



2007

ANNUAL REPORT

LETOVÉ PREVÁDZKOVÉ SLUŽBY SLOVENSKEJ REPUBLIKY, ŠTÁTNY PODNIK
AIR NAVIGATION SERVICES PROVIDER





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PREFACE BY THE DIRECTOR GENERAL



Ladies and Gentlemen,

the previous year was a year of crucible for LPS SR. As we all know very well, the activities of some groups of our employees from air traffic controllers family have ended in industrial action in February with a consequence that practically the whole Slovak airspace, with except for major airports, was closed. Paradoxically, the reason for strike was not a solution of classical labour relations and social issues but, according to the statement of it's organizers, the reason was to point out that safety level of the services provided by them selves is low. It is not my intention to analyze details like if the strike was neither competent or not nor lowful or not. A subsequent international safety audit organized by Ministry of Transport, Posts and Telecommunications as well as follow-up audits performed by CAA have proved that safety level was not decreased, that it is comparable to European level and that significant deficiencies published in mass media by organizers of strike were not confirmed. Now, after some time has passed, I am glad to say that the Letové prevádzkové služby Slovenskej republiky state enterprise managed to pass the trial and that our services are provided in compliance with requirements imposed on us.

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The number of airplanes that flew over the Slovak airspace dropped especially due to rerouting of the traffic flows outside the territory of Slovakia during the strike followed by reducing declared capacity. Those circumstances affected summer season as well. When compared with the year 2006, the total number of flights over Slovakia dropped by 1.8 percent.

In spite of this fact and with regard to the prognosis that forecasted doubling of air traffic in the European Union airspace until 2020, I prefer being an optimist. If we consider the prospect, based on which 12.8 million of IFR flights would be made in 2014 within the Eurocontrol Statistical Reference Area, i.e. 29 percent more than in 2007, the average annual growth would be 3.7 percent. Of course we have to take into consideration the possible changes in traffic connections and, with regard to high prices of fuel, the possible risk of drop of the air traffic volume.

The main priority of the LPS SR is to guarantee a certain level of air traffic safety and therefore cooperation between individual air navigation service providers is important, as well as application of procedures resulting from the Single European Sky legislation. In relation to the cooperation and based on the decision of CEATS Co-ordination Group/20 (CCG/20) that approves the FAB CE results – the feasibility study, and based on the CCG/20 decision on the need of continuing in preparation of the FAB CE implementation plan without any undue delay, providers from seven states (Bosnia and Herzegovina, Czech Republic, Croatia, Hungary, Austria, Slovak Republic and Slovenia) agreed to prepare a joint implementation plan in order to establish and operate a functional airspace block in the upper and lower airspace of the participating countries. The common Memorandum on cooperation prepared by states concerned will be available. The objective of this memorandum is to create a cooperation framework with the necessary external support and to expedite the progress.

LPS SR, state enterprise is a compact subject that provides its services on a high professional level. In spite of difficulties in the first half, it has achieved a positive balance at the end of year. Therefore I would like to take this opportunity and to express my thanks all the people who made maximum effort contribute to and thus help to keep the good name of the LPS SR.

Ing. Roman Bíro, PhD.
Director

A handwritten signature in blue ink, appearing to be 'R. Bíro', written in a cursive style.

REPORT OF THE SUPERVISORY BOARD

During its meeting on April 27, 2008, based on the audit of financial statements conducted by auditing company BDR, spol. s r.o., M. M. Hodžu 3, Banská Bystrica, the Supervisory Board of Letové prevádzkové služby Slovenskej republiky, štátny podnik evaluated the results of economic activities of the enterprise for 2007 and stated that the Company's economic activities are in compliance with the valid laws, and that the presented financial statements of the company Letové prevádzkové služby Slovenskej republiky, š. p. express the property and financial situation as of December 31, 2007 truly and in all its important connections, and the results of its economic activities for the given year are processed in compliance with the Act. No. 431/2002 Coll. on Accounting as amended and in compliance with the Accounting Standards in force for the business subjects using double entry bookkeeping for 2007. At the same time the Supervisory Board stated that balanced economic activities of the state enterprise were provided for.

