to repay the long-term loan from the EIB. In February, the fifth instalment was reimbursed with the amount of SKK 41,392.3 thousand, while in August the sixth instalment of the loan was repaid in the amount of SKK 42,294.00 thousand according to the approved schedule of payments. Within the period monitored, the interests of the loan were settled with the total amount of SKK 13,756.5 thousand in February, and with the total amount of SKK 12,863.5 thousand in August. Having settled the loan as of December 31, 2002, the balance of the loan was recalculated on the value of SKK 397,611.7 thousand by the current exchange rate .

In compliance with the wording of the agreement on assuming rights and obligations, the LPS SR, š.p., notified the Ministry of Transport, Posts and Telecommunications on updated schedule of repayments of the loan and interests of the loan for 2003, retaining an amount equal to that of the following instalment as a minimum on a deposit account. The LPS SR, š.p., was developing surveys of the current condition of loans with the governmental guarantee upon a requirement by the Ministry of Transport, Posts and Telecommunications.

All conditions thus resulting from the Financial agreement between the EIB, the Slovak Republic and LPS SR, š.p., as well as from the Agreement on assuming rights and obligations of the agreement concluded between the ministry of Finance of the Slovak Republic and the Ministry of Transport, Posts and Telecommunications of the Slovak Republic on 28 April 1995 were properly and timely satisfied by the LPS SR, š.p.

Capital expenditures

LPS SR, š.p., approved an investment plan to the amount of SKK 305,390.60 thousand for the year 2002. Financial withdrawal amounted SKK 197,249.60 thousand in 2002, out of which 107,811.90 thousand to procure tangible fixed assets, SKK 5,751.38 thousand to procure intangible investment assets and SKK 83,686.32 thousand for instalments of the loan by the EIB. The loan by the EIB was used to implement demanding investment assignments in the field of technical support and construction investments. Implementation of investment projects allowed not only to keep but in most cases even to improve a high standard of services provided.

The number of investment projects implemented in 2002 totalled at 98 of which 59 projects newly commenced and 39 projects carried forward from the past years. Out of the total number of the implemented 98 investment projects, there were 58 projects finished and 40 projects carried forward to 2003.

The most important projects put into operation in 2002:

- Servers OIT 4 pieces;
- Protection of premises of the LPS SR, š.p.;
- Reconstruction of the JS RLP - I and II NP;
- LETVIS RDP OAT;
- Upgrade of software Integ Mon;
- LETVIS IZKSL;
- Upgrade of SKAIP;
- Extension of the radio-communication system Rohde & Schwarz;
- Extension of the database ATIS/VOLMET;
- Upgrade of GLOBMON;
- Air-traffic controller's desk OAT;
- Structured cabling JS RLP;
- Upgrade of servers LIS;
- ARO module Integ Mon.

Original servers of the information systems trusted to the Unit of information systems were obsolete, not satisfying operational needs by their output and capacity any more. Since their introduction, substantial growth of users utilising network services occurred (almost 6 times) as well as development and growth of applications was brought about. Due to the reason provided, the workplace of Management Information Systems was equipped with 4 pieces of servers supplied by the joint-stock company HTC, a.s., Bratislava in 2002.

In the course of 2002, assembly of technical provision to protect 42 facilities from trespassing and unlawful intervention was carried out by the company Group 4 Falck Slovensko. Protection from trespassing of each facility is assured by means of an alarm system to report trespassing, while with those facilities placed outside the area of the appropriate airport it is also done through a fast response service.

By reconstruction of the JS RLP - I and II NP, premises for workplaces of OAT were created as well as new rooms for technical staff.

The working station LETVIS RDP for the OAT was supplied by the joint-stock company Ales, a.s. Trenčín in January 2002, while it was put into operation provided the civil and military LETVIS systems will be mutually interconnected.

Upgrade of SKAIP - the module for electronic presentation of AIP of the Slovak Republic, where the works were carried out by the company Pixelpark Slovakia, s.r.o., Bratislava.

Due to the integration of military components of flight-operation control with the civil component of air-traffic control, a new obligation resulted for the LPS SR, š.p., in particular an obligation to provide for and to operate communication devices for the ground - air communication in the VHF and UHF bands on the territory of the Slovak Republic. Based on the above-stated, the radio-communication system Rohde & Schwarz was supplemented with necessary devices.

Due to an option to connect new users to the private branch exchange, an extension of the telephone exchange ALCATEL 4400 was performed, which was carried out by the company ALCATEL-e Business Distribution Bratislava.

Since the extension of remote monitoring of operation systems by air-conditioning devices and battery supplies, it was necessary to carry out an upgrade in the contemporary form of the operated software GLOBMON and its supplementation with relevant hardware.

Flight controller's desks used at the OAT control unit did not meet the criteria for an assembly of new technological devices, therefore not meeting its function in providing for operation of the OAT. That is why the OAT workplace was equipped with new desks.

