

2006

Annual Report



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Letové prevádzkové služby Slovenskej republiky, štátny podnik
Air Navigation Services Provider





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PREFACE BY DIRECTOR GENERAL



Ladies and Gentlemen,

When rating previous year I have to express my pleasure that, from economic point of view on the company, it was successful period. At the same time I have to state, that our company was able to remain the highest level of services provided in compliance with the Act No. 143/1998 Coll. on civil aviation (Aviation Act), international standards and recommended practices and other obligations of the Slovak Republic resulting from international agreements, from the membership of the Slovak Republic in international organizations as well as from other valid national regulations, procedures and agreements.

The increase of 12 734 movements was recorded (+ 3, 96 % compared with 2005) in the last year.

The guaranteeing of safety standards in providing air navigation services will remain the priority of the company. I would remind that ATC system used by our company is advanced system with full electronic man-machine interface. Thank to this electronic environment the coordination and data exchange became more qualitative, as the data are available to all parties concerned within the chain of ATM system immediately.

LPS SR state enterprise represents a compact human potential at a high professional level, covering very specific activities, resulting in the provision of safe and high-quality and effective services. Certainly, at the same time, we are well knowing that the fragmentation and delays are ones of principal restrictions we are going to face in the future.

The safety seen through the safety management system and supported by quality management are considered as supporting pillars for the provision of safe and reliable services.

Finally I would like to express my cordial thanks to all, who contributed to reach this challenging common goal.

A handwritten signature in blue ink, appearing to read 'Roman Bíro'.

Ing. Roman Bíro, PhD.
Chief Executive Officer

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Letové prevádzkové služby Slovenskej republiky, štátny podnik at its meeting held on 10 May 2007 based on audit of financial statements conducted by auditor Ing. Jana Tomšíková evaluated the results of economic activity of the enterprise for year 2006 and stated that the Company's economic activity is in compliance with valid laws and the presented financial statements of the company Letové prevádzkové služby Slovenskej republiky, š. p. expresses truly in all its important connections property and financial situation up to 31 December 2006 and results of its economic activity for the stated year are processed in compliance with the Act. No. 431/2002 Coll. on Accounting as amended and Accounting Methods valid for the business subjects accounting in the system of double-entry bookkeeping for the year 2006. The Supervisory Board also stated that planned indicators were met.

The Supervisory Board discussed distribution of business result after taxation and pursuant to §8 Sec.4 letter a) of the Act. No. 111/1990 Coll. On State Enterprise as amended and in compliance with the Order of the Government of SR No. 175/1993 Coll. On Financial Management of State Enterprises approved the proposed distribution.

The Supervisory Board also discussed Report on the Company's Business for the year 2006 intended for Company's founder and became aware of it.



Ing. František Perutka
Chairman of the Supervisory Board
Of the Letové prevádzkové služby Slovenskej republiky, state enterprise

ACTIVITIES OF THE COMPANY IN 2006

ATM Area

Air Traffic Services

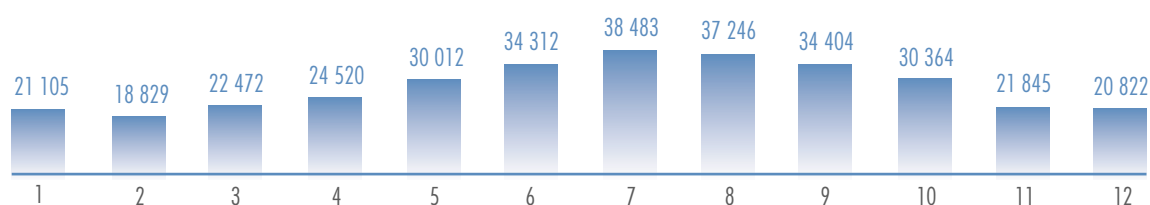
En-Route Services

The ACC unit, including Flight Information Centre (FIC), provides services to all flights within flight information region - FIR Bratislava, i.e. in the area of 49 035 km² from the ground up to the flight level FL 660 (20 130m), with the exception of airspace of control zones of six international aerodromes (CTR) and their terminal control areas (TMA).

In the year 2006, in comparison with the year 2005, there was recorded overall increase of en-route air traffic (IFR as well as VFR flights) by 4.0 % (+12 734 flights), whereas the number of flights increased from 321 680 in 2005 to 334 414 in 2006.

Comparison of number of en-route flights in single months 2006 is shown in the chart.

Enroute flights in 2006 provided with air traffic services



July was the top month in the year 2006, when air traffic services were provided to 38 483 en-route flights, which represents 6,2 % increase in comparison with the top month in the year 2005.

29th June was the top day in the year 2006, when air traffic services were provided to 1 349 en-route flights, which is by 5,2 % more than in the top day 2005.

In 2006, air traffic services were provided to 291 809 overflights in FIR Bratislava, which is an increase by 4,2% compared with the year 2005.

In 2006, air traffic services were provided to 34 653 international flights with the destination or departure airport in the Slovak Republic, i.e. an increase by 6,5% if compared with 2005.

In 2006, air traffic services were provided to 7 952 domestic flights, thus there was recorded decrease by 12,6 % in comparison with the year 2005.

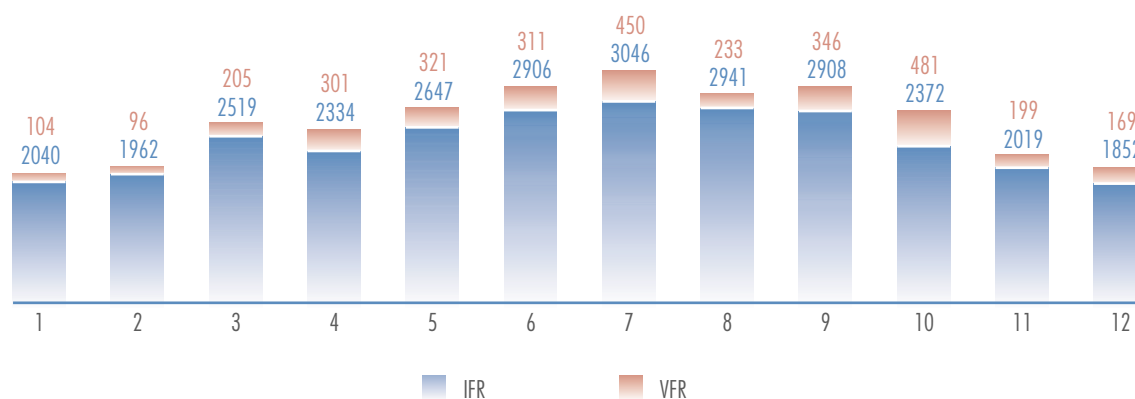
Approach and Aerodrome Control Services

Within the framework of approach and aerodrome control services, the increasing trend of traffic was sustained also in the year 2006 and it is assumed that the trend will continue further. Air traffic management service was provided to 66 599 flights, which performed 83 392 movements in total, at six international aerodromes and in the adjacent control zones (CTR) and terminal control areas (TMA), where LPS SR, š. p. provides its services. Of that there were 67 931 aerodrome movements and 15 461 overflights over CTR/TMA.

M. R. Štefánik Airport/Bratislava

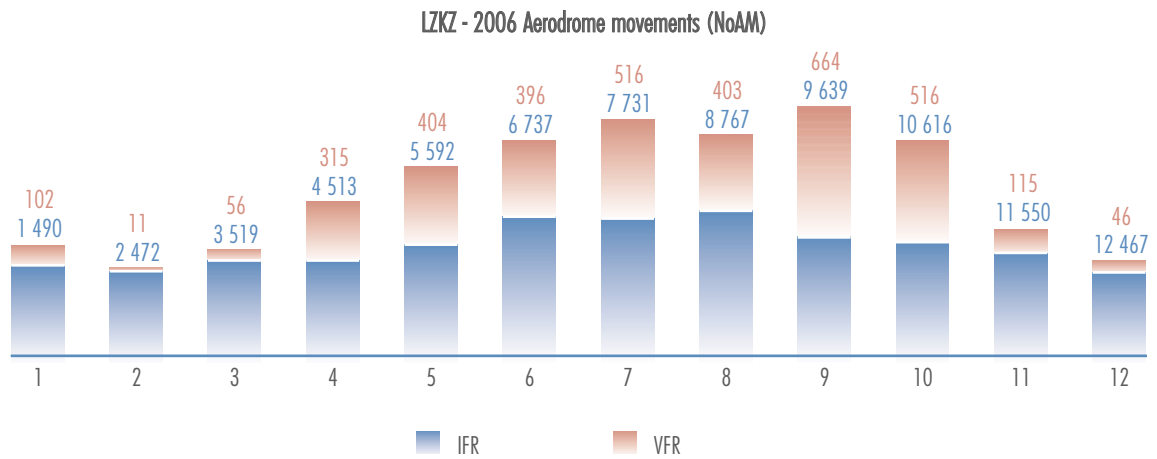
Total number of movements within the framework of air traffic (aerodrome movements) was 32 762 (29 546 IFR, 3 216 VFR).

LZIB - 2006 Aerodrom movements (NoAM)



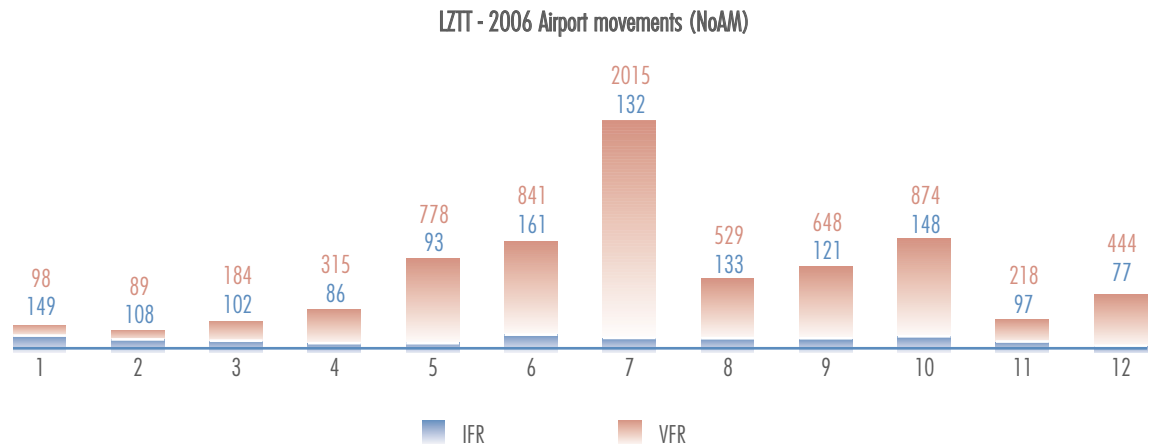
Košice Airport

Total number of movements within the framework of air traffic (aerodrome movements) was 10 637 (7 093 IFR, 3 544 VFR).



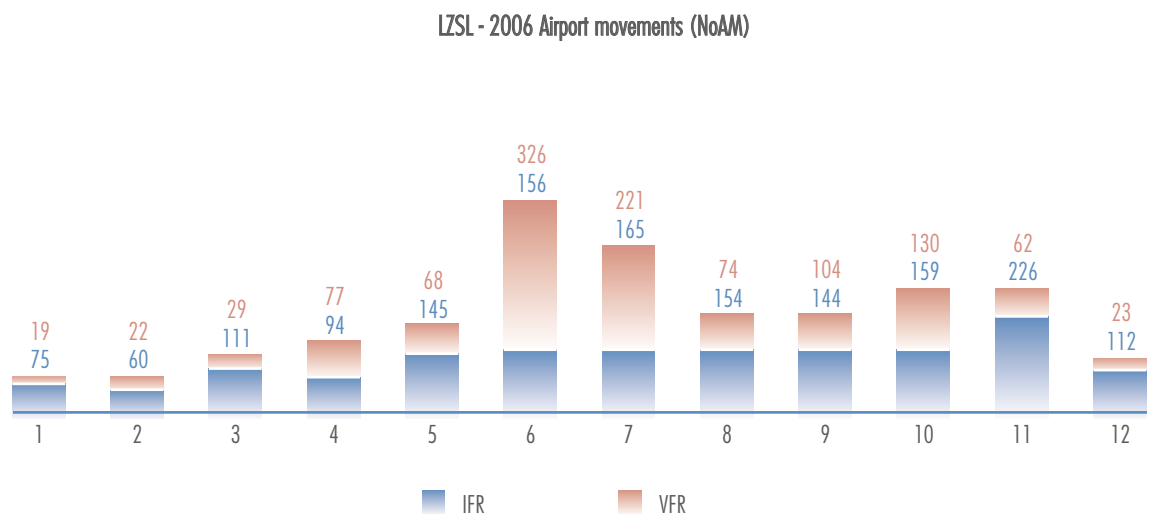
Poprad-Tatry Airport

Total number of movements within the framework of air traffic (aerodrome movements) was 8 440 (1 047 IFR, 7 033 VFR).