The Supervisory Board discussed the motion for distribution of business result after taxes and pursuant to Section 8, Par. 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 Slovak Republic No. 175/1993 Coll. on Financial Management of State Enterprises, and approved the proposed distribution.

The Supervisory Board also discussed the Report on the Company's Business for 2007 intended for Company's founder and took it into consideration.



Ing. František Perutka
Chairman of the Supervisory Board
of Letové prevádzkové služby Slovenskej republiky, štátny podnik

ACTIVITIES OF THE ENTERPRISE IN 2007

ATM AREA

ACC Bratislava

In 2007, the total en-route air traffic dropped by 1.8% when compared with 2006, i.e. the total number of overflights dropped from 334,414 to 328,316.

The strike of air traffic controllers in February was one of the reasons of the drop of the number of overflights; from February 22 to 26 the air traffic service provided by ACC Bratislava unit was reduced and consequently suspended. Only flight information and alerting services were provided – all this was classified as ATM-specific occurrences, as an inability to provide ATS services.

Due to the above-mentioned reasons, capacities in sector "ALL" were reduced on February 22 to 23 to 20 aircraft/hour. 417 and 395 flights were served by six employees during daily service. In the following days, February 24 – 26, 2007, the FIR's airspace was closed; only alerting and flight information services were provided to the flights in emergency, to ambulance flights and state flights. The numbers of overflights in the given days were 62, 61 and 76.

On February 27, 2007 the provision of ATS services was restored, number of overflights was regulated to 20 aircraft/hour according to an agreement between the Ministry of Transport, Posts and Telecommunications of the Slovak Republic and the ATC Association representatives until the controversial issues were solved during an international audit by Eurocontrol.

At the beginning of May, the operation increased to maximum (previous) capacities of sectors, and the maximum number of sectors was regulated to four, according to the operational needs.

During January – April 2007, three sectors were in operation in ACC Bratislava. From April 12, 2007, four sectors were in operation and they were activated in accordance with the time needs of traffic. Since June, five sectors had been planned to be active, while 4 of them were in use and they were activated on the basis of the operational needs and utilisation of the sectors. Four active sectors system was in operation until October 15. Afterwards it was shifted to three planned sectors until the end of 2007.

In November, the new Act on organisation of working time in transport entered to force, and so maximum 8 hour working shifts started to apply to the air traffic controllers, and commencements of day and night shifts in the ACC unit were modified in accordance with the Act.

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APP/TWR Štefánik

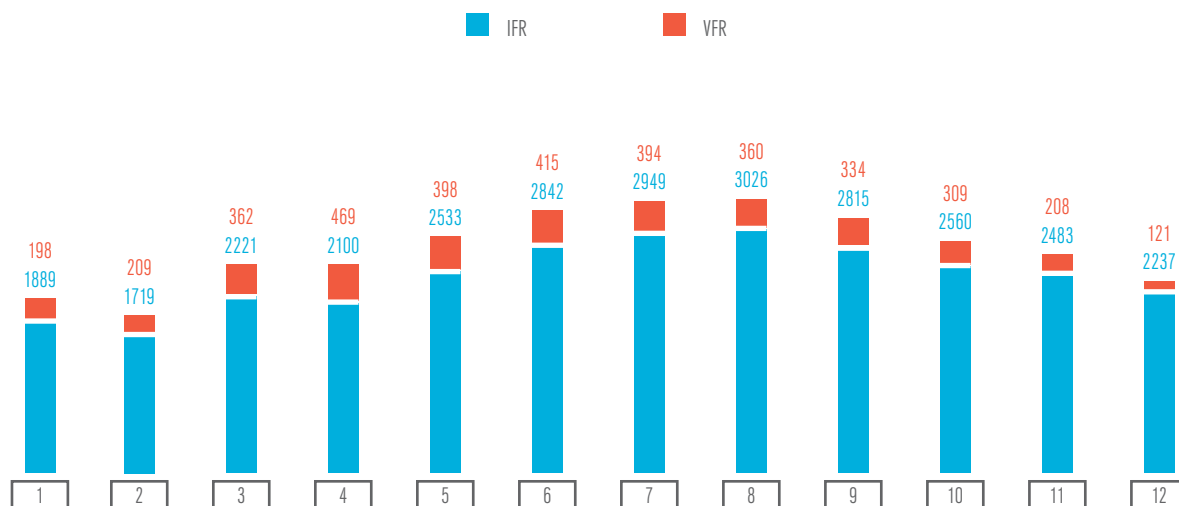
The main activity of the employees of APP/TWR Štefánik units and TWR Piešťany unit in 2007 was to expand the air traffic services and to make them of higher quality.