In association with reconstruction of the JSRLP, it was necessary to equip these new premises with distribution frames of structured cabling to connect PC's, telephones and other devices.

To provide the operation analysis, the monitoring of ATC systems and for the purposes of investigating LMU as well as statistics, the system ATM Safety Management System of LPS SR, š.p., was supplemented with necessary working stations UNIX.

Some other investment projects of the investment programme might be mentioned, as e.g. purchase of computer and office technology, software for IZKSL, management information system and AIS, air-conditioning for technological rooms and back-up supplies.

Capital Expenditures in thousand SKK

	2002	2001
Resources in total (investment plan)	305 410	298 135
of which:		
Own resources	305 410	298 135
Loan from the EIB	0	0
Supplier loan	0	0
Use in total (withdrawal of the investment plan)	197 250	229 644
of which:		
Material investment	191 499	217 255
of which:		
Construction investment	20 689	7 429
Machinery investment	170 507	207 403
Means of transport	0	1 804
Inventory	290	619
Land	13	0
Intangible investment	5 751	12 389
Total investment into operation in total	105 163	244 522
of which:		
Tangible fixed assets	100 473	228 936
Intangible investment assets	4 690	15 586

Balance Sheet as of 31 December in thous. SKK

ASSETS TOTAL	1 852 683
Claims from subscribed share capital	0
Fixed assets	1 084 988
Intangible fixed assets	82 125
Tangible fixed assets	1 002 863
Financial investments	0
Capital shares and deposits in companies in a group	0
Other financial investments	0
Current assets	617 043
Inventory	37 566
Long-term receivables	0
Short-term receivables	187 415
Financial assets	392 062
Other assets	150 652
LIABILITIES TOTAL	1 852 683
Equity	1 276 052
Share capital	1 163 083
Capital funds	0
Funds created from profit	35 168
Retained earnings from previous year	0
Economic results from current accounting period	77 801
External resources	536 106
Reserves required by law	0
Reserves for exchange rate losses	2 729
Other reserves	0
Long-term payables	88
Short-term payables	135 677
Bank loans and assistance	397 612
Long-term bank loans	397 612
Current bank loans	0
Short-term bank loans and assistance	0
Other liabilities	40 525

Profit and Loss Account as of 31 December in thous. SKK

Sold goods revenues	9
Cost of goods sold	7
Margin	2
Sales	1 174 596
Revenues from sale of goods and services	1 173 105
Change of the balance of company's stock of own production	1 064
Capitalized costs	427
Production consumption	207 235
Added value	967 363
Personnel expenses	487 030
Taxes and fees	1 787
Other operating revenues	8 078
Other operating expenses	76 392
Depreciation and amortisation	249 566
Posting of reserves, provision and accruals of operating revenues	35 126
Creating of reserves, provisions, and deferral of operating expenses	36 449
Transfer of operating revenues (-)	0
Transfer of operating expenses (-)	0
Gross operating profit	159 343
Financial revenues	17 908
Financial expenses	88 463
Clearning of reserves and provisions into financial revenues	10 088
Creation of reserves and provisions for financial expenses	2 729
Transfer of financial revenues (-)	0
Transfer of financial expenses (-)	0
Profit/loss from financial operations	-63 196
Due income tax from current operations	17 068
Deferred income tax from curret operations	0
Profit/loss from curret operations	79 079
Extraordinary revenues	930
Extraordinary expenses	2 483
Due income tax from extraordinary operations	- 275
Deferred income tax from extraordinary operations	0
Profit/Loss from extraordinary operations	-1 278
Profit/Loss for accounting period	77 801

Cash Flow Report as of January 1, 2002 for the year 2002

	Cash and cash equivalent as of January 1, 2002	287 146
A	Cash flow from basic entrepreneurial activity	408 741
A.1.	Sales of goods +	9
A.2.	Expenditures for purchase of goods -	- 7
A.3.	Revenue from sale of own products +	483
A.4.	Revenue from sale of services +	1 172 623
A.5.	Expenditures on material purchases -	- 22 354
A.6.	Energy costs -	- 9 978
A.7.	Expenditures on services -	- 174 903
A.8.	Personnel expenditures -	- 487 030
A.9.	Taxes and fees paid apart from income tax -	- 1 787
A.10.	Other revenues +	8 078
A.11.	Other expenditures related to operating activity	- 76 392
A*		- 132 601
A.12.1.	Corporate income tax paid from current operations -	- 16 793
A.12.2.	Corporate income tax paid from extraordinary operations -	0
A.12.3.	Income of extraordinary character to basic operations +	930
A.12.4.	Expenditures of extraordinary character to basic operations -	- 2 483
A.12.5.	Revenue from leasing of financial assets +	0
A.12.6.	Expenditures linked with lowering SF -	0
A.12.7.	Revenue and cost of sales of securities +	0
A.12.8.	Revenue from repayment of provided loans +	0
A.12.9.	Expenditures linked with provided loans -	- 83 357
A.12.10.	Other specific items from basic operations with effect on cash flow -	- 30 899
A**		- 13 176
A.13.1.	Interest received +	11 533
A.13.2.	Interest paid -	- 24 709
A.13.3.	Dividends and other share of profit received +	0
A.13.4.	Dividends paid -	0
A.14.	Other specific items with effect in cash flow	- 44 157
	Investment	- 113 893
	Cash balance as of December 31, 2002	392 062

Auditor's Report

Auditor's opinion regarding an audit of ordinary annual financial statement as of 31 December 2002 of the company Air Traffic Services of the Slovak Republic, State owned enterprise Bratislava.