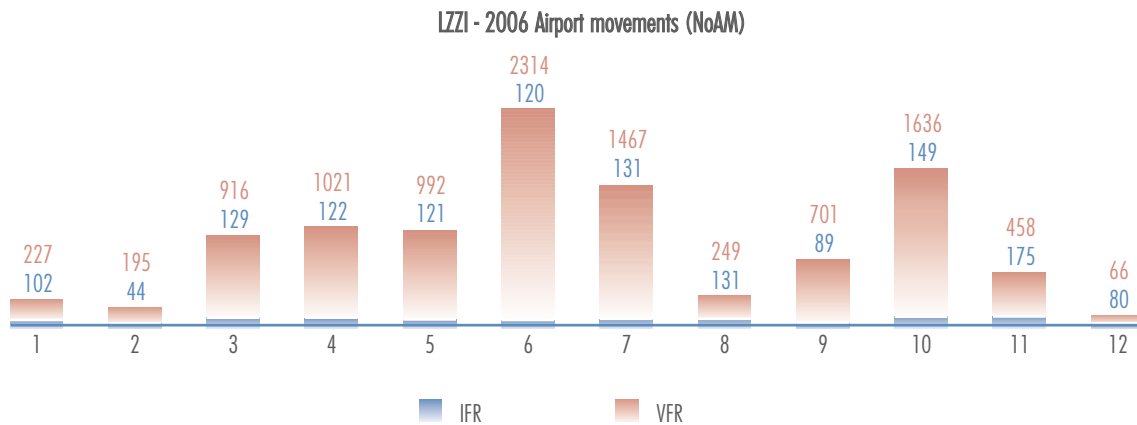
Sliac Airport

Total number of movements within the framework of air traffic (aerodrome movements) was 2 756 (1 601 IFR, 1 155 VFR).



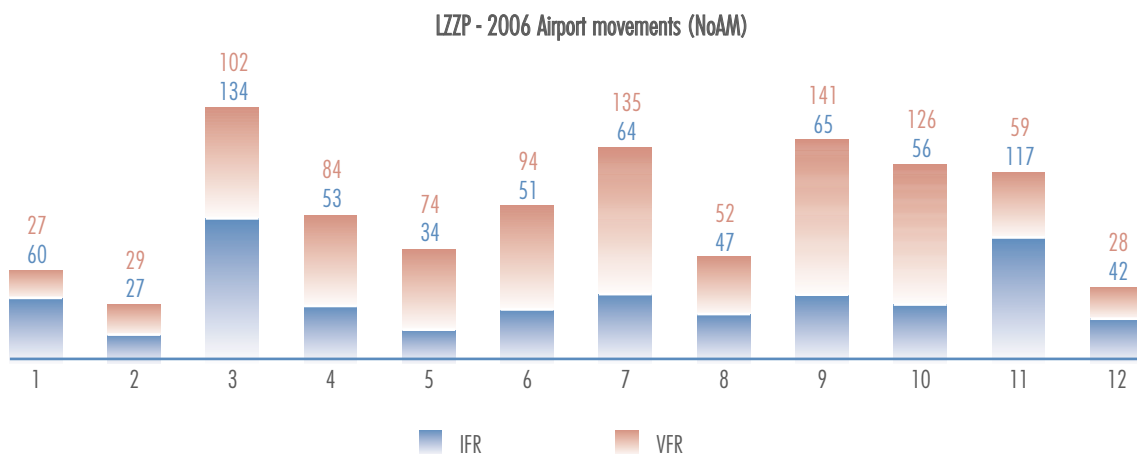
Žilina Airport

Total number of movements within the framework of air traffic (aerodrome movements) was 11 635 (1 393 IFR, 10 242 VFR).



Piešťany Airport

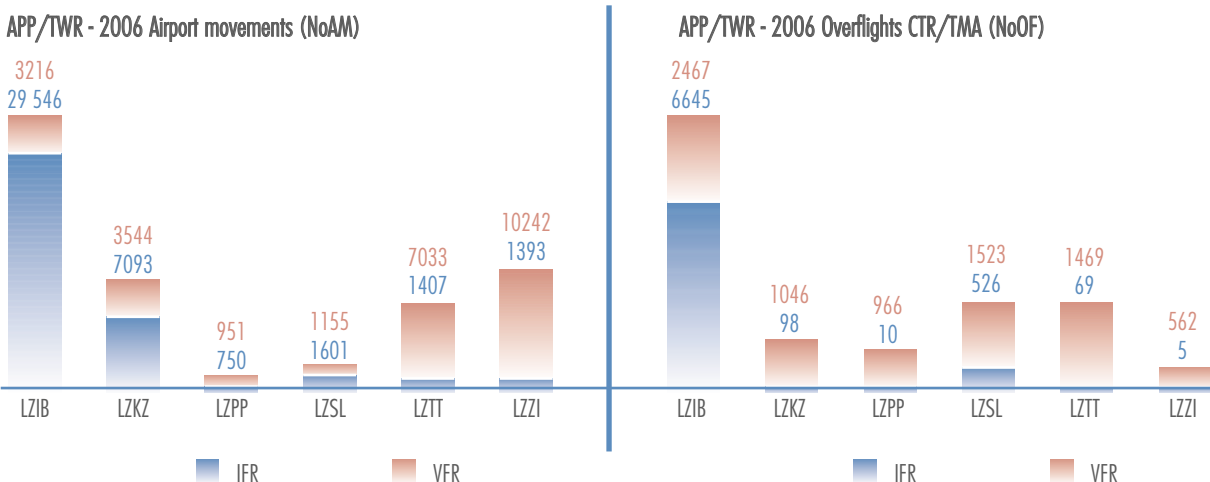
Total number of movements within the framework of air traffic (aerodrome movements) was 1 701 (750 IFR, 951 VFR).



Airports in Total

Total number of movements within the framework of air traffic (aerodrome movements) at controlled aerodromes in the Slovak Republic was 67 931, of that 41 790 IFR and 26 141 VFR. Comparison of number of aerodrome movements at single aerodromes including their breakdown by IFR and VFR is presented hereinafter.

We have to point out that in addition to services provided to aerodrome flights at single aerodromes, also air traffic control services were provided to another 15 461 overflights over CTR/TMA, which represents an increase by 16,1 % in comparison with 2005. Comparison of number of overflights over CTR/TMA, including their breakdown by IFR and VFR, served by LPS SR units at single aerodromes, is presented hereinafter.



Total Number of Movements in FIR Bratislava (According to E 2000 System) for I. - XII. 2006

Month	Commercial					Military				
	Overflights	Departures	Arrivals	Domestic	Movements	Overflights	Departures	Arrivals	Domestic	Movements
I.06	17 025	1 056	1 068	137	19 286	972	17	14	43	1 046
II.06	15 141	970	970	128	17 209	857	6	7	6	876
III.06	17 746	1 195	1 201	156	20 298	1 055	8	6	56	1 125
IV.06	20 041	1 114	1 101	144	22 400	895	9	10	35	949
V.06	24 840	1 223	1 224	158	27 445	807	22	22	65	916
VI.06	28 260	1 543	1 544	145	31 492	949	9	8	81	1 047
VII.06	31 815	1 649	1 652	143	35 259	913	29	35	76	1 053
VIII.06	31 041	1 623	1 618	143	34 425	1 068	9	8	75	1 160
IX.06	28 027	1 451	1 457	141	31 076	1 169	19	19	111	1 318
X.06	24 829	1 180	1 178	140	27 327	1 097	15	15	115	1 242
XI.06	17 530	981	984	134	19 629	939	17	18	120	1 094
XII.06	16 849	972	968	122	18 911	891	13	11	55	970
2006	273 144	14 957	14 965	1 691	304 757	11 612	173	173	838	12 796

Obdobie	Ostatné					Spolu				
	Overflights	Departures	Arrivals	Domestic	Movements	Overflights	Departures	Arrivals	Domestic	Movements
I.06	423	86	86	178	773	18 420	1 159	1 168	358	21 105
II.06	378	109	109	148	744	16 376	1 085	1 086	282	18 829
III.06	467	161	156	265	1 049	19 268	1 364	1 363	477	22 472
IV.06	482	149	145	395	1 171	21 418	1 272	1 256	574	24 520
V.06	646	229	235	541	1 651	26 293	1 474	1 481	764	30 012
VI.06	721	234	234	584	1 773	29 930	1 786	1 786	810	34 312
VII.06	799	268	239	865	2 171	33 527	1 946	1 926	1 084	38 483
VIII.06	776	201	205	479	1 661	32 885	1 833	1 831	697	37 246
IX.06	754	256	265	735	2 010	29 950	1 726	1 741	987	34 404
X.06	633	230	226	706	1 795	26 559	1 425	1 419	961	30 364
XI.06	499	162	162	299	1 122	18 968	1 160	1 164	553	21 845
XII.06	475	120	118	228	941	18 215	1 105	1 097	405	20 822
2006	7 053	2 205	2 180	5 423	16 861	291 809S	17 335	17 318	7 952	334 414

Safety in ATM

In 2006, there were 197 air traffic incidents recorded in the Slovak Republic which, in comparison with 220 incidents in the year 2005, represents decrease by 11%. Of the above-mentioned number, there were received 53 notifications of complete or partial overflight over FIR Bratislava without radio contact with air traffic control units (prolonged loss communication). Summary of number of incidents is provided in the table.

Incident	Total number	Relationship to ATM	Podiel LPS SR, š. p. na vzniku udalostí		
			Direct	Indirect	Total
Air accident	20	3	0	0	0
Serious incident	7	6	0	0	0
Incident	164	152	6	3	9
Various incidents	6	6	4	0	4

Note: In column "Relationship to ATM", there are stated incidents, which had any type of relationship with provision of ATM services although circumstances of their origin weren't connected with services provided by LPS SR, š. p.

In the year 2006 24 incidents were handled by internal specialised investigation. Of that number, 7 incidents, in origin of which employees of LPS SR, š. p. participated, weren't reported in compliance with external and internal regulations and origin of these incidents was detected within the framework of safety monitoring from ASMT records; 3 incidents were notified in a form of voluntary report.

Apart from investigated incidents, the data for the Aviation Authority of the Slovak Republic were collated in case of 12 incidents. Also other incidents in air traffic, which had no significant impact on ATS provision, were checked with the aim to detect whether LPS SR, š. p. participated in their origin.

Notifications of air traffic incidents, from which it was obvious that the company had no participation in their origin and could not prevent them (flight without radio contact via flight plan route, technical failures of airplanes), weren't investigated.

SMS Implementation

In the year 2006, SAF department intensively cooperated with the Aviation Authority of the Slovak Republic in preparation and performance of

- Audit of implementation of EUROCONTROL requirements concerning regulation of ESARR (ESIMS) safety,
- Audit of fulfilment of common requirements concerning provision of air navigation services in compliance with Commission Regulation (EC) No. 2096/2005 for obtaining certificate of air navigation services provider, which was carried out from 4th to 13th September 2006.

The SAF department cooperated with DTZL in defining requirements concerning professional competence of TZL personnel in compliance with requirements of ESARR 5 and Commission Regulation (EC) No. 2096/2005, which were included in the Directive for TZL Personnel Activity.

The SAF department issued an Amendment to Safety Management Manual of LPS SR, §. p. including safety policy aimed on compliance of the document with ESARR 3, valid Organisation Code of the company, Act of the National Council of the Slovak Republic No. 143/1998 Coll. on Civil Aviation and with Commission Regulation (EC) No. 2096/2005.

Risk Assessment and Mitigation

In September 2006, the department issued SAF Directive "Risk Assessment and Mitigation" and SAF Methodological Instruction "Methodology of Functional Hazard Assessment". Since the effective date of the above-mentioned acts, 28 safety assessments (16 – DLPS; 8 – DTZL; 4 – AIM) were performed by the end of the year 2006.

Testing of Functions Performance and Theoretical Education of Air Traffic Controllers

Employees of the SAF department participated in preparation and theoretical education of newly recruited air traffic controllers and, on the basis of received requests for test performance, they secured and carried out 9 tests in order to acquire authorisation to perform ES and FDO functions at LPS units.

Education in the Area of Safety

Within the framework of cooperation with the organisation EUROCONTROL in SASI project, the SAF department secured participation of 9 employees of the company in 6 trainings for implementation of safety management system and secured organisation of course "Preliminary Assessment of System's Safety", which took place from 13th to 17th November 2006 in Bratislava.

CNS Area

Technical Support of Air Traffic Services

According to the values of reliability (preparedness) characteristics for services being supplied and TZL systems and equipment being operated, it is obvious that in the year 2006 we achieved an overall average operability higher than 99,5 %. Trend of improving development of achieved required values of reliability characteristics is evident from the comparison of performance indicators achieved for the years 2005 and 2006.

The trend of improving quality of technical services provision contributes to improvement of safety of air navigation services provision.

Table: Overall average operability for 1 826 main monitored components of TZL systems/devices of supplied ATM services.

	Year	2005	2006	Difference of values achieved in 2006 compared with 2005	Trend of development Expresion of the achieved condition
Overall average value of operability for 1,826 recorded components of TZL systems and devices.		99,81 %	99,85 %	+ 0,04	improvement
Value of operability median for 79 selected ATM services being supplied (median is number in the middle of a set of values).		99,65 %	99,74 %	+ 0,09	improvement

The overall average value of operability for 1 826 monitored components of TZL systems and devices was 99,85 % in the year 2006. That is an improvement in the achieved operability of systems and devices by 0,04 % in comparison with the year 2005. The quality objective determined for the year 2006 for DTZL was fulfilled.