Within the scope of improving the professional level and qualification, four employees of APP/TWR units passed the examinations for non-radar controllers at Civil Aviation Authority of the Slovak Republic, two employees passed an examination for OJT instructor position and four employees passed an examination for ES position in 2007.

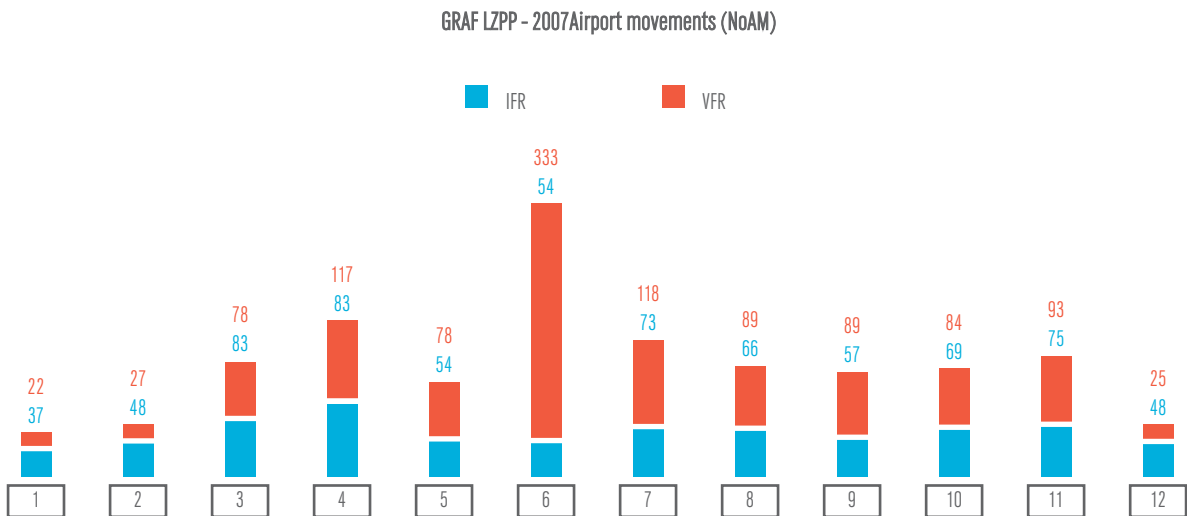
Thanks to expansive development of low-cost airline operators, Sky Europe Airlines and RYANAIR, and increased interest of other foreign airline operators, the air traffic at the M. R. Štefánik Airport was apparently revived. It is also proved by the number of regular lines that keep increasing every year.

Comparison of the number of movements at the M. R. Štefánik airport in 2007 with the same period in 2006 (33 151) showed an increase by 12.2 %.