I have carried out an audit of the enclosed ordinary annual financial statement of the company Air Traffic Services of the Slovak Republic, State owned enterprise, which was finished on 31 December 2002. The audit was performed on an order and approval by the company's management.

The management of the company is liable for keeping accountancy, so that it is complete, conclusive and correct as well as for compiling the financial statements in order to provide a true and faithful image of the assets and liabilities, profit and loss and financial position of the company. Up to responsibility of an auditor is, pursuant to applicable auditing standards, to express his/her opinion on these financial statements, issuing from results of auditing works.

I performed the audit of the financial statements in compliance with the Act No. 73/1992 of the Collection of Laws on Auditors and Slovak Chamber of Auditors and with Slovak auditing standards pursuant to which I should make an audit in order to obtain reasonable rate of certainty that the financial statements were not distorted in any significant aspect. The audit encompassed verification of accounting records and other information carried out in a detailed manner and proving the sums in the financial statements. Further the audit contains evaluation of accounting principles, principles of appreciation and procedures used in drawing up the financial statements, a judgement of correctness of accounting principles and significant estimates applied as well as overall evaluation of the financial statements, financial position and continuity of functioning of the accounting unit.

Based on the results of the auditing procedures used, I have not found any discrepancies. Accounting records of the company were in compliance with the applicable Act on Accountancy, procedures of accounting and related legal regulations in all important aspects.

The economic result shown considers all costs and revenues that are related to the given accounting period in material and time terms. As well the value of assets and liabilities was approved on the basis of physical and documentary stocktakings performed, while no differences in reported values were found out.

As it was the case in 2001 and without conditioning my opinion, I repeatedly notify on the difference in the amount of the registered capital shown in the excerpt of the Business Register and carried to accounts. The above-stated difference is due to the fact that the founder, the Ministry of Transport, Posts and Telecommunications of the Slovak Republic, stated the amount in inexact numeric and verbal expression in the motion to enter an amendment of the registered capital amount, whereas not in exact figures.

When checking the financial statement, I acquired a conviction the audit provided an unbiased base for me to express the following opinion without any reservations:

In my opinion, the annual financial statements of the company Letové prevádzkové služby SR, štátny podnik (Air Traffic Services of the Slovak Republic, State owned enterprise) faithfully, and in all its significant relations, expresses property and financial situation as of 31 December 2002, profit and loss for the stated year, while it has been processed in compliance with the Act No. 563/1991 of the Collection of Laws on Accountancy within the wording of later regulations.

In Bratislava, on 25 April 2003

Responsible auditor:



Jana Tomšíková
auditor SKAu No. of certificate 454

Auditor's opinion

on an audit of regular annual report of the Letové prevádzkové služby Slovenskej republiky,
State owned enterprise, Bratislava, prepared as at 31 December 2002.

Annual report of LPS SR, š. p. have been prepared pursuant to Article 21 of Act 563/1991 Zb. on Accounting for the year ending 31 December 2002.

In my opinion, the annual report of the Letové prevádzkové služby Slovenskej republiky, State owned enterprise, renders a true and credible picture, in all material respects, of its assets and its financial condition and its the distribution of after-tax profits for the year.

The accompanying Balance Sheet, Profit and Loss Account and Cash flow statement of the annual report for the year ending 31 December 2002.

In my opinion, data in the annual report and accompanying information are in line with the regular financial statements of the company as of December 31, 2002.

In Bratislava, 27 May 2003

Responsible auditor:



Jana Tomšíková
a Slovak Chamber of Auditors (SKA) auditor, license No. 454

Independent Auditors' Report

Audit in accordance with International Standards on Auditing

In the line with the financial contract on a loan from the EIB Luxembourg, an audit of economic performance according to international standards was performed in LPS SR, š.p. The report of an independent auditor KPMG Slovensko spol.s r.o. concludes that financial statements describe fairly in all material aspects the financial situation of the company as of December 31, 2002, and results of its activities as well as cash flow of the year 2002 are in line with international accounting standards.



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Independent Auditors' Report

To the Management of Air Traffic Services of the Slovak Republic, s.p.:

We have audited the accompanying balance sheet of Air Traffic Services of the Slovak Republic, s.p. as at 31 December 2002 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of Air Traffic Services of the Slovak Republic, s.p. as at 31 December 2002 and the results of its operations, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Slovensko s.r.o.