Of the total number of 1 826 components, more than 1 726 components achieved operability value above 99,5%. In case of radio-communication system for ground-air communication, there was achieved 100% operability and approximately 100 components achieved operability value just under 99,5%. In case of 50% of the above-mentioned 100 components, performance of the planned preventive maintenance of devices was a reason for idle time.

Of the total number of 79 selected ATM services being supplied, keeping 100% operability was achieved in one case; in 53 cases of services there was achieved improvement in operability in the year 2006 and in 25 cases, of that 21 cases for navigation services, there was recorded moderate decrease in comparison with communication and surveillance systems, which is caused by performance of preventive maintenance and flight verification of navigation devices, when devices cannot be used for rendering services.

Table: Total average values of operability for ATM services supplied in the year 2006.

ATM services being supplied	Type of service Value achieved in the year 2006
Communication systems (C – Communication)	‘C’
Total average value of operability of communication systems	99,89 %
Navigation systems (N – Navigation)	‘N’
Total average value of operability of navigation systems	98,44 %
Surveillance systems (S – Surveillance)	‘S’
Total average value of operability of surveillance systems	99,92 %

If we compare the total average value of operability for ATM services supplied in the year 2006, we can state that surveillance systems were achieving the highest percentage of operability.

The achieved average value of operability of navigation devices and systems is affected mainly by the system of preventive maintenance planned beforehand in compliance with directives and regulations. There is considered a group of services of en-route, approach and aerodrome navigation. Due to their architecture, it is not possible to perform the planned preventive maintenance on these TZL systems and devices (such as for example devices MKR, NDB, DME, DVOR, VOR, ILS) and, at the same time, to provide navigation services. The key objective of the preventive maintenance is to prevent breakdowns of devices before they occur.

In the long term, the preventive maintenance system secures sustainability of higher standard in providing navigation services and prevention of unforeseeable breakdowns of devices, which could finally have negative influence on safety of provided navigation services. At the same time, the performance of preventive maintenance contributes to improvement of safety in providing air navigation services.

The Most Important Development Projects and Activities

Significant milestones in development of projects in this area were signature of contracts for supplies of AFTN / CIDIN / AMHS systems and the system of voice communication exchange for Bratislava area control centre and APP/TWR Bratislava.

In September 2006, there was signed contract for supply and installation of radar system for Bratislava terminal control area (TMA). Apart from application of modern technology, the system will enable to obtain flight data from aircrafts in the S mode, what expects improvement in quality of radar data used for provision of air traffic services.

With the aim to improve quality of navigation services at M. R. Štefánik Airport in Bratislava, where the demand for a quality is a demonstration of growing air traffic, there were commenced preparatory activities focused on modernisation of ILS III cat. exact approach and landing system on take-off and landing runway.

Concentrated activity of TZL personnel was required due to ongoing activities in realization of new control tower and technical centre at Košice Airport, mainly in terms of installation of technical ground devices and their gradual putting into trial run.

Aeronautical Information Service (AIS)

Apart from the main activity of the aeronautical information management (AIM) department, performance of aeronautical information service (AIS), employees of the department were securing also other activities, namely issuing of L class regulations, JAR and other documents, activity of point-of-sale of ICAO documents. Within the framework of performing aeronautical information services, the change service of Air Information Brochure of the Slovak Republic (AIP) was secured and other parts of the integrated file of aeronautical information were issued in compliance with the requirements and needs of users. During the period under review, there were recorded no lacks in providing aeronautical information service.

Automation Project

In the sphere of automation, the activities leading to improving the quality of services provided by means of automated systems were aimed on modification of systems with the aim to secure compatibility with EADV, on the project of electronic AIP (eAIP) and on preparations for the provision of services by means of interactive web site.

EAD

The multi-year process of AIM national system migration to EAD (European AIS Database) was completed in the year 2006. Within the framework of the process, there were implemented and tested adjusted or new modules of AIM systems: SDO (Static Data Operation), PAMS (Published AIP Management System) and INO (International NOTAM Operation). There were elaborated relevant directives, operational procedures and other data required for obtaining relevant permits for operating the system from the Aviation Authority. Also re-training of relevant employees was secured. By connecting the national AIM system there was met the objective from ECIP, which directs Member States to migrate to EAD by the end of the year 2006.

eAIP Project

The electronic AIP (eAIP) project implemented in compliance with specification elaborated by Eurocontrol was completed in December 2006. This product, which is available on CD-ROM, as well as on Intranet and Internet, is another step towards harmonisation of AIS provision within Europe.

Interactive Internet Site

Within the framework of creating a new Internet site of LPS SR, š. p., the interactive Internet site project of the AIM department was implemented. Apart from general information, also publications of LIS SR, including current reports of NOTAM are available on the site. The site enables creation of pre-flight information bulletins and provides also functions of e-business through which it is possible to order single products. By using the site, users can also send new requests, comments and possible complaints.

SLAs

On the basis of CHAIN programme, there were signed agreements on mutual cooperation in supplying data for publications of aeronautical information service with operator of M. R. Štefánik Airport and the Aviation Authority of the Slovak Republic. There were also elaborated drafts of agreements with other airports, which will be signed during the year 2007.

Operation Permits

Upon our request, decisions of the Aviation Authority permitting operation of aeronautical ground devices SKAIP and IntegMon were issued in the period under review.

Other Important Activities

There was secured training of AIM department staff focused on improving professional knowledge, which was followed by regular annual examination. All the relevant employees satisfied criteria determined and they renewed the qualification required.

Moreover, employees of the AIM department took an active part in:

- implementation of the project “Conversion of Text Part of AIP of Saudi Arabia”;
- activities connected with obtaining certificate for ANS provision in compliance with SES programme;
- activities connected with maintaining the quality management system of the company in compliance with the obtained certificate according to ISO 9001:2000 standard;
- SBP updating;
- activities connected with fulfilment of tasks of the EATM programme in the area of AIM.

Search and Rescue Service

Activity of the RCC (Rescue Coordination Centre) was carried out in compliance with the mission of the company LPS SR, i.e. it was focused on organising, coordination and management of search and rescue service. Within the framework of the activity, personnel was following and acting according to directive for service performance at RCC and related managing acts.

The effort to decrease the workload of respective ATS posts and the change of procedures mainly in case of lost or failure of aircraft to establish radio contact with the respective post resulted in significant increase of incidents recorded at the RCC for the year 2006.

In the period under review, services of the centre were used in as much as 245 cases (in 232 cases for the whole year 2005). In 95 cases, there was considered recording of broadcast on frequencies determined for emergency locator transmitters, whereas their source was identified in 35 cases. In 60 cases, there was considered unprofessional service of and unauthorized manipulation with ELT equipment or interference on emergency frequency and the source wasn't detected.

For the period under review, there occurred 73 extraordinary air incidents (of that six aircraft accidents were reported to RCC and 46 people died). From the evaluation centre of Cospas/Sarsat satellite system, in 36 cases we were asked for help in detecting the source of monitored place of emergency signal broadcasting. Cooperation with neighbouring RCC in Prague, Warsaw and in Vienna was necessary in 26 cases within the framework of providing the service of searching the source of broadcast on emergency frequency. Flight without connection in the airspace of the Slovak Republic was recorded in 53 cases. In four cases, there was declared the uncertainty phase (INCERFA), in three cases the alert phase (ALERFA) and once the distress phase (DETRESFA). All the emergency states were gradually retracted after finding the airplane, re-establishing contact or after its safe landing at an alternative airport. There were also recorded another 15 incidents when it wasn't necessary to declare any emergency state.

Inter-departmental cooperation with the Armed Forces of the Slovak Republic was pursuant to relevant agreements used in two cases, as well as within the training of the “violation” action.

In March, the head of RCC took part in international conference and exhibition “Search and Rescue 2006” and, in May, in professional seminar and fair of integrated rescue system.

Further improvement of cooperation in providing search and rescue services and reduction in the number of false broadcastings on emergency frequency should be achieved thanks to mutual meeting with representatives of Slovak flight providers, which took place in Bratislava in April and November. Representatives of operators where, inter alia, informed about the most common lacks, which occurred mainly due to unprofessional or incorrect manipulation with emergency locator transmitters.

Joint meeting with representatives of Defence Department, who participate in providing the search and rescue service within the framework of Air Forces of the Armed Forces of the Slovak Republic, took place in April in Bratislava. The aim of the meeting was to evaluate the existing cooperation. We also took active part in specification of Mi-17 military helicopter equipment for search and rescue. Currently, the required construction of the first helicopter is in the final phase.

Detailed analyses of individual cases and procedures (with the participation of the Aviation Authority of the Slovak Republic) within the framework of working meetings of the department and regular examination of theoretical knowledge contributed to the improvement of RCC work. Also employees' approach to and interest in language education has improved.

Activity of the RCC is also one of the activities, which are subjected to audit of quality management system according to STN EN ISO 9001:2001 standard. In February, the company Det Norske Veritas carried out periodical audit at RCC and, in April, audit of quality management system. The activity was focused also on preparation for certification audit performed by national regulatory authority.

No significant lacks in performance of activity or breach of labour discipline were detected during the year. Activity of the centre was secured by 5 employees for the period of H24. Tasks resulting for the centre in the area of internal control were fulfilled.

Human Resources

Human resources policy is based mainly on ATM services provision concept up to 2010, which was adopted by top management of the company in 2003. This concept reflects all significant international strategies and programmes (e.g. EUROCONTROL ATM 2000+ strategy, CEATS UAC Project, SES, etc.) The CNS domain is also involved as well as other supporting activities which are to be managed with company's own personnel. Some of the trends in ATM evolution, especially in human resources domain, there is vital to focus on safety related personnel. However, it is important to underline that, from objective reasons, uncertainties still exist, which limit the predictability of the future progress within entire European region and therefore, are limiting factor of the future development in the Slovak Republic.

The greatest accent from human resources domain point of view is focused on ATS unit staff, where the biggest attention is given to air traffic controllers. They are monitored continuously from the selection phase through institutional training followed by On-the-Job Training up to individual operational work and ongoing maintenance of professional competence and fitness. Similar process is applicable to CNS personnel, however, with specific requirements.

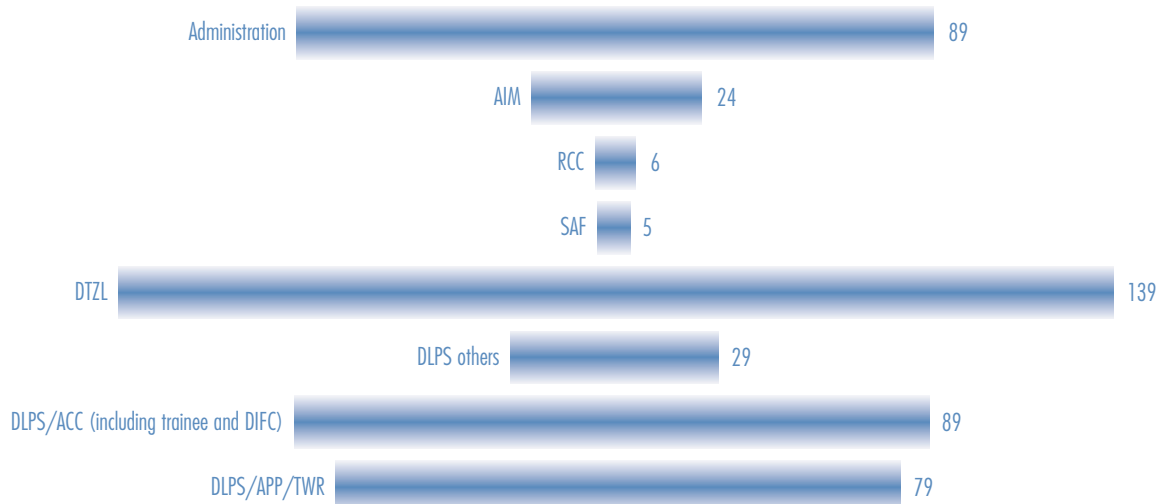
As at 31st December 2006, the company LPS SR, š. p. had 460 employees, of that 130 women. 18 employees were admitted during the year 2006. 4 employees commenced maternity and parent leave. In the period under review, employment contract was terminated with 16 employees. Employment contract was terminated by agreement with 11 employees.

In the area of social care, there are provided several schemes. There are provided reconditioning stays for air traffic controllers (97 employees), assessment of health condition of employees in compliance with valid regulations in DLPS and DTZL, accommodation in two facilities and other.

Also educational activities for employees were provided during the year, whereas total costs reached TSKK 2 729. Within the framework of deepening qualification of employees, the emphasis was put on language preparation of employees, on seminars and trainings. Course of security protection in civil aviation for selected employees of the company were an important educational activity. Due attention was paid also to securing professional education in the Air Navigation Services Institute of EUROCONTROL.

Internal control activity was carried out at two levels, namely by internal control department and at the level of head employees on the 2nd management level. There were made no findings leading to proving damage or other similar findings, therefore it wasn't necessary to claim damage compensation or to refer any case to criminal authorities. External control bodies performed 13 controls in total during the year 2006.

Staff structure of year 2006



Economic Situation

Evaluation of LPS SR, s. p. Business Results for I. – XII. 2006

Tasks determined in 2006 financial plan were securing continuance in the trend of company's activity efficiency improvement and securing the required volume of revenues to achieve positive economic result (profit).