GRAF LZIB - 2007 Airport movements (NoAM)

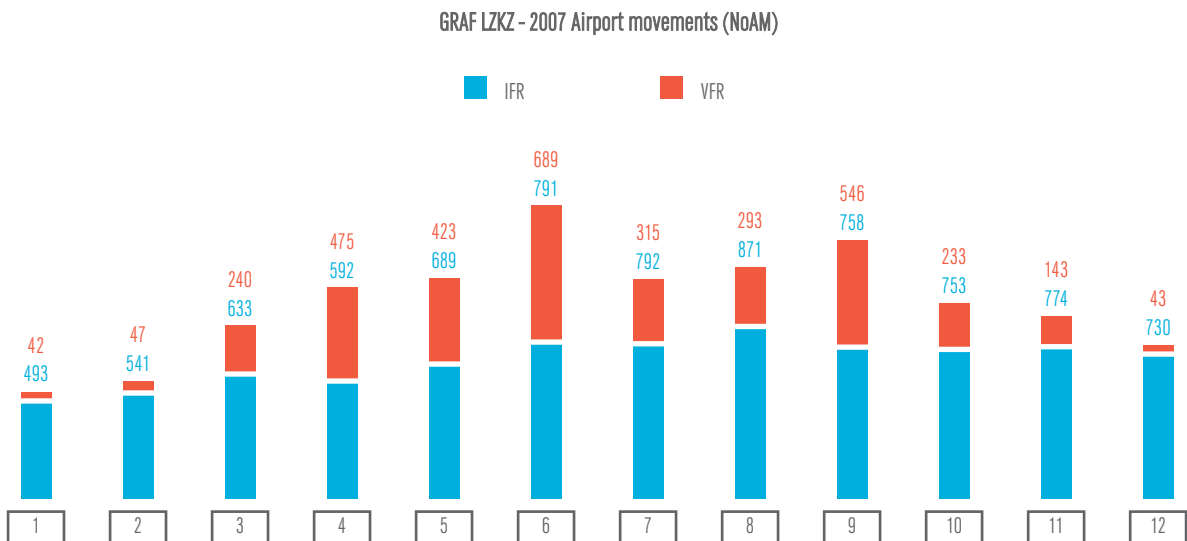


Comparison of the number of movements at the Piešťany airport in 2007 (1920) with the same period in 2006 showed an increase by 12.9 %.



APP/TWR Košice

Total number of movements within the aerodrome traffic was 11,906, what represents an increase by 11.9 % when compared with 2006.



TWR Tatry

Air traffic services in TMA Poprad, CTR Tatry and in the Poprad-Tatry Airport were provided without any restrictions and delays in 2007.

1. Operating hours of ATS TWR Tatry:

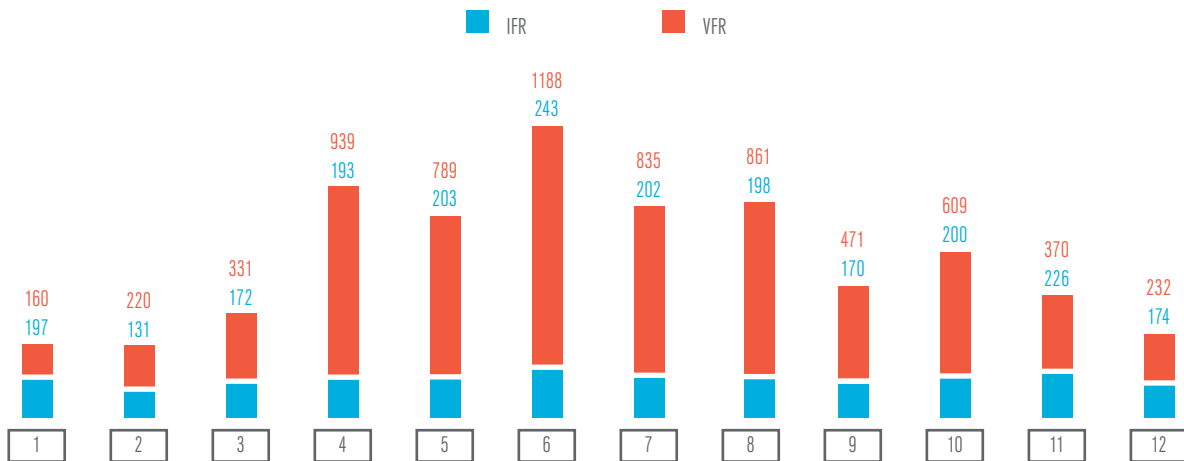
- The published operating hours of providing the ATS services were changed twice in 2007; the changes were related to introduction of a new regular line of ČSA air operator on route Prague – Poprad-Tatry,
- From January 01 – March 25, 2007 the operating hours were limited to 12 hours a day (07:00 a.m. – 07:00 p.m. local time),
- From March 26, 2007 to December 01, 2007 the operating hours were changed to 20.5 hours a day on Monday – Friday (03:30 a.m. – 00:00 local time), 15.5 hours on Saturday (03:30 a.m. – 07:00 p.m.) and 17 hours on Sunday (07:00 a.m. – 00:00),
- From December 01, 2007 the ATS opening hours changed to 07:15 a.m. – 10:00 p.m. on Monday – Friday and 07:15 a.m. – 07:00 p.m. on Saturday and Sunday – due to cancellation of the above mentioned ČSA line.
- In 2007, during the period of restricted operating hours, the operating hours were extended beyond the published time in 23 cases at least based on a request by the airport operator and air operators that use the Poprad-Tatry airport.