30 May 2003
Bratislava, Slovak Republic



KPMG Slovensko spol. s r.o. is a company
incorporated under the Slovak Commercial Code, is
a member of KPMG International, a Swiss Association.

Federálne číslo licencie audítora: 96
Licence number of statutory auditor: 96

ICO/Registration number: 31 349 238
Obchodný register: Okresný súd Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of District court Bratislava I, section Sro, file No. 4864/B

Balance Sheet as at 31 December 2002 (Expressed in thousands of Slovak Crowns)

	Note	2002	2001
ASSETS			
Non-current assets			
Property, plant and equipment	2	804 838	910 112
Intangible assets	3	<u>32 311</u>	<u>74 156</u>
Total non-current assets		<u>837 149</u>	<u>984 268</u>
Current assets			
Inventories	5	16 193	28 171
Trade and other receivables	6	237 749	205 380
Cash and cash equivalents		<u>392 062</u>	<u>287 146</u>
Total current assets		<u>646 004</u>	<u>520 697</u>
Total assets		<u>1 483 153</u>	<u>1 504 965</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		1 163 083	1 010 457
Legal reserve and other capital funds		35 167	172 933
Accumulated losses		<u>(275 112)</u>	<u>(302 067)</u>
Total capital and reserves	7	<u>923 138</u>	<u>881 323</u>
Non-current liabilities			
Interest bearing loans and borrowings	8	318 090	413 476
Other non-current liabilities		<u>88</u>	<u>100</u>
Total non-current liabilities		<u>318 178</u>	<u>413 576</u>
Current liabilities			
Trade and other payables	9	155 027	126 588
Interest bearing loans and borrowings	8	79 522	82 696
Income taxes payable		<u>7 288</u>	<u>782</u>
Total current liabilities		<u>241 837</u>	<u>210 066</u>
Total equity and liabilities		<u>1 483 153</u>	<u>1 504 965</u>

The Balance Sheet is to read in conjunction with the notes forming part of the financial statements set out on pages 28 to 34.

Income Statement Year Ended 31 December 2002 (Expressed in thousands of Slovak Crowns)

	Note	2002	2001
Revenues			
Air traffic control services		1 174 711	1 093 949
Other operating income		8 569	7 692
Total revenues		1 183 280	1 101 211
Personel expenses	10	(517 030)	(465 813)
Depreciation and amortization	2, 3	(248 056)	(241 192)
Other operating expenses	11	(338 720)	(340 007)
Total operating expenses		(1 103 806)	(1 047 012)
Profit from operations		79 474	54 199
Net financing costs	12	(20 687)	(21 968)
Profit before tax		58 607	32 231
Income tax expense	4, 13	(16 792)	(9 560)
Net profit for the year		<u>41 815</u>	<u>22 671</u>

The Income Statement is to be read in conjunction with the notes forming part of the financial statements set out on pages 28 to 34.

Statement of Changes in Equity Year Ended 31 December 2002 (Expressed in thousands of Slovak Crowns)

	Issued capital	Legal reserve fund	Other capital funds	Accumulated losses	Total
Balance at 1 January 2001	1 010 457	10 127	162 625	(324 557)	858 652
Transfer to legal reserve fund	—	181	—	(181)	—
Net profit for the year	—	—	—	22 671	22 671
At 31 December 2001	<u>1 010 457</u>	<u>10 308</u>	<u>162 625</u>	<u>(302 067)</u>	<u>881 323</u>
Balance at 1 January 2002	1 010 457	10 308	162 625	(302 067)	881 323
Increase of Issued capital	152 626	—	(152 626)	—	—
Transfer to fund of expansion	—	—	12 617	(12 617)	—
Transfer to legal reserve fund	—	2 243	—	(2 243)	—
Net profit for the year	—	—	—	41 815	41 815
At 31 December 2002	<u>1 163 083</u>	<u>12 551</u>	<u>22 616</u>	<u>(275 112)</u>	<u>(923 138)</u>

The Statement of Changes in Equity is to be read in conjunction with the notes forming part of the financial statements set out on pages 28 to 34.

	2002	2001
OPERATING ACTIVITIES		
Cash receipts customers	1 140 578	1 158 214
Cash paid to suppliers and employees	<u>(809 500)</u>	<u>(814 364)</u>
Cash generated from operations	331 078	343 850
Income tax paid	<u>(10 286)</u>	<u>(13 599)</u>
Cash flows from operating activities	<u>320 792</u>	<u>330 251</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(112 726)	(110 623)
Acquisition of intangible assets	(4 705)	(15 587)
Interest received	<u>11 533</u>	<u>9 954</u>
Cash flows used by investing activities	<u>(105 898)</u>	<u>(116 256)</u>
FINANCING ACTIVITIES		
Loan repayments	(83 357)	(84 869)
Interest paid	<u>(26 621)</u>	<u>(31 418)</u>
Cash flows used by financing activities	<u>(109 978)</u>	<u>(116 287)</u>
Net increase in cash and cash equivalents	104 916	97 708
Cash and cash equivalents at beginning of year	287 146	189 438
Cash and cash equivalents at end of year	<u>392 062</u>	<u>287 146</u>

The Cash Flow Statement is to be read in conjunction with the notes forming part of the financial statements set out on pages 28 to 34.