In the year 2006, the financial plan in the area of costs determined drawing of costs in the amount of TSKK 1,417,652.8. Total costs were drawn in the amount of TSKK 1 342 536,5, which represented increase by TSKK 104 200.1 in comparison with the year 2005; in index expression the increase represents 1,08. The increase in costs compared with the year 2005 was recorded in five accounting classes; decrease in costs in comparison with the same period occurred in two accounting classes.

The financial plan of revenues for the year 2006 determined revenues in the total amount of TSKK 1 425 051,0. The company reached actual revenues in the total amount of TSKK 1 378 859,6, i.e. total increase by TSKK 82 301,9 in comparison with the same period of the year 2005 and the value of 1,06 in index expression.

Lower amount of after-tax profit was expected in economic result 2006 in comparison with the year 2005. The financial plan anticipated economic result in the total amount of TSKK 7 398,2; actually gained economic result was TSKK 36 323,1, i.e. decline in economic result by TSKK 21 898,2 in comparison with the fact of the previous period.

It follows from the analysis of level of fulfilment of selected economic indicators for the year 2006 that the growth of single economic indicators reached the required values. In the year 2006, growth of added value prior to growth of wage funds was observed once again.

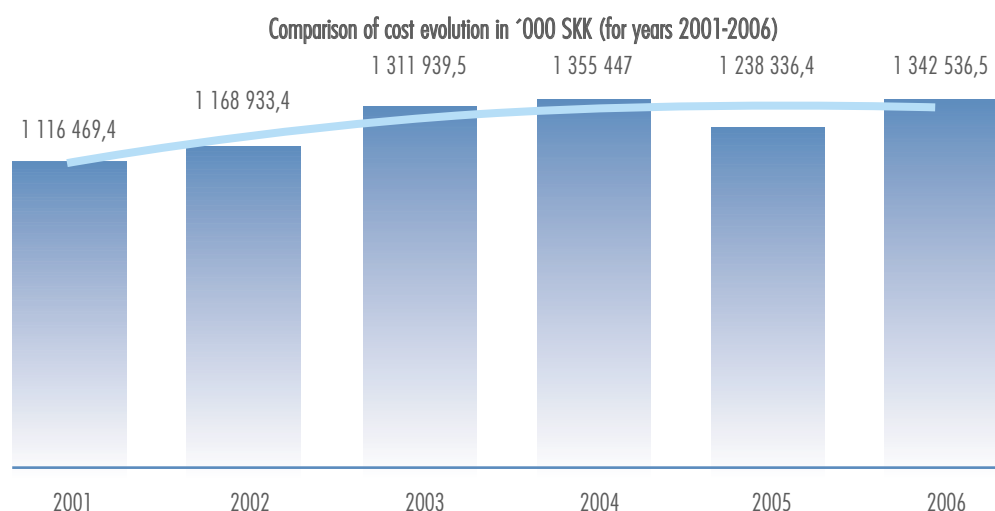
Costs

In comparison with annual plan of LPS SR, s. p. for the year 2006, which, in order to provide fluent and safe air traffic above the territory of the Slovak Republic, defined total costs in the amount of TSKK 1 417 652,8, the actual drawing was in the amount of TSKK 1 342 536,5, i.e. 94,7% drawing of the plan.

In comparison with the year 2005, costs increased by TSKK 104 200,1, i.e. index 1,08.

According to single types of cost items, the actual drawing in comparison with the plan 2006 was as follows:

- Consumed purchases, 83,78 % - in comparison of fact 2006 and fact 2005 there is recorded drop - index 0,92.
- Services, 73,91 % - in comparison of fact 2006 and fact 2005 there is recorded - index 1,07.
- Personnel costs in total, 91,27 % - in comparison of fact 2006 and fact 2005 there is recorded increase - index 1,06, what reflects the application of seniority categorization of employees in compliance with valid internal standards, application of share of inflation pursuant to Collective Agreement for the year 2006 and the growth of legal social insurance and social costs connected with growth of wages.
- Taxes and fees, 81,48 % - in comparison of fact 2006 and fact 2005 there is recorded increase - index 1,10.
- Other costs on economic activity, 89,04 % - in comparison of fact 2006 and fact 2005 there is recorded decrease - index 0,82.
- Depreciations of long-term intangible assets and long-term tangible assets, 89,86 % - in comparison of fact 2006 and fact 2005 there is recorded increase - index 1,10.
- Financial costs, 112,66 %, in comparison of fact 2006 and fact 2005 there is recorded increase - index 1,89.



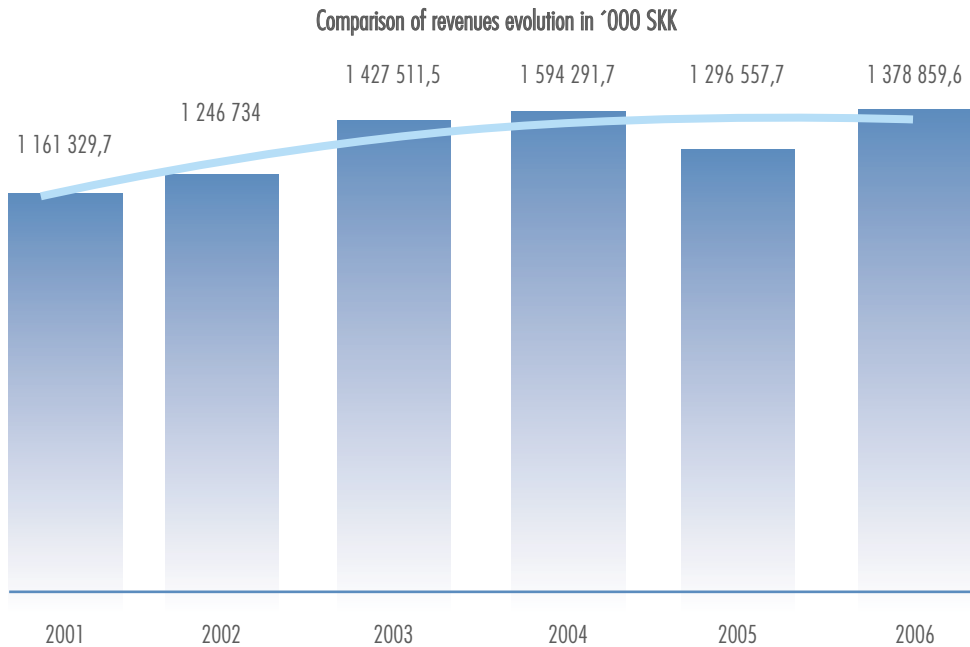
Revenues

For the year 2006, the company LPS SR, s. p. recorded total revenues in the amount of TSKK 1 378 859,6, i.e. 96,76 % of annual plan, which was determined in the amount of TSKK 1 425 051,0. The most important item of revenues was created by sales from sale of services, which increased by TSKK 90 824,7 in comparison with the same period of the year 2005; i.e. index 1,08. Sales for en-route charges increased by TSKK 9 958,4 in comparison with the previous period; i.e. index 1.01.

Significant rise was recorded in the item approach charges. In the year 2006, they were in the total amount of TSKK 213 282,3, which represents an increase by TSKK 87 142,3 in comparison with 2005. In index expression, the rise represents the value of 1,69. The rise was influenced by increase in operation, on one hand, and, on the other hand, by adjustment of the amount of unit rate of payoffs for services of approach and aerodrome control with effect from 1st April 2006.

VI In the structure of revenues by types of provided services, fulfilment of the annual plan for the year 2006 is as follows:

- Approach charges 152,34 % of the annual plan.
- En-route charges 83,92 % of the annual plan.
- Training flights 80,45 % of the annual plan.
- Other sales from sale of services 212,61 % of the annual plan.
- Other revenues from sale of services 129,08 % of the annual plan.
- Other revenues from economic activity 94,48 % of the annual plan.
- Financial revenues 192,32 % of the annual plan.



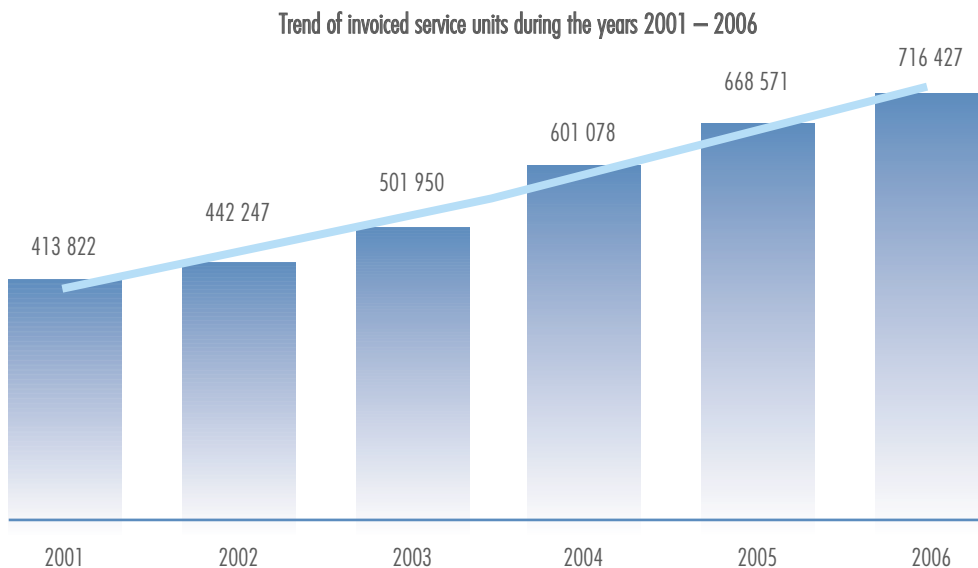
Income from sale of services, namely en-route charges, had the decisive influence on creation of revenues. However, they depend on invoiced overflight units and on the amount of the en-route charge in EUR.

For the year 2006, the en-route unit rate was determined in the amount of EUR 38,98 (1 499,—SKK), i.e. reduction of the fee by EUR 0,36 in comparison with the year 2005.

Within the framework of establishing the unit rate, prognoses of air traffic density made by EUROCONTROL based on experience gained in the year 2005 were taken into account. Those prognoses anticipated increase in air traffic to 703,9 thousand invoiced overflight units. In comparison with the fact 2005, there is an increase in invoiced overflight units in the plan 2006 by 5,3 %, i.e. 35 329 invoiced overflight units.

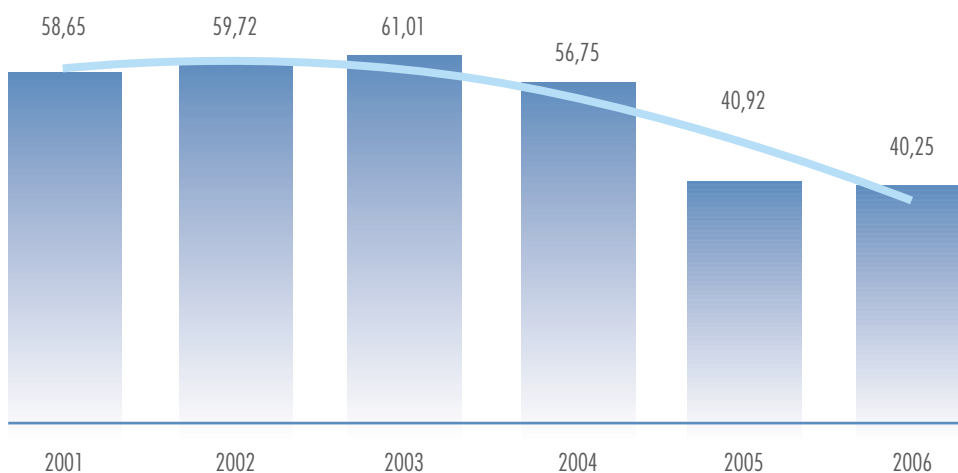
All expected costs of the year 2006 of operating activity, costs of administration, trainings, schoolings, AIM services and METEO services were included in the calculation of the en-route unit rate for the year 2006.

In 2006, the total number of invoiced overflight units was 716 427 what represented rise by 47 856 in comparison with 2005. In index expression, the increase reached 1,07.