2. ATM procedures:

- In May 2007 the ATM procedures were changed – the standard arrival and departure routes were shifted through the LOLKA point.

The total number of movements within the airport operation was 9,314, what represents an increase by 10.4% when compared with 2006.

GRAF LZTT - 2007 Airport movements (NoAM)

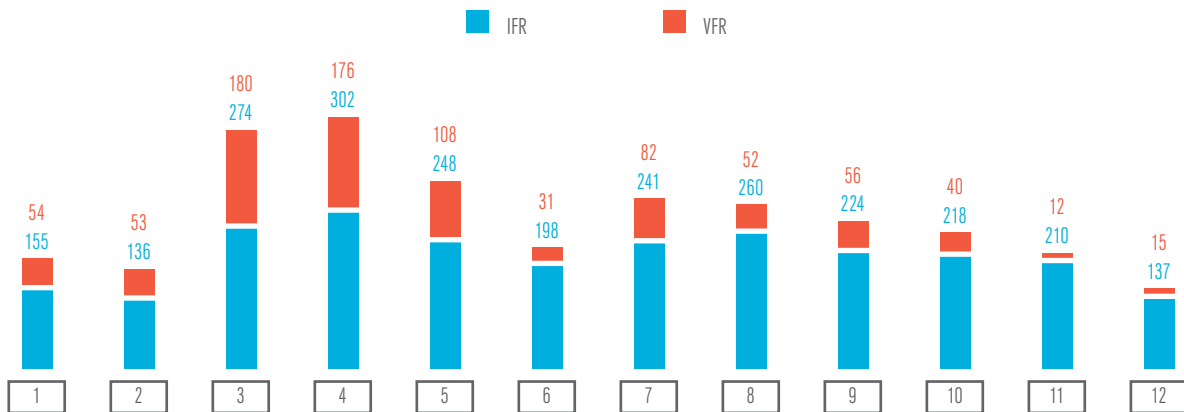


TWR Sliač

During 2007 the scope of services was reduced from 24 to 19 hours a day, with standby working shift at the workplace during night. Services were provided in close relation with regular air traffic flights Sliač - Prague - Sliač.

The total number of movements within the aerodrome traffic was 3,462 what represents an increase by 25.6 % when compared with 2006.

GRAF LZSL - 2007 Airport movements (NoAM)