GENERAL INFORMATION

Air Traffic Services of the Slovak Republic (hereinafter "the Company") is a state owned company domiciled at Letisko M.R. Štefánika, 823 07 Bratislava, the Slovak Republic.

Air Traffic Control of the Slovak Republic was established as a state owned budget contributory organization on 1 January 1993 following the separation of the Slovak and Czech Republics. On 17 November 1999 the Slovak Ministry of Transportation, Post Offices and Telecommunications issued a decision on dissolution of the budget contributory organization Air Traffic Control of the Slovak Republic as at 31 December 1999 and establishment of the state owned company Air Traffic Services of the Slovak Republic, s.p. as at 1 January 2000. All assets were transferred under the administration of the Slovak Ministry of Transportation, Post Offices and Telecommunications as of the dissolution of the budget contributory organization. These assets were transferred into the stewardship of the state owned company. The assets used for the Company's operations and administrated by the Company are owned by the State and they are disclosed in the Company's accounts.

The main activity of the Company is the provision of flight navigation services to airline operators flying over the Slovak Republic and to those landing at certain Slovak airports.

The Slovak Republic has been a member of EUROCONTROL, the European Organization for the Safety of Air Navigation since 1 January 1997. At that time, the Slovak Republic became a party to a multilateral agreement with EUROCONTROL relating to the collection of en route navigation service charges. The Company performs this function on behalf of the State.

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) and with interpretations issued by the International Financial Reporting Committee of the IASB.

Basis of preparation

The financial statements have been prepared under the historical cost convention and do not form part of the statutory accounts of the Company, which have been prepared separately in accordance with the Slovak Act on Accounting. The financial statements were approved by the Directors on 30 May 2003.

The accounting policies are consistent with those used in the previous year.

The financial statements are presented in thousands of Slovak crowns, rounded to the nearest thousand (TSKK or thousands SKK), unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash deposits and petty cash.

Trade and other receivables

Trade and other receivables are stated at expected realizable value, after provision for bad and doubtful debts, if necessary.

Inventories

Inventories, mainly spare parts and supplies, are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

The costs of spare parts and supplies are determined using the weighted average cost method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses, except for certain land. Upon the establishment of the budget contributory organization on 1 January 1993, all land to which the budgetary organization held title was capitalized in its accounts based on values previously determined under a Czechoslovak government decree. Such values would not necessarily reflect the market value of land at that time. As at 1 January 1993, other fixed assets were transferred to the budgetary organization at the net book value recorded by the predecessor Czechoslovak air traffic control administration. The accuracy of the amounts transferred was attested to by both the Slovak and Czech statutory auditors at that time.

Depreciation is provided using the straight-line method over the estimated useful life of each asset as follows:

Asset	Period
Buildings and infrastructure	30 or 40 years
Plant and equipment	4, 8 or 15 years

Expenditures on repairs and maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Intangible assets

Software costs are capitalized and amortized using the straight-line method over a period of four years.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized at cost. The interest bearing loans and borrowings with fixed interest rates have interest rates that are considered indicative of the prevailing market rates available to the Company at the balance sheet date.

Employee benefits - defined contribution plan

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Trade and other payables

Trade and other payables are stated at cost.

Foreign currency

Transactions denominated in foreign currencies are translated to Slovak Crowns at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to Slovak crowns at the exchange rate on the balance sheet date. Resulting exchange differences, both realized and unrealized, are recognized in the income statement for the year.

Revenue recognition

Revenue from services rendered is recognized in the income statement based on transactions (overflights and approaches) completed at the balance sheet date.

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Income taxes

Income tax on the profit or loss for the year comprises of current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

2. PROPERTY, PLANT AND EQUIPMENT

<u>In thousands of SKK</u>	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Assets under construction</u>	<u>Total</u>
Cost				
At 1 January 2002	497 704	1 543 006	26 171	2 066 881
Additions	22 077	78 569	14 116	114 762
Disposals	(387)	(25 327)	-	(25 714)
At 31 December 2002	<u>519 394</u>	<u>1 596 248</u>	<u>40 287</u>	<u>2 155 929</u>
Accumulated depreciation and impairment losses				
At 1 January 2002	86 343	1 070 426	-	1 156 769
Charge for the year	13 584	187 922	-	201 506
Impairment provision to land	18 530	-	-	18 530
Disposals	(387)	(25 327)	-	(25 714)
At 31 December 2002	<u>118 070</u>	<u>1 233 021</u>	-	<u>1 351 091</u>
Net book value				
At 1 January 2002	<u>411 361</u>	<u>472 580</u>	<u>26 171</u>	<u>910 112</u>
At 31 December 2002	<u>401 324</u>	<u>363 227</u>	<u>40 287</u>	<u>804 838</u>

Impairment losses are included in the income statement under Other operating expenses (see note 11).