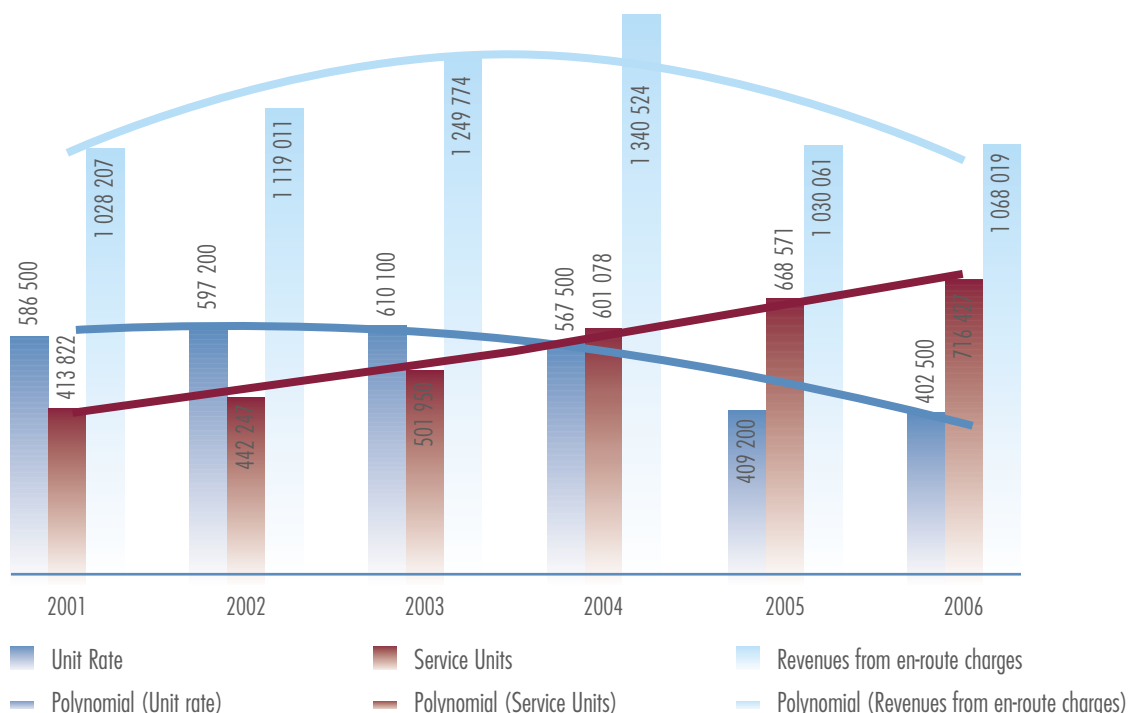
Amount of the en-route unit rate is determined in compliance with EUROCONTROL DOC 04.60 01 "Principles for establishing the cost base for en route charges and the calculation of the unit rates". For the year 2006, the en-route unit rate was determined in the amount of EUR 38,98 (1 499,— SKK), i.e. decrease of the unit rate by EUR 0,36 in comparison with 2005. The above-mentioned reduction of the en-route unit rate resulted in increase of sales from en-route charges only by 1% despite increase in number of invoiced overflight units by 7,1 %.

En-route charge evaluation for years 2001 – 2006



Dependence of the volume of sales on the amount of the en-route unit rate and volume of invoiced overflight units is graphically depicted as follows:

Comparison of unit rate evolution, service unit and revenues from en-route charges (for years 2001 - 2006)



Economic Result (Profit/Loss)

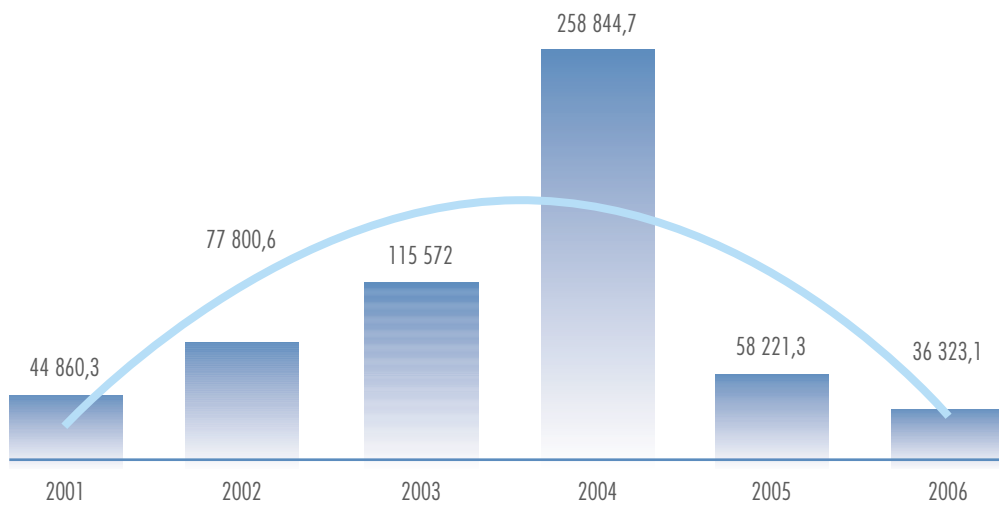
In the year 2006, the state-owned enterprise LPS SR recorded pre-tax economic result in the amount of TSKK 46 574,9. After settlement of tax duties for the period under review, the company records profit in the amount of TSKK 36 323,1.

In comparison with the year 2005, the company recorded lower after-tax profit by TSKK 21 898,2.

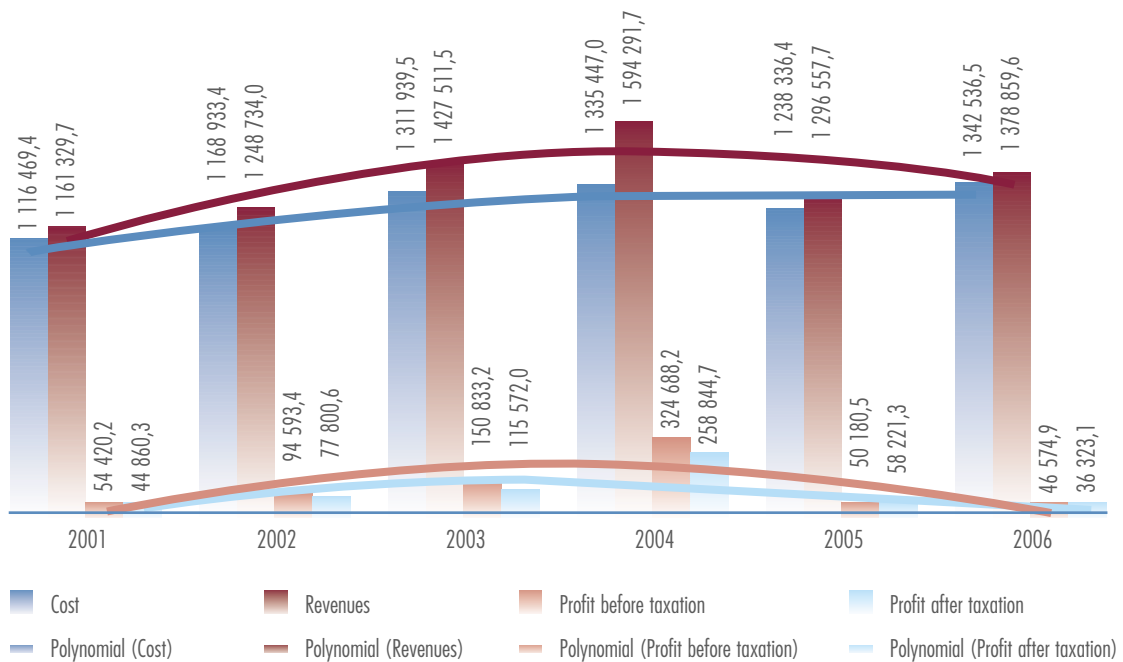
Income for invoiced en-route charges had decisive influence on profit creation in 2006. Influence of sales from approach charges on positive economic result (profit) increased compared with the previous periods.

The company in the framework of the process of formal consultations organized on 8.11.2006 the conference on cooperation with the users and subjects taking part on civil air transportation in Slovakia where besides operational matters, information were given on policy of charges of the company and on trend of determining unit rates for air navigation services.

Profit after taxation evolution in '000 SKK (for years 2001-2006)



Comparison of indicator's evolution in '000 SKK for years 2001-2006



Liquidity

The liquidity indicator represents the ability to pay – solvency of the company. It represents such composition of economic means that enables smooth payments depending on how fast the entity is able to realize – transform material values and securities into money form and it is expressed as follows:

- by ratio of financial assets to short-term foreign funds; for the year 2006 the indicator in LPS SR, š. p. is expressed by ratio 3,03 – 1st level liquidity – immediate liquidity, while the required value is 0,20 and optimum value is 0,2 up to 0,5;
- by ratio of sum of financial assets and short-term receivables to short-term funds; for the year 2006 the indicator in LPS SR, š. p. is expressed by ratio 4,38 – 2nd level liquidity – current liquidity, while the required value is 1,50 and optimum value is 1,0 up to 1,5;
- by ratio of current assets to short-term foreign funds; for the year 2006 the indicator in LPS SR, š. p. is expressed by ratio 4,70 – 3rd level liquidity – total liquidity, while the required value is 2,0 and optimum value is 0,2 up to 0,5.

As at 31st December 2006, the company LPS SR, š. p. recorded balance of financial funds on accounts in financial institutions in the amount of TSKK 535 576,0.

Fulfilment of EIB Loan Conditions

As at 31st December 2006, the EIB transferred to the account of LPS SR, š. p. all funds from the loan in order to finance the Project of Air Traffic Services in compliance with the Financial Contract concluded between the European Investment Bank, the Slovak Republic and the company LPS SR, š. p.. The company LPS SR, š. p. was fulfilling conditions connected with repayment of the loan continuously in compliance with instalment schedule.

In the year 2006, the company LPS SR, š. p. continued in repayment of long-term loan granted by the EIB. Thirteenth instalment of principal in the amount of TSKK 35 700,7 was paid in February and fourteenth instalment of the loan principal in the amount of TSKK 35 928,8 was paid in August in compliance with the approved instalment schedule. In the period under review, there were made also instalments of interests on the loan in the total amount of TSKK 3 939,7 in February and in the total amount of TSKK 2 971,2 in August. After payment of loan instalment, the balance of loan as at 31st December 2006 translated by using the current exchange rate was in the amount of TSKK 64 783,2.

In compliance with Contract on Assumption of Rights and Obligations of LPS SR š. p., the Ministry of Transport, Posts and Telecommunications of the Slovak Republic notified an updated instalment schedule of the loan and interests for the year 2007 and, as at maturity date of instalment, the LPS SR, š. p. had, on its deposit account, funds equal to minimum amount of the next instalment. Upon request, LPS SR, š. p. elaborated for the Ministry of Transport, Posts and Telecommunications of the Slovak Republic summaries of current state of loans guaranteed by the state.

All terms and conditions under the Financial Contract concluded between the European Investment Bank, the Slovak Republic and the company LPS SR, š. p., as well as under the Contract on Assumption of Rights and Obligations arising from the contract concluded between the Ministry of Finance of the Slovak Republic and the Ministry of Transport, Posts and Telecommunications of the Slovak Republic as of 28 April 1995 were fulfilled by the company LPS SR, š. p. duly and on time.

Other Evaluation Indicators

For the year 2006, compared with 2005, in the item wages and refunds of wages, there is recorded increase by index 1,05. The increase was caused by increase in basic wage scales within the framework of collective bargaining between the employer and relevant trade unions, by classification of employees into relevant tariff levels after completion of training and by performance of qualification tests.

In the year 2006, there was recorded drop in average registered number of employees from 460 in 2005 to 450 in 2006. The decrease is 10 employees in average.

Production (P) represented by "Sales from sale of services" has decisive influence on added value (AV) creation in the company LPS SR, š. p. Other conditions, which influence AV creation, are drawing of inter-consumption (IC) comprising costs on consumed purchases and services and shortfalls and damages to inventories (SI) in the amount before receipt of reimbursements of damage from insurance companies.

In the year 2006, when using the valid formula of calculating $AV = P - (IC + SI)$, the value of AV is TSKK 1 059 806. This is an increase by 8,5% compared with the year 2005, which is caused by growth of sales for own products and services depending on sales from overflights and by relatively slower growth of share of costs from revenues in comparison with the year 2005.

The level of fulfilment of the indicators added value and labour productivity from added value in the company LPS SR, š. p. depends on creation of sales for own products and services, whereas sales from en-route charges represent the decisive item of the sales for own products and services. The development is partially influenced also by consumed purchases and by average number of employees.

Financial Ratio Indicators

Financial ratio indicators enable the most complex evaluation of condition and development of company's economy. Values of financial ratio indicators are expressed in money and they are monitored in the company's books of accounts. They represent the basis for calculating other derived qualitative indicators. Due to the need to detect the company's economic condition, the liquidity indicators required by the founder and other indicators for detecting the development of company's economic situation trend were evaluated in the company LPS SR, š. p.

Efficiency – Profitability Indicators

Indicator is ratio expression of economic result in relation to sales, assets, equity or registered capital.

- a) Return on sales – represents appreciation of the company's activity and it is expressed as a percentile ratio of economic result for the accounting period to sales. As at the end of the year 2006, value of the return on sales in LPS SR, š. p. was 2,63%.
Value of the indicator means that in the year 2006 the company LPS SR, š. p. made sales in the amount of SKK 2,63 per SKK 1 of profit.
- b) Return on assets – represents appreciation of capital investments and it is determined by percentile ratio of after-tax economic result for the accounting period to assets. As at the end of the year 2006, value of the return on assets in LPS SR, š. p. was 1,89 %.
Value of the indicator means that in the year 2006 the company LPS SR, š. p. recorded assets in the amount of SKK 1,89 per SKK 1 of profit.
- c) Return on equity – represents appreciation of capital investments similarly to the return on assets and it is expressed as a ratio of economic result for the accounting period to equity. As at the end of the year 2006, value of the return on equity in LPS SR, š. p. was 2,21 %, i.e. the company recorded SKK 2,21 of equity per SKK 1 of profit.
- c) Return on registered capital - represents appreciation of capital investments similarly to the return on assets and it is expressed as a ratio of economic result for the accounting period to the registered capital. As at the end of the year 2006, value of the return on registered capital in LPS SR, š. p. was 3,12 %. The value of the indicator means that in the period under review the company LPS SR, š. p. recorded SKK 3,12 of registered capital per SKK 1 of profit.