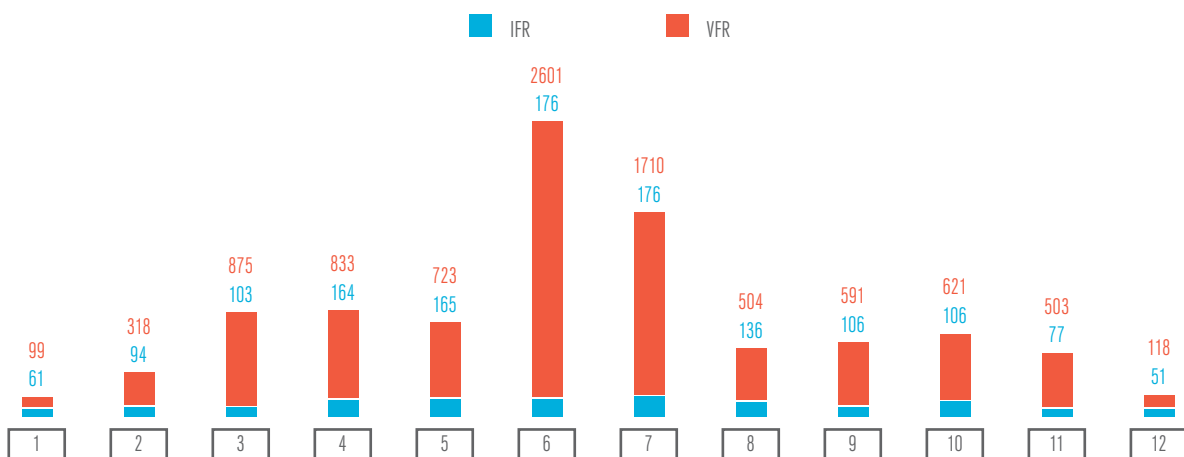
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TWR Žilina

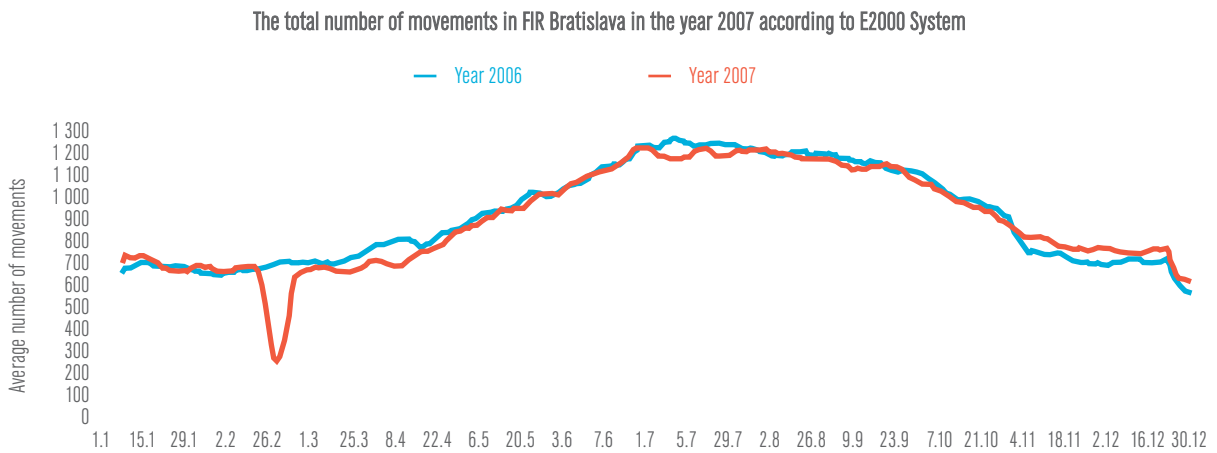
In 2007 the operating hours were extended due to expanding the regular ČSA line from Žilina to Prague by Saturday flights.

The total number of movements within the aerodrome traffic was 10,993 what represents a drop by 5.5% when compared with 2006.

GRAF LZZI - 2007 Airport movements (NoAM)



In addition to aerodrome traffic the APP and TWR units served to other 21 871 transiting flights across the TMAs and CTRs where most of them were handled by APP/TWR Štefánik (51.5 %), TWR Sliač (38.3 %) and TWR Žilina (32.5 %).



CARO Bratislava

Besides the routine activities, the activities of CARO employees were focused on implementation of self-service ARO terminals at individual airports.

This type of operation was implemented at ARO Sliač and ARO Piešťany. The services are covered through selfbriefing with non-stop assistance of CARO Bratislava.

SAFETY IN ATM

Audits

In 2007 the Civil Aviation Authority of the Slovak Republic performed audits of the SAF department focused on implementation of ESARR 5 – ATM services personnel, ESARR 2 – Reporting and assessment of safety occurrences in ATM and ESARR 4 – Risk assessment and mitigation.