3. INTANGIBLE ASSETS

<u>In thousands of SKK</u>	<u>Software</u>
Cost	
At 1 January 2002	233 229
Additions	4 705
Disposals	<u>(2 805)</u>
At 31 December 2002	<u>235 129</u>
Accumulated depreciation	
At 1 January 2002	159 073
Charge for the year	46 550
Disposals	<u>(2 805)</u>
At 31 December 2002	<u>202 818</u>
Net book value	
At 1 January 2002	<u>74 156</u>
At 31 December 2002	<u>32 311</u>

4. UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities as at 31 December 2002 and 2001 are attributable to the items detailed in the table below:

<u>In thousands of SKK</u>	2002	<u>Assets</u> 2001	2002	<u>Liabilities</u> 2001	2002	<u>Net</u> 2001
Property, plant and equipment	43 077	44 023	-	-	43 077	44 023
Inventories	5 253	3 290	-	-	5 253	3 290
Receivables	24 791	25 719	(2 733)	(2 733)	22 409	22 986
Interest bearing borrowings	10 714	14 561	(2 119)	-	8 595	14 561
Payables	<u>112</u>	<u>832</u>	-	-	<u>112</u>	<u>832</u>
Deferred tax assets / (liabilities)	83 947	88 425	(4 501)	(2 733)	79 446	85 692
Set off of tax	(4 501)	(2 733)	4 501	2 733	-	-
Valuation allowance	<u>(79 446)</u>	<u>(85 692)</u>	-	-	<u>(79 446)</u>	<u>(85 692)</u>
Net deferred tax assets / (liabilities)	-	-	-	-	-	-

The Company provided a valuation allowance on the deferred tax assets due to uncertainty about the availability of future taxable profits against which the deferred tax assets could be utilized. The deferred tax assets have been calculated using a rate of 25 % (2001: 25 %).

5. INVENTORIES

<u>In thousands of SKK</u>	2002	2001
Spare parts and supplies	34 849	39 851
Provision for slow-moving items	<u>(18 656)</u>	<u>(11 680)</u>
	<u>16 193</u>	<u>28 171</u>

6. TRADE AND OTHER RECEIVABLES

<u>In thousands of SKK</u>	2002	2001
Trade accounts receivable	294 454	254 743
Provision for bad and doubtful debt	(99 164)	(102 874)
Advances to suppliers	889	1 925
Value added tax receivable	10 539	15 085
Prepaid EUROCONROL membership fee	23 760	19 521
Prepaid rent	2 266	5 436
Other receivables and prepaid expenses	<u>5 005</u>	<u>11 544</u>
	<u>237 749</u>	<u>205 380</u>

7. CAPITAL AND RESERVES

Issued Capital

Following the separation of the Czech and Slovak Air Traffic Services on 1 January 1993 the State contributed as capital net assets of TSKK 258,454 and made subsequent cash contributions of TSKK 221,330.

With the transformation of the Company from a budget contributory organization to a state owned company on 1 January 2000, statutory funds amounting to TSKK 530,673 were capitalized, thereby increasing the issued capital to TSKK 1,010,457.

Issued capital was increased in 2002 by the transfer of TSKK 152,626 from other capital funds. The increase in issued capital was approved by the Supervisory Board on 28 August 2002. As at 31 December 2002, the Issued capital was TSKK 1,163,083.

Other capital funds

The Supervisory Board decided on 23 May 2002 to transfer to the Fund of expansion an amount of TSKK 12,617 from the 2001 profit. These capital funds are not readily available for distribution.

Legal reserve fund

This reserve fund is not available for distribution and should be used only as a reserve against future losses arising from business activities.

8. INTEREST BEARING LOANS AND BORROWINGS

<u>In thousands of SKK</u>	<u>2002</u>	<u>2001</u>
Investment loans from the European Investment Bank	397 612	496 172
Less: current portion	(79 522)	(82 696)
	<u>318 090</u>	<u>413 476</u>

Loans denominated in USD and EUR are repayable in sixteen semi-annual instalments from February 2000. As at 31 December 2002 the outstanding balance of loans denominated in EUR and USD was EUR 8,759,354 (2001: EUR 10,511,225) and USD 803,125 (2001: USD 963,750), respectively.

Conditions and repayments of non-current debt are scheduled as follows:

<u>In thousands of SKK</u>	<u>Total</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Secured bank loans:					
EUR - fixed from 4,23 % do 7 % p.a.	292 366	73 091	73 092	73 092	73 091
USD - fixed at 6,35 % p.a.	25 724	6 431	6 431	6 431	6 431
Total	<u>318 090</u>	<u>79 522</u>	<u>79 523</u>	<u>79 523</u>	<u>79 522</u>

Loans payable to the European Investment Bank of TSKK 397,612 (2001: TSKK 496,172) are guaranteed by the Government of the Slovak Republic.