Annual Bonus to Director and Supervisory Board Members

After evaluating economic results of the company for the year 2006, the Ministry of Transport, Posts, and Telecommunications of the Slovak Republic as the founder, awarded the company director pursuant to Article 19 Para. 8 Act No. 111/1990 Coll. an annual bonus in the amount of SKK 545 000,00.

At the same time, there were awarded bonuses to members of the Supervisory Board pursuant to Article 20 Para. 10 Act No. 111/1990 Coll. in the amount of SKK 27 250,00.

Investment Activity

For the year 2006, the company LPS SR, š. p. approved an investment plan in the amount of TSKK 331 666,3. Of that TSKK 202 155,1 were reinvested for the year 2006, whereas TSKK 127 554,4 were used for acquisition of long-term tangible and intangible assets and TSKK 74 600,7 were used for EIB loan installments.

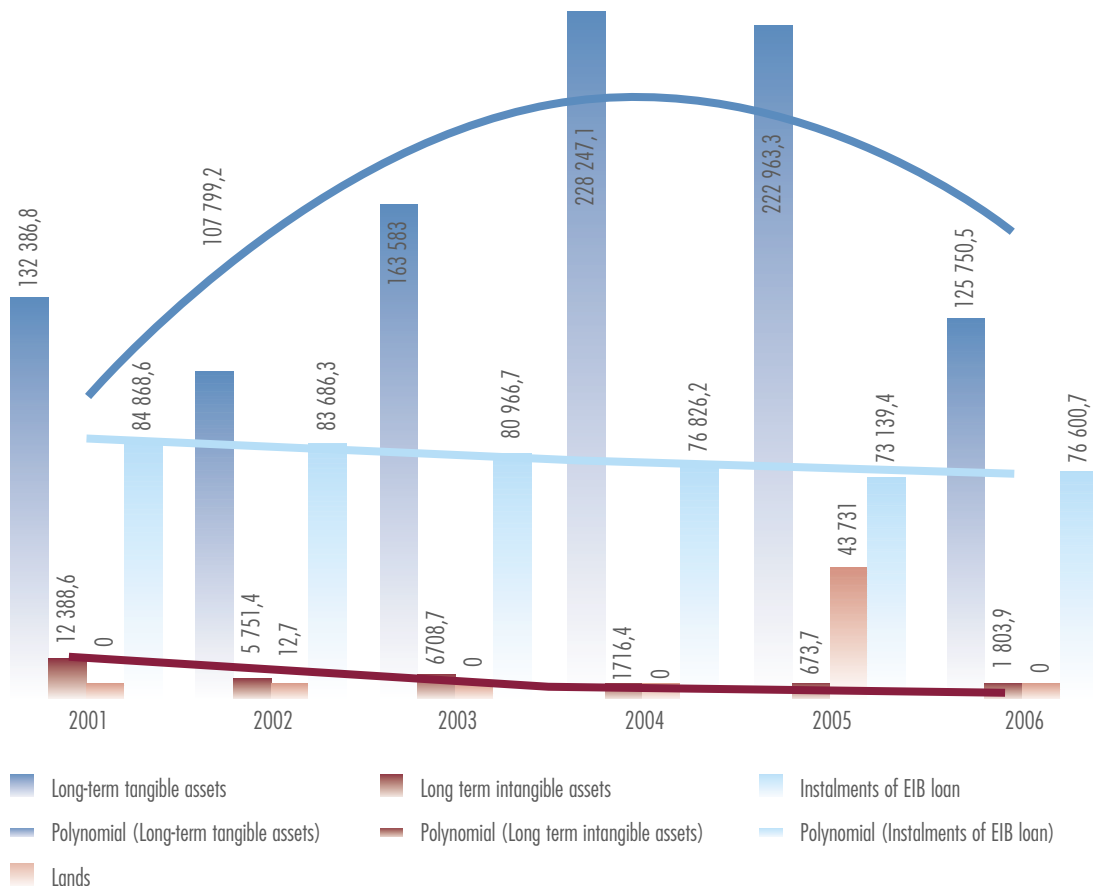
Since the change of legal status from state budgetary organization RLP SR to state-owned enterprise LPS SR, TSKK 1 819 191,5 of investment funds from own sources were spent within the framework of expansion and renewal of production facilities, of that TSKK 556 209,2 were spent on instalments of loan from previous years.

Capital Expenditures for the years 2000 to 2006

	2000	2001	2002	2003	2004	2005	2006
Sources in total	445 574,0	298 135,0	305 410,0	320 446,8	332 751,0	447 117,0	375 662,6
Own Sources	445 574,0	298 135,0	305 410,0	320 446,8	332 751,0	447 117,0	375 662,6
Use of own sources	291 617,3	229 644,0	197 249,6	251 258,4	306 789,7	340 477,4	202 155,1
Long-term tangible assets	197 700,6	132 386,8	107 799,2	163 583,0	228 247,1	222 963,3	125 750,5
Long-term intangible assets	11 770,4	12 388,6	5 751,4	6 708,7	1 716,4	643,7	1 803,9
Lands	25,0	0,0	12,7	0,0	0,0	43 731,0	0,00
Instalments of EIB loan	82 121,3	84 868,6	83 686,3	80 966,7	76 826,2	73 139,4	74 600,7

For the period since the year 1993, when company RLP SR was established on the basis of decision of the Minister of Transport, Posts and Telecommunications, by the end of the year 2006, there were reinvested TSKK 3 125 145,9. These expenditures were partially created also by foreign funds in the amount of TSKK 585 800,0 from EIB loan, which was received in four tranches in years 1996 to 1998.

Capital expenditure evolution in '000 SKK (for years 2001-2006)



OUTLOOK 2007

Concept of LPS SR, š. p. development is based on adopted aims of the management in the approved business plan for the period 2007 - 2011. Implementation of these aims is being up-dated in annual financial plans and specified in single items of the financial plan of costs and revenues.

The development concept 2007 was discussed by the Supervisory Board on 10th May 2007 in compliance with Article 19 Para. 6 Act No. 111/1990 Coll. on State-Owned Enterprise. The concept includes plan of revenues and costs compiled on the basis of the following assumptions:

- The plan is compiled on the basis of expected costs and revenues of the company, which will arise within the framework of securing air traffic in the airspace of the Slovak Republic.
- Compared with plan for the year 2006 (TSKK 1 417 652,8), the planned total cost base is 4,6% higher in average; planned costs represent the amount of TSKK 1 483 523,0 in crown expression.
- In the revenue part, there is planned increase by TSKK 75 866,3, which represents increase by 5,3% in comparison with plan 2006. In crown expression, planned revenues are in the amount of TSKK 1 500 917,3. The decisive part of revenues is created by incomes from en-route activities, namely in the total planned amount of TSKK 1 208 221,0, i.e. 80,5% of total revenues.
- All costs anticipated in the year 2007 on operating activity, costs on administration, trainings, schoolings, AIS services and METEO services were included in the calculation of the en-route unit rate for the year 2007, whereas the expected density of air traffic is 767,6 thousand invoiced overflight units.
- For the year 2007, the planned amount of the en-route unit rate is EUR 37,70, which represents decrease in the unit rate by EUR 1,28 in comparison with the year 2006.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

addressed to members of the Supervisory Board of the state-owned enterprise Letové prevádzkové služby SR:

We have audited the accompanying regular financial statements of the state-owned enterprise Letové prevádzkové služby SR, (the "Company") that comprise the Balance Sheet prepared for the accounting period ended 31st December 2006, respective Profit and Loss Statement and the Notes for the relevant period.

Management of the Company is responsible for keeping books of accounts so that they would be complete, provable and correct, and for preparation of the financial statements so that they would provide a true and accurate picture of assets and liabilities, economic result and financial situation of the Company. Responsibility of an auditor is to express opinion on the financial statements in accordance with valid standards of auditing and the opinion shall be based on results of the audit.

We conducted the audit of regular financial statements in accordance with Act No. 73/1992 Coll. on Auditors and Slovak Chamber of Auditors and in accordance with the International Standards on Auditing (ISA) issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, the accounting records and other information supporting the sums and other disclosures in the financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the Company's management, as well as evaluating the overall financial statements presentation.

We believe that, based on results of the auditing procedures applied, our audit provides a reasonable basis for our opinion.

In our opinion, the compiled financial statements of the state-owned enterprise Letové prevádzkové služby SR, present fairly, in all material aspects, the property and financial position as at 31st December 2006 and the results of its operations for the relevant accounting period and they are prepared in accordance with Act No. 431/2002 Coll. on Accounting as amended and in accordance with Accounting Procedures valid for business entities using double-entry bookkeeping for the year 2006.

Bratislava, dated: 18th April 2007



A handwritten signature in blue ink, appearing to read "Tomšíková".

Ing. Jana Tomšíková
Auditor, SKAU Licence No. 454

Verification of reconciliation of the Annual Report information with the financial statements

We have verified reconciliation of the Annual Report 2006 information of the state enterprise Letové prevádzkové služby with attached financial statements, which we have audited. Our opinion of reconciliation Annual Report information with the financial statements is inseparable part of the Auditor's Report of financial statements and is stated in Annual Report.

Reconciliation of Annual Report information with financial statement is the responsibility of the Supervisory Board. Our responsibility is to give opinion on reconciliation.

In our opinion, the information in this Annual Report of the state enterprise Letové prevádzkové služby Slovenskej republiky for year 2006 are in compliance with attached financial statements.

In Bratislava, 29 October 2007

Ing. Jana Tomšíková
auditor SKAu Licence No. 454



BALANCE SHEET AS AT 31 DECEMBER 2006 IN TSKK

ASSETS		
	Total assets r.002+003+032+062	1 918 368
B.	Fixed assets r. 004+013+023	1 042 988
B.I.	Long-term intangible assets r. 005 - 012 r. 005 až 012	2 378
B.II.	Long-term tangible assets sum r. 014 až 022	1 040 610
B.III.	Long-term financial assets sum r. 24 až 31	0
C.	Current assets r. 33+41+48+56	838 196
C.I.	Stock sum r. 34 až 40	55 666
C.II.	Long-term receivables sum r. 37 až 41	7 446
C.III.	Short-term receivables sum r. 49 až 55	239 508
C.IV.	Financial accounts sum r. 57 a 61	535 576
D.	Accrual and deferral r. 63 až 64	37 184
LIABILITIES		
	Total equity and liabilities r. 66+86+116	1 918 368
A.	Equity r. 67+71+78+82+85	1 642 689
A.I.	Equity capital r. 68+70	1 163 083
A.II.	Capital funds sum r. 72 až 77	0
A.III.	Funds from profit sum r.79 až 81	495 297
A.IV.	Profit/loss from previous years r. 83+84	-52 014
A.V.	Profit/loss for accounting period +/- r. 01-(67+071+78+82+86+116)	36 323
B.	Liabilities r. 87+91+102+112	274 097
B.I.	Reserves r. 88 až 90	71 959
B.II.	Long-term liabilities sum r. 92 až 101	25 304
B.III.	Short-term liabilities sum r. 103 až 111	112 051
B.IV.	Bank credits and assistance sum r. 113 až 116	64 783
C.	Časové rozlíšenie súčet r. 117 + 118	1 582

PROFIT AND LOSS STATEMENT AS AT DECEMBER 2006 IN TSKK

mark	TEXT		2006	2005
I.	Revenues from sale of goods (604)	01	317	551
A.	Costs on good sold (504)	02	252	875
+	Business margin - line 01 - 02	03	65	-324
II.	Production - line 05 + 06 + 07	04	1 260 938	1 169 701
II.1.	Revenues from sale of own products and services	05	1 260 353	1 169 445
2.	Change in state of internal stock of own production	06	384	25
3.	Capitalisation	07	201	231
B.	Production consumption	08	201 197	192 775
B.1.	Consumption of material, energy and other non-supply items	09	36 645	39 407
B.2.	Services	10	164 552	153 368
+	Added value	11	1 059 806	976 601
C.	Staff costs	12	625 622	589 139
C.1.	Wage costs	13	482 654	458 158
C.2.	Board and association member compensations	14	2 654	2 719
C.3.	Costs on social security	15	111 923	106 291
C.4.	Social costs	16	28 391	21 971
D.	Taxes and fees	17	1 942	1 763
E.	Deprecations of long-term intangible assets and amortization of long-term tangible assets	18	183 287	166 275
III.	Revenues from sale of long-term assets and material	19	2 910	1 454
F.	Residual price of long-term assets and material sold	20	1	
IV.	Use and cancellation of provision in revenues from economic activity and booked of origin of complex deferred costs	21	22 284	19 209
G.	Creation of provisions for economic activity and settlement of complex deferred costs	22	22 655	21 504
V.	Settlement and cancellation of adjusting items in revenues from economic activity	23	46 480	54 752
H.	Creation of adjusting items in costs on economic activity	24	43 408	46 771
VI.	Other revenues from economic activity	25	24 775	29 663
I.	Other costs on economic activity	26	133 054	162 882
VII.	Transfer of revenues from economic activity	27	0	
J.	Transfer of costs on economic activity	28	0	
*	Business result from economic activity r. 11-12-17-18+19-20+21-22+23-24+25-26+(-27)-(-28)	29	146 286	93 346
VIII.	Revenues from sale of securities and share	30	0	
K.	Securities and share sold	31	0	
IX.	Revenues from long-term financial assets	32	0	
IX.1.	Revenues from securities and participations to controlled person and to company with significant influence	33	0	
2.	Revenues from others long-term securities and share	34	0	
3.	Revenues from others long-term financial assets	35	0	
X.	Revenues from short-term financial assets	36	0	
L.	Costs on short-term financial assets	37	0	
XI.	Revenues from revaluation of securities and revenues from derivate operations	38	0	
M.	Costs on revaluation of securities and costs on derivate operations	39	0	
XII.	Revenue interests	40	9 439	8 912
N.	Cost interests	41	5 413	9 655
XIII.	Exchange rate profits	42	11 716	12 303
O.	Exchange rate losses	43	44 120	29 975
XIV.	Other revenues from financial activity (68)	44	0	
P.	Other costs on financial activity (568, 569)	45	71 333	24 764
XV.	Use and cancellation of provision in revenues from financial activity (674)	46	0	
Q.	Creation of provisions for financial activity (574)	47	0	
XVI.	Settlement and cancellation of adjusting items in revenues from financial activity (679)	48	0	
R.	Creation of adjusting items in costs on financial activity (579)	49	0	
XVII.	Transfer of revenues from financial activity (-) (698)	50	0	
S.	Transfer of costs on financial activity	51	0	
*	Profit/loss from financial activity r. 30-31+32+36-37+38-39+40-41+42-43+44-45+46-47+48-49+(-50)-(-51)	52	-99 711	-43 179
T.	Income tax from ordinary activity - line 54 + 55	53	10 252	-8 042
T.1.	- due (591)	54	6 454	5 361
2.	- deferred (+/- 592)	55	3 798	-13 403
**	Profit/loss from ordinary activity - line 29 + 52 - 53	56	36 323	58 209
XVIII.	Extraordinary revenues (68*)	57	0	13
U.	Extraordinary costs (58*)	58	0	0
V.	Incom tax from extraordinary activity	59	0	1
V.1.	- due (593)	60	0	1
2.	- deferred (594)	61	0	0
*	Profit/loss from extraordinary activity - line 57 - 58 - 59	62	0	12
Z.	Transfer of share in profit/loss to partners (+/- 596)	63	0	
***	Profit/loss for accounting period (+/-) - line 56 + 62 + 63	64	36 323	58 221