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Based on a request by the Ministry of Transport, Posts and Telecommunications, an international audit was performed by EUROCONTROL in March 2007 and in April 2007, and it was focused on review of safety of LPS SR performances. Therefore the activities of the department were focused to a great extent on preparation and providing for documentation for the audit.

The SAF department participated in preparation and fulfilment of the Action plan of improvements with regard to the EUROCONTROL audit findings.

Technical investigation

A significant increase of the number of reported air traffic incidents was recorded during the monitored period. 45 incidents were subject to internal investigation (26 events were investigated in 2006).

Besides that, the SAF department received and started investigation of 22 voluntary reports and 5 complaints by citizens regarding aircraft noise and air pollution.

Overview of air traffic incidents occurred within the Slovak Republic in 2007

211 aviation incidents (including accidents) occurred in the Slovak Republic in 2007, what represents an increase by 7% when compared with 197 incidents for the same period in 2006. Out of the number, 41 reports were about full or partial overflight over FIR Bratislava without radio contact with the air traffic control units (PLC).

Incident	Total	Relation to ATM	Share of LPS SR on occurrence		
			Direct	Indirect	Total
Aircraft accident	21	2	0	0	0
Serious incident	3	2	1	0	1
Incident	149	116	8	5	13
SATM	28	28	3	0	3
Various incidents	10	10	1	0	1

Note: the overview includes incidents that related in any way with provision of ATM services although circumstances of their origin was not connected with the eservices provider.

Risk Assessment and mitigation

In 2007 the enterprise implemented the process of meeting the requirements of risk assessment and mitigation in ATM in accordance with the ESARR 4 requirements.

Education in the field of Safety

The SAF department performed trainings about the principles of safety management system for all the employees of DLPS, DTZL, RCC and AIM, the scope of activities of whom relate to ATM safety. Within the scope of increasing the safety awareness, the employees of the SAF department made available error analysis of air traffic incidents during the lessons at ATS units meetings as well as thru the Methodological days organized by ATS Operations Division.

CNS DEPARTMENT

Technical support of ATS

The achieved values of reliability (preparedness) characteristics of the supplied services, CNS systems and devices being operated clearly state that in 2007 the overall average operability was managed up to 99.5%.

The comparison of performance indicators for 2005, 2006 and 2007 shows increasing and permanent achievement of the requested values of reliability characteristics.

The total operability of technical systems providing aeronautical telecommunication services, data transferring telecommunication services and technical support of air traffic services is requested to be better than 99.5 %.

Table: Total average operability for 1933 components of the recorded CNS systems/ devices and the median value for 79 selected supplied ATM services.

Comparison of the achieved operability values in 2005, 2006 and 2007

	Year	2005 %	2006 %	2007 %	Development trend
Characteristics					
A					
Total average operability value of all the recorded components when taking into consideration defects only		99,90	99,91	99,95	improving
B					
Total average operability value of all the recorded components when taking into consideration defects and maintenance		99,81	99,85	99,90	improving
Medium value					
Median value of operability for 79 selected supplied ATM services (median is the number in the middle of a set of numbers)		99,65	99,74	99,79	improving
Number of recorded and evaluated components of CNS systems/ devices		1774	1826	1933	The number of components is increasing

Total average value of operability for 1933 recorded components of the CNS systems and devices in 2007 was 99.90%. This represents improvement of the achieved operability of the CNS systems and devices by 0.90% compared with 2005 and by 0.05% compared with 2006. The quality objective determined for the Engineering and Infrastructure Division for 2007 was met.

The gradually improving values of operability of the CNS systems and devices in 2005 to 2007 indicate a positive development trend, and improvement of quality of the CNS services provided.