9. TRADE AND OTHER PAYABLES

<u>In thousands of SKK</u>	<u>2002</u>	<u>2001</u>
Trade accounts payable	43 263	39 271
Salaries, wages and social security payable	34 177	28 260
Employee income taxes	11 090	8 849
Accrued interest on loans and borrowings	7 629	9 541
Social fund (see below)	38 986	16 762
Other payables and accrued expenses	<u>19 882</u>	<u>23 905</u>
	<u>155 027</u>	<u>126 588</u>

Based on their Collective agreement, the Company operates a defined contribution plan for the capital life insurance of employees from the social fund. It was agreed with the insurance company that the minimum amount contributed by the Company should not be lower than TSKK 3 per annum per employee. In 2002, the Company contributed to the employees' capital life insurance an amount of TSKK 9,635 (2001: TSKK 9,368). In 2002, the Company also contributed from the social fund to the employees' supplementary pension insurance an amount of TSKK 398 (2001: TSKK 477) (see also note 10).

10. PERSONEL EXPENSES

<u>In thousands of SKK</u>	<u>2002</u>	<u>2001</u>
Wages and salaries	389 606	373 102
Legal social insurance	65 785	66 178
Supplementary pension insurance	16 419	13 057
Social and expense	13 302	11 676
Additional contribution to social fund	30 000	724
Remuneration of Supervisory Board	<u>1 198</u>	<u>1 076</u>
	<u>517 030</u>	<u>465 813</u>

The average number of employees during 2002 was 508 (2001: 514) including 8 directors (2001: 8).

The Company operates a defined contribution plan for supplementary pension insurance for employees. In 2002, the Company contributed TSKK 16,817 (2001: TSKK 13,534), representing 6 % for the air traffic controllers and 3 % for other employees from the gross salaries of employees with employment contracts signed for an indefinite period and 1 - 2 % for employees with employment contracts signed for finite periods. An amount of TSKK 16,419 (2001: TSKK 13,057) is recognized in the income statement as expense and an amount of TSKK 398 (2001: TSKK 477) was paid from the social fund.

The additional contribution to the social fund has been made based on the decision of the Supervisory Board of the Company on 23 May 2002.

11. OTHER OPERATING EXPENSES

<u>In thousands of SKK</u>	<u>2002</u>	<u>2001</u>
Telecommunication costs	37 725	33 789
Spare parts and supplies	31 726	33 325
Training	6 325	5 290
EUROCONTROL membership fees	66 156	71 006
Meteorological services	26 500	26 500
Travel	15 985	16 571
Repairs and maintenance	27 517	46 924
Insurance	30 529	19 267
State air traffic inspection	13 490	11 759
Rent of premises	12 571	11 437
Maintenance fees for technical software	8 517	7 571
Other services	36 420	28 172
Provisions and write-offs (write backs) of bad and doubtful debts	(6 165)	20 937
Impairment provision (note 2)	18 530	-
Provision for spare parts	6 976	-
Other operating expenses	<u>5 918</u>	<u>7 459</u>
	<u>338 720</u>	<u>340 007</u>

The impairment provision relates to land acquired in 1995 and 1996 for the construction of the head office (European flight center). A decision was made not to move the head office and, as a result, the land has been valued at estimated current market price.

12. NET FINANCING COSTS

<u>In thousands of SKK</u>	<u>2002</u>	<u>2001</u>
Interest income	<u>11 533</u>	<u>9 954</u>
Interest expenses	(24 709)	(29 568)
Net foreign exchange losses	<u>(7 691)</u>	<u>(2 354)</u>
Total financial expenses	<u>(32 400)</u>	<u>(31 922)</u>
Net financial costs	<u>(20 867)</u>	<u>(21 968)</u>

13. RECONCILIATION OF EFFECTIVE TAX RATE

Income taxes have been provided for at a rate of 25 % (2001: 29 %) of taxable income based on Slovak accounting and tax regulations and deferred tax at a rate of 25 % (2001: 25 %). The difference between the Company's effective and the corporate tax rates is a result of permanent and temporary differences arising from the inclusion of certain revenue and expense items in the accounting income that are not included in the calculation of taxable income. Reconciliation between accounting income and taxable income is as follows:

<u>In thousands of SKK</u>	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
Profit before tax		58 607		32 231
Income tax using the prevailing corporation tax rate	25 %	14 652	29%	9 347
Non-deductible expenses	14 %	8 271	14 %	4 655
Non-taxable income	(2 %)	(917)	(4 %)	(1 198)
Unrecognized temporary differences	<u>(9 %)</u>	<u>(5 213)</u>	<u>(10 %)</u>	<u>(3 244)</u>
	28 %	16 792	29 %	9 560

14. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2002, the Directors of the Company and the Supervisory Board members received wages and salaries amounting to TSKK 14,632 (2001: TSKK 14,060) and TSKK 9,449 (2001: TSKK 7,454), respectively.