CASH FLOWAS AT 31 DECEMBER 2006 IN TSKK

Mark	TEXT	2006
Z/s	Business result from ordinary activities before taxation	46 575,0
A.1	Non-monetary operations affecting profit/loss from ordinary activity	173 426,6
A.1.1	Deprecations of long-term intangible assets and amortization of long-term tangible assets	182 935,6
A.1.2	Net book value of long-term tangible and intangible assets retirement besides sales	351,1
A.1.4	Change in state of long-term reserves	4 880,6
A.1.5	Change in state of adjusting items	3 390,5
A.1.6	Change in state of accrual and deferral of costs and revenues	12 276,6
A.1.8	Interests booked into the costs (+)	5 413,4
A.1.9	Interests booked into the revenues (-)	-9 439,1
A.1.10	Exchange rate loss toward cash as at 31 December 2005	-0,1
A.1.11	Exchange rate profit toward cash as at 31 December 2005	19,7
A.1.12	Profit from good sold	2 888,9
A.1.13	Other items of non-monetary status, influent profit/loss from ordinary activity	-29 290,6
A.2	Influence of changes in state of working stock	-30 839,3
A.2.1	Change in state of receivables from operating activity	-8 246,8
A.2.2	Change in state of payables from operating activity	-15 468,7
A.2.3	Change in state of stock	-7 123,9
A.2.4	Change in state short-term financial assets	0,0
—	Cash Flow from operating activities Z/s + A1 + A2	189 162,3
A.3	Received interests besides interests from investment activity	9 439,1
A.4	Expenditures on paid interests besides interests including into the operating activity	-5 413,4
A.5	incomes from dividens and other shares on profit, except financial activities	0,0
A.6	Expenditures on paid dividens and shares on profit besides expences including into financial activity	-1 458,3
—	Cash Flow from operating activities (+/-), (A1 - A6)	191 729,8
A.7	Expenditures on income tax besides expences including into the investment activity	44 626,6
A.8	Extraordinary income from operating activity	1 008,0
A.9	Extraordinary expences from operating activity	-261,0
A1-A9	Net cash flow from operating activity (A1 - A9 + Z/s)	030 237 103,5
—	Cash Flow from investment activity	0,0
B.1	Expenditures on provide of long-term intangible assets	-1 803,9
B.2	Expenditures on provide of long-term tangible assets	-47 351,0
B.3	Expenditures on provide of stocks	0,0
B.4	Incomes from sale of long-term intangible assets	0,0
B.5	Incomes from sale of long-term tangible assets	2 890,3
B.6	Incomes from sale of stocks	0,0
B.7	Expenditures for long-term loans	0,0
B.8	Incomes for long-term loans	0,0
B.11	Incomes from rent tangible assets that are depreciable by renter	0,0
B.12	Received interests besides interests from operating activities	0,0
B.13	Incomes from dividens and other shares on profit	0,0
B.14	Expenditures conected to derivates	0,0
B.15	Incomes conected to derivates	0,0
B.16	Expenditures for income tax	0,0
B.17	Incomes extraordinary relating to investment activity	0,0
B.18	Expenditures extraordinary relating to investment activity	0,0
B.19	Other incomes relating to investment activity	474,0
B.20	Other expences relating to investment activity	0,0
B1-B20	Net cash flow from operating activity (A1 - A9 + Z/s)	052 -45 790,
—	Cash flow from financial activity	0,0
C.1	Cash Flow in equity (C1.1 - C1.8)	0,0
C.1.1	Incomes from subscribed stocks	0,0
C.1.2	Incomes from other deposits	0,0
C.1.3	Received financial donatual	0,0
C.1.6	Expenditures relating to decrease of funds created by accounting entity	0,0
C.1.8	Expenditures relating to decrease of equity capital	0,0
C.2	Cash flow from long-term and short-term financial activity (C.2.1 - C.2.10)	-71 433,0
C.2.3	Incomes from bank loans	0,0
C.2.4	Expenditures for bank loans instalment	0,0
C.2.5	Incomes from received loans	0,0
C.2.6	Expenditures for loans instalment	-71 433,0
C.2.7	Expenditures for financial leasing	0,0
C.2.8	Expenditures for rent tangible assets that are depreciable by renter	0,0
C.2.9	Incomes from other long-term and short-term liabilities from financial activity	0,0
C.2.10	Expenditures from other long-term and short-term liabilities from financial activity	0,0
C.3	Expenditures for paid interests with exception	0,0
C.4	Dividens	0,0
C.5	Derivates	0,0
C.7	Expenditure for income tax from financial activity	0,0
C.8	Extraordinary incomes relating to financial activity	0,0
C.9	Extraordinary expenditures relating to financial activity	-71 333,2
C1-C9	Net Cash Flow from financial activity	079 -142 766,3
D	Net increase or decrease of cash money	48 546,5
E	State of funds as at 1 January 2005	487 009,7
F	State of funds as at 31. December 2005	535 556,1
G	Exchange-rate difference as at 31. December 2005	19,8
H	State of funds without by exchange-rate difference	535 576,0

INDEPEDENT AUDITOR'S REPORT

To the Management of Letové prevádzkové služby Slovenskej republiky, štátny podnik:

We have audited the accompanying financial statements of Letové prevádzkové služby Slovenskej republiky, štátny podnik ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

31 May 2007
Bratislava, Slovak Republic



Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Balance sheet as at 31 December 2006
(In thousands of Slovak Crowns)

ASSETS	Note	2006	2005
Non-current assets			
Property, plant and equipment	2	1 001 593	1 053 157
Intangible assets	3	2 162	4 152
Deferred tax asset	4	15 661	21 001
Total non-current assets		1 019 416	1 078 310
Current assets			
Inventories	5	27 297	18 069
Trade and other receivables	6	215 242	201 000
Corporate income tax refund		13 316	57 943
Cash and cash equivalents		535 576	487 010
Total current assets		791 431	764 022
Total assets		1 810 847	1 842 332
EQUITY AND LIABILITIES			
Equity			
Issued capital		1 163 083	1 163 083
Legal reserve and other capital funds		495 296	444 633
Retained earnings / (Accumulated losses)		(104 201)	(89 811)
Total equity	7	1 554 178	1 517 905
Non-current liabilities			
Interest bearing loans and borrowings	8	–	71 437
Other non-current liabilities		309	635
Provision for retirement benefits	9	49 304	54 184
Total non-current liabilities		49 613	126 256
Current liabilities			
Trade and other payables	10	142 273	126 735
Interest bearing loans and borrowings	8	64 783	71 436
Total current liabilities		207 056	198 171
Total equity and liabilities		1 810 847	1 842 332

Income statement for the year ended 31 December 2006
(In thousands of Slovak Crowns)

	Note	2006	2005
Revenues			
Air traffic control services		1 260 354	1 169 445
Other operating income		28 002	31 668
Total revenues		1 288 356	1 201 113
Personnel expenses	11	(651 018)	(626 628)
Depreciation and amortization	2, 3	(192 712)	(170 973)
Other operating expenses	12	(376 205)	(337 547)
Total operating expenses		(1 219 935)	(1 135 148)
Profit from operations		68 421	65 965
Net financing costs	13	(20 353)	(10 390)
Profit before tax		48 068	55 575
Income tax expense	14	(11 795)	(8 243)
Profit for the year		36 273	47 332

Statement of changes in equity for the year ended 31 December 2006
(In thousands of Slovak Crowns)

	Issued capital	Legal reserve fund	Other capital funds	Retained earnings/ (acc. losses)	Total
At 1 January 2005	1 163 083	24 130	177 973	105 387	1 470 573
Transfer to fund for expansion	–	–	232 587	(232 587)	–
Transfer to legal reserve fund	–	12 943	–	(12 943)	–
Donations	–	–	(3 000)	3 000	–
Profit for the year	–	–	–	47 332	47 332
At 31 December 2005	1 163 083	37 073	407 560	(89 811)	1 517 905
At 1 January 2006	1 163 083	37 073	407 560	(89 811)	1 517 905
Transfer to fund for expansion	–	–	48 852	(48 852)	–
Transfer to legal reserve fund	–	2 911	–	(2 911)	–
Donations	–	–	(1 100)	1 100	–
Profit for the year	–	–	–	36 273	36 273
At 31 December 2006	1 163 083	39 984	455 312	(104 201)	1 554 178

Cash flow statement for the year ended 31 December 2006
(In thousands of Slovak Crowns)

	2006	2005
OPERATING ACTIVITIES		
Cash receipts from customers	1 247 228	1 304 776
Cash paid to suppliers and employees	(1 032 852)	(1 030 526)
Cash generated from operations	214 376	274 250
Income tax paid	38 173	(105 000)
Cash flows from operating activities	252 549	169 250
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(128 115)	(266 453)
Acquisition of intangible assets	(1 804)	(792)
Interest received	9 439	8 912
Cash flows used in investing activities	(120 480)	(258 333)
FINANCING ACTIVITIES		
Loan repayments	(78 090)	(74 755)
Interest paid	(5 413)	(11 131)
Cash flows used in financing activities	(83 503)	(85 886)
Net increase/(decrease) in cash and cash equivalents	48 566	(174 969)
Cash and cash equivalents at beginning of year	487 010	661 979
Cash and cash equivalents at end of year	535 576	487 010

GENERAL INFORMATION

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 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 air 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. As required by EUROCONTROL, the Company applies the “Principles for establishing the cost-base for route facility charges and the calculation of the unit rates”, dated November 2004. The Company applies the principles according to Regulation (EC) No 550/2004 of the European Parliament and of the Council of 10 March 2004 on the provision of air navigation services in the single European sky, and has established a cost allocation system related to the main activities.

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 (IFRS) promulgated by the International Accounting Standards Board (“IASB”) and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (“IFRIC”).

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 31 May 2006.

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.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements:

– IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* (effective date 1 January 2007) require extensive disclosures about the significance of financial instruments for an entity’s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory

for the Company's 2007 financial statements, will require extensive additional disclosures with respect to Company's financial instruments and share capital.

– IFRIC 8 *Scope of IFRS 2 Share-based Payment* (effective date 1 May 2006) addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

– IFRIC 9 *Reassessment of Embedded Derivatives* (effective date 1 June 2006) requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Company's 2007 financial statements. The Company has not yet determined the potential effect of the interpretation.

– IFRS 8 *Operating Segments* (effective from 1 January 2009) requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The potential effect of the interpretation is one of disclosure only.

– IFRIC 12 *Service Concession Arrangements* (effective from 1 January 2008) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations as none of the Company entities have entered into any service concession arrangements.

– IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007) requires a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity settled share-based payment transaction, regardless of how the entity instruments needed are obtained. It also provides guidance on whether share-based payments arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Company has not yet determined the potential effect of the interpretation.

Cash and cash equivalents

Cash and cash equivalents comprise of cash deposits and petty cash.

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad and doubtful debts.

Inventories

Inventories, mainly spare parts and supplies, are stated at the lower of cost and 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. Land is not depreciated.

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

Asset	Period
Building and infrastructure	12 - 40 years
Plant and equipment	4 - 15 years

Expenditures on repairs and maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets are 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 from two to five years.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized at cost.