Table: Total average values of operability for ATM services provided – comparison from 2005 to 2007

Supplied ATM services	Value achieved in 2005	Value achieved in 2006	Value achieved in 2007	Development trend the achieved condition
Communication systems (C – Communication)				
Total average value of communication systems operability	99,86 %	99,89%	99,87 %	Slight drop
Navigation systems (N – Navigation)				
Total average value of navigation systems operability	98,20 %	98,44 %	98,80 %	Improvement
Surveillance systems (S – Surveillance)				
Total average value of surveillance systems operability	99,76 %	99,924 %	99,925 %	Slight improvement

The achieved value of communication systems of 99.87 % is higher than the requested value of 99.5%. Slight drop of the achieved average value of operability of communication systems in 2007, when compared with the previous year, is influenced by the emergency characteristics of the NICE voice communication record system, and especially by the emergency characteristics of the telecommunication lines rented from external suppliers (T-COM and Orange Slovakia) that we cannot influence.

Decreased average value of operability of navigation systems was caused by the total time of preventive maintenance, that had been planned in advance. It is a set 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 CNS systems and devices (such as NDB, MKR, DME, DVOR, VOR, ILS) without turning them fully off. The key objective of the preventive maintenance is to prevent breakdowns of devices before they occur. Safety of the provided services was not influenced in any way and the consequence of performance of the regular preventive maintenance was a minimum one.

AERONAUTICAL INFORMATION SERVICES (AIS)

Besides the main activities of the aeronautical information management (AIM) department, i.e. performance of aeronautical information services, employees of the department were also providing for other activities, namely issuing of the ICAO equivalent documents (series L) regulations, JAR and other documents, activities of the point-of-sale selling the ICAO documents. Within the framework of performing the aeronautical information services, the amendment service of Aeronautical Information Publication of the Slovak Republic was provided for and other parts of the integrated aeronautical information package were issued in compliance with the requirements and the needs of users. No lacks in providing aeronautical information service were recorded during the period under review.

Digital terrain model and database of obstacles

Activities leading to fulfilment of the requirements resulting from the change No. 33 of the ICAO Annex 15 continued during the period under review. Data about the Area 1, i.e. the territory of whole Slovakia, were provided for by the Topographic Institute of the Army of the Slovak Republic (TOPU) based on a licence contract signed by the Ministry of Defence and LPS SR. Acquiring of data for the Area 4 (clearways of airports with CAT II/III operations) was discussed with the airports in question and it will be performed in 2008. The issue of providing for the data about the Area 2 (TMA) was discussed with TOPU in Banská Bystrica with the aim to secure fulfilment of the task within the set deadline (2010). AIM cooperated with the Civil Aviation Authority and TOPU in order to prepare the database of obstacles. Within this field, the AIM specialists cooperated actively with the working group established within Eurocontrol, the task of which was to provide for a harmonized procedure for implementation of DMT and DB obstacles for the countries.

Interactive internet site

After successful introduction of the new interactive internet site of the AIM department in 2006, the users have provided a positive feedback. Specification for functionality extension and other improvements of the application were prepared in accordance with the plan. Tender for suppliers was held in cooperation with the Investment Department and the project started to be implemented.

SLAs

In 2007, agreements on mutual cooperation in supplying the documents for aeronautical information service publications (service level agreements, SLA) were signed by operators of Košice airport, Poprad-Tatry airport, Sliach airport, Piešťany airport and Žilina airport. These agreements and the SLAs signed in the previous year with Bratislava Airport and the Civil Aviation Authority of the Slovak Republic lay down the preconditions of further improvement of the services provided, especially from the point of view of improving the quality of contents of aeronautical publications. Further, the service level agreements (SLA) on services provided by AIM for the Engineering and Infrastructure Division and vice-versa were prepared and signed in the period under review. These agreements lead to quality improvement of the mutually provided services.

Maintaining compliance with ES 2096/2005 requirements

The activities of maintaining compliance with the common requirements of ES 2096/2005 were performed in accordance with the certificate of aeronautical navigation services provider issued by the CAA of the Slovak Republic. The compliance was verified by the CAA in a form of ongoing audits, that was evaluated in apposite way at the end of the year. Methodical regulation by the AIM department called "Contingency procedures" was issued in connection with fulfilment of the common requirements.

Harmonisation