15. COMMITMENTSCapital commitments

As at 31 December 2002, the Company has entered into purchase agreements for property, plant and equipment totalling approximately TSKK 42,595 (2001: TSKK 63,530).

Lease obligations

The Company entered into a five-year lease for office space in 2000. The minimum annual lease payments are TSKK 8,040.

Capital life insurance for employees

Based on a frame agreement for capital life insurance, the minimum obligation of the Company as an employer is to contribute from the social fund TSKK 3 for each employee per annum.

16. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Company's business.

Credit risk

The Company has potential credit risk exposures on trade receivables and cash investments. The exposure to credit risk with regard to trade receivables is not concentrated due to a large customer base. Adequate provision is made for doubtful debts. The Company's cash balances are deposited with international banks operating in Slovakia. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Company's operating income and operating cash flows are not directly affected by changes in market interest rates. Borrowings are at fixed interest rates so as to reduce exposure to volatility in interest rates.

Foreign currency risk

Foreign currency risk arises from the impact on the value of financial assets and liabilities from changes in foreign exchange rate.

The Company incurs foreign currency risk on income, costs and borrowings that are denominated in a currency other than Slovak crowns. The currency giving rise to this risk is primarily the Euro. The Company's exposure to foreign currency risk is limited by the matching of income, costs and borrowings in foreign currencies. For a split between Euro and US dollar borrowings, refer to note 8. The principal currencies giving rise to this risk in respect of sales and purchases is set out below.

<u>% of</u>	<u>2002</u>		<u>2001</u>	
	<u>Income</u>	<u>Costs</u>	<u>Income</u>	<u>Costs</u>
Slovak crown	4 %	70 %	4 %	65 %
Euro	96 %	29 %	96 %	33 %
US dolar	=	1 %	=	2 %
	100 %	100 %	100 %	100 %

Fair values

The carrying value of financial instruments (cash and cash equivalents, receivables, payables and loans) approximate their fair value.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period presentation.

Acronyms and Abbreviations

ACC	Area Control Centre
AFTN	Aeronautical Fixed Telecommunication Network
AIP	Aeronautical Information Publication
AIS	Aeronautical Information Service
APP	Approach Control Unit
ATIS - VOLMET	Automatic Terminal Information Service - Meteorological - Meteorological Information for Aircraft in Flight
ATM	Air Traffic Management
CANSO	Civil Air Navigation Services Organisation
CEATS	Central European Air Traffic Services
CLAM	Cleared Level Adherence Monitoring
CNS	Communication Navigation Surveillance
DAIW	Danger Area Infringement Warning
DME	Distance Measuring Equipment
D-VOR	Doppler VHF Omnidirectional Radio Range
EAD	European AIS Database
EAN	European Aeronautical Network
EATAMP 2000 +	European Air Traffic Management Programme beyond the year 2000
ECAC	European Civil Aviation Conference
EIB	European Investment Bank
ESARR	Eurocontrol Safety Regulatory Requirements
EUROCAT 2000 (E2000)	Radar system Thomson-Airsys
EUROCONTROL	European Organisation for the Safety of Air Navigation
FIR	Flight Information Region
FL	Flight Level
CIDIN	Common ICAO Data interchange Network
GAREX	VCCS-Voice Communication Control System
ICAO	International Civil Aviation Organization
LETVIS	Aviation visualization system
MSAW	Minimum Safe Altitude Warning
NDB	Non-Directional Beacon
OAT	Operation Air Traffic
RAM	Route Adherence Monitoring
SACON	Communication network
SAR	Search and Rescue
STCA	Short Term Conflict Alert
TMA	Terminal Control Area
TWR	Tower or Aerodrome Tower

General Information about the Company

Name	Letové prevádzkové služby Slovenskej republiky, štátny podnik
Registered address	Letisko M. R. Štefánika, 823 07 Bratislava, Slovenská republika
Legal form	state owned enterprise
Identification number of the organization	35 778 458
Basic capital of the company	SKK 1 163 083 thousand
Establishment date	January 1, 2000, on the basis of a decision of the Minister of Transport, Posts and Telecommunications of the Slovak Republic No 144/1999 of November 17, 1999, to dissolve the contributory organization Riadenie letovej prevádzky SR as of December 31, 1999.
Statutory body	Roman Bíro - director general
Supervisory Board	Martina Pastýriková - chairman Ivan Litvaj - deputy chairman Jiřina Hornáková František Perutka Miloš Meričko Silvia Czuczorová Viktor Syoboda Marián Šesták Peter Pajszer
Employees	508
Annual Report Deposited at:	LPS SR, š. p. Letisko M. R. Štefánika, 823 07 Bratislava Corporate register