Provision for retirement benefits (other long-term employee benefits)

The Company's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

Employee benefits — contributions for supplementary pension insurance

Obligations for contributions to supplementary pension insurance 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

In thousands of SKK	Land and buildings	Plant and buildings	Assets under construction	Total
Cost				
At 1 January 2006	568 448	1 845 097	94 898	2 508 443
Additions	18 829	47 939	61 344	128 112
Disposals	(481)	(49 183)	–	(49 664)
At 31 December 2006	586 796	1 843 853	156 242	2 586 891
Accumulated depreciation and impairment losses				
At 1 January 2006	159 965	1 295 321	–	1 455 286
Release of the impairment losses	(9 265)	–	–	(9 265)
Charge for the year	14 213	174 728	–	188 941
	(481)	(49 183)	(49 664)	Disposals
At 31 December 2006	164 432	1 420 866	–	1 585 298
Net book value				
At 1 January 2006	408 483	549 776	94 898	1 053 157
At 31 December 2006	422 364	422 987	156 242	1 001 593

3. INTANGIBLE ASSETS

In thousands of SKK	Software	Software	
Cost		Cost	
At 1 January 2006	135 630	At 1 January 2005	246 262
Additions	1 808	Additions	788
Disposals	(2 772)	Disposals	(111 420)
At 31 December 2006	134 666	At 31 December 2005	135 630
Accumulated depreciation		Accumulated depreciation	
At 1 January 2006	131 478	At 1 January 2005	237 513
Charge for the year	3 798	Charge for the year	5 385
Disposals	(2 772)	Disposals	(111 420)
At 31 December 2006	132 504	At 31 December 2005	131 478
Net book value		Net book value	
At 1 January 2006	4 152	At 1 January 2005	8 749
At 31 December 2006	2 162	At 31 December 2005	4 152

4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities as at 31 December 2006 and 2005 are attributable to the items detailed in the table below:

In thousands of SKK	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Property, plant and equipment	–	–	(8 227)	(6 623)	(8 227)	(6 623)
Inventories	5 304	5 752	–	–	5 304	5 752
Receivables	8 473	11 122	–	–	8 473	11 122
Provision for employee benefits	10 111	10 295	–	–	10 111	10 295
Payables	–	455	–	–	–	455
Deferred tax assets / (liabilities)	23 888	27 624	(8 227)	(6 623)	15 661	21 001
Set off of tax	(8 227)	(6 623)	8 227	6 623	–	–
Net deferred tax assets	15 661	21 001	–	–	15 661	21 001

The deferred tax assets as at 31 December 2006 have been calculated using a rate of 19% (2005: 19%).

5. INVENTORIES

In thousands of SKK	2006	2005
Spare parts and supplies	55 218	48 342
Provision for slow-moving items	(27 921)	(30 273)
	27 297	18 069

6. TRADE AND OTHER RECEIVABLES

In thousands of SKK	2006	2005
Trade accounts receivable	256 814	244 417
Provision for bad and doubtful debt	(63 177)	(67 265)
Advances to suppliers	2 281	6 534
Value added tax receivable	12 299	13 904
Other receivables and prepaid expenses	7 025	3 410
	215 242	201 000

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. In 2005 and 2006 no changes occurred. As at 31 December 2006, the Issued capital was TSKK 1,163,083.

Other capital funds

The Supervisory Board decided on 30 June 2006 to transfer to Other capital funds an amount of TSKK 48,852 from the 2005 profit. The remuneration of the Supervisory Board represented the amount of TSKK 1,458. The remuneration was paid during the year 2006. The Supervisory Board also decided on 30 June 2006 and 10 December 2006 to provide financial donations in the amount of TSKK 1,100. As at 31 December 2006, the Other capital funds were TSKK 455,312.

Legal reserve fund

The increase in legal reserve fund in amount of TSKK 2,911 was approved by the Supervisory Board on 30 June 2006. As at 31 December 2006, the Legal reserve fund was TSKK 39,984. This reserve fund is not available for distribution and should only be used as a reserve against future losses arising from business activities.

8. INTEREST BEARING LOANS AND BORROWINGS

In thousands of SKK	2006	2005
Investment loans from the European Investment Bank	64 783	142 873
Less: current portion	(64 783)	(71 436)
	–	71 437

Loans denominated in USD and EUR are repayable in sixteen semi-annual instalments from February 2000. As at 31 December 2006 the outstanding balance of loans denominated in EUR and USD was EUR 1,751,871 (2005: EUR 3,503,742) and USD 160,625 (2005: USD 321,250), respectively.

Terms and repayments of the non-current debt are as follows:

In thousands of SKK	Total	2007
Secured bank loans:		
EUR - fixed from 4.23% to 7% p.a.	60 567	60 567
USD - fixed at 6.35% p.a.	4 216	4 216
Total	64 783	64 783

Loans payable to the European Investment Bank of TSKK 64,783 (2005: TSKK 142,873) are guaranteed by the Government of the Slovak Republic.

9. PROVISION FOR RETIREMENT BENEFITS (OTHER LONG-TERM EMPLOYEE BENEFITS)

In thousands of SKK	2006	2005
Present value of retirement benefits	49 304	54 184

Under collective agreements with employees, the Company pays to employees certain retirement benefits. Each employee, who has been employed with the Company for 10 years or less, is eligible for a retirement benefit of 3 times the monthly salary and, if employed for more than 10 years this amount increases to 4 times the monthly salary. For the employees with RLP card this benefit is increased to 24 times of the monthly salary.

The Company did introduce new benefit in Collective agreement 2005. It is understood by the Company and employees that the benefit is transitional for the period before new legislation on retirement of air traffic controller (ATCO) become valid. Moreover the new benefit is contingent on the agreement between the employee and the Company. Therefore it does not create constructive obligation. The liabilities, past service and current service costs for this benefit have been therefore calculated only for periods until the expected introduction of new legislation. Past service costs related to this benefit are recognized immediately in 2006.

Movements in provision for retirement benefits:

In thousands of SKK	2006	2005
At 1 January 2006	54 184	44 467
Interest costs	1 821	1 956
Current service costs	2 533	2 785
Past service costs*	—	6 733
Actuarial (gains)/losses	(1 671)	1 667
Benefits paid	(7 563)	(3 424)
At 31 December 2006	49 304	54 184

* Impact of the introduction of a new benefit

10. TRADE AND OTHER PAYABLES

In thousands of SKK	2006	2005
Trade accounts payable	10 698	7 026
Salaries, wages and social security payable	52 338	45 979
Employee income taxes	11 306	10 389
Accrued interest on loans and borrowings	1 240	2 737
Social fund (see below)	24 995	31 073
Other payables and accrued expenses	41 696	29 531
	142 273	126 735

Based on collective agreements with employees, the Company operates a defined contribution plan for endowment 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 2006, the Company contributed to the employees' endowment insurance an amount of TSKK 10,642 (2005: TSKK 10,357). In 2006, the Company also contributed from the social fund to the employees' supplementary pension insurance an amount of TSKK 288 (2005: TSKK 89).

11. PERSONNEL EXPENSES

In thousands of SKK	2006	2005
Wages and salaries	502 560	472 614
Legal social insurance	83 666	78 101
Provision for retirement benefits	(968)	9 717
Retirement benefits	7 563	3 424
Supplementary pension insurance	28 257	28 191
Social fund expense	20 328	13 296
Additional contribution to social fund	5 000	10 000
Severance payments	500	5 251
Remuneration of the Supervisory Board and Directors	4 112	6 034
	651 018	626 628

The average number of employees during 2006 was 450 (2005: 460) including 8 directors (2005: 9).

The Company contributes to supplementary pension insurance for employees. In 2006, the Company contributed TSKK 28,257 (2005: TSKK 28,191), representing 6% from the gross salaries for all employees. An amount of TSKK 28,257 (2005: TSKK 28,191) is recognized in the income statement as expense and an amount of TSKK 288 (2005: TSKK 89) was paid from the social fund.

There was an additional contribution to the social fund in the amount of TSKK 5,000 in the year 2006.

12. OTHER OPERATING EXPENSES

In thousands of SKK	2006	2005
EUROCONTROL membership fees	114 233	114 166
Telecommunication costs	33 688	37 211
Insurance	70 941	24 377
Spare parts and supplies	21 779	25 736
Meteorological services	26 500	26 500
Repairs and maintenance	24 021	25 496
Maintenance fees for technical software	13 162	8 864
Travel	15 387	14 659
Rent of premises	15 651	14 631
State air traffic inspection	9 327	239
Other services	26 212	22 759
Training	—	3 009
Provision for spare parts	—	593
Release of impairment losses to land	(9 265)	—
Provisions and write-offs (write backs) of bad and doubtful debts	(26 290)	(19 966)
Other operating expenses	40 859	39 273
	376 205	337 547

Membership fees paid to EUROCONTROL increased in 2006. The contribution is calculated in advance and is based on certain factors such as GDP of the country and cost-base for route facility charges.

Significant increase in insurance was due to a new contract signed for damage responsibility for providing air traffic services with the insurance limit of EUR 1,000,000,000. The insurance limit in 2005 was USD 500,000,000.

13. NET FINANCING COSTS

In thousands of SKK	2006	2005
Interest income	9 439	8 912
Interest expenses	(5 413)	(9 655)
Net foreign exchange losses	(24 379)	(9 647)
Total financing expenses	(29 792)	(19 302)
Net financing costs	(20 353)	(10 390)

14. INCOME TAX EXPENSE

In thousands of SKK	2006	2005
Current year tax expense	6 454	5 362
Deferred tax expense	5 341	2 881
Total income tax expense in income statement	11 795	8 243

Income taxes have been provided for at a rate of 19 % (2005: 19 %) of taxable income based on Slovak accounting and tax regulations and deferred tax at a rate of 19 % (2005: 19 %). 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:

In thousands of SKK	2006		2005	
Profit before tax		48 068		55 575
Income tax using the prevailing corporation tax rate	19%	9 133	19%	10 559
Non-deductible expenses	65%	31 087	110%	61 266
Non-taxable income	-91%	(43 692)	-150%	(83 222)
Temporary differences	32%	15 267	35%	19 640
	25%	11 795	15%	8 243

15. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2006, the Directors of the Company and members of the Supervisory Board received wages and salaries amounting to TSKK 26,138 (2005: TSKK 21,805) and TSKK 9,594 (2005: TSKK 16,527), respectively.

16. COMMITMENTS

Capital commitments

As at 31 December 2006, the Company has entered into purchase agreements for property, plant and equipment totalling approximately TSKK 382,000 (2005: TSKK 11,730).

Lease obligations

The Company entered into a future lease for office space effective from 2006. The minimum annual lease payments are TSKK 9,297.

Endowment 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.

17. 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 for 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. 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.

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 Company is showing the following structure of assets and liabilities in foreign currency and Slovak crowns as at 31 December 2006:

In thousands of SKK	EUR	USD	Other	SKK	Total
Assets					
Deferred tax asset	–	–	–	17 421	17 421
Trade and other receivables	22 969	7 278	–	184 995	215 242
Corporate income tax refund	–	–	–	13 316	13 316
Cash and cash equivalents	203	135	51	535 187	535 576
	23 172	7 413	51	750 919	781 555
Equity and liabilities					
Interest bearing loans and borrowings	60 567	4 216	–	–	64 783
Other non-current liabilities	–	–	–	309	309
Provision for retirement benefits	–	–	–	49 304	49 304
Trade and other payables	5 248	3	215	136 807	142 273
	65 815	4 219	215	186 420	256 669

Fair values

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

ACRONYMS AND ABBREVIATIONS

ACC	Area Control Centre
AFTN	Aeronautical Fixed Telecommunication Network
AIM	Aeronautical Information Management
AIP	Aeronautical Information Publication
AIS	Aeronautical Information Services
APP	Approach Control Unit
ATC	Air Traffic Control
ATM	Air Traffic Management
ATS	Air Traffic Services
ASMT	Automatic Safety Monitoring Tool
CEATS	Central European Air Traffic Services
CIDIN	Common ICAO Data Interchange Network
CNS	Communications, navigation and surveillance
CTR	Control zone
DLHM	Long-term tangible assets
DLNM	Long-term intangible assets
DME	Distance Measuring Equipment
DVOR	Doppler VHF Omnidirectional Radio Range
EAD	European AIS Database
ECIP	European Convergence and Implementation Plan
EIB	European Investment Bank
ELT	Emergency Locator Transmitter
ESSAR	Eurocontrol Safety Regulatory Requirement
EUROCONTROL	European Organisation for the Safety of Air Navigation
FIC	Flight Information Centre
FIR	Flight Information Region
ICAO	International Civil Aviation Organization
IFR	Instrument Flight Rules
ILS	Instrument Landing System
INO	International NOTAM Operation
LIS	Aeronautical Information Services
MDPT SR	Ministry of Transport, Posts and Telecommunications of the Slovak Republic
MKR	Marker
NDB	Non-Directional Radio Beacon
PAMS	Published AIP Management System
RCC	Rescue Co-ordination Centre
RLP SR	Air traffic control SR
SAF	Safety
SBP	Strategy Bussines Plan
SDO	Static data procedures
SES	Single European Sky
SMS	Safety Management system
TMA	Terminal control area
TWR	Aerodrome Control Tower
TZL	Technical Provisions of LPS
VFR	Visual Flight Rules
VORVHF	Omnidirectional Radio Range



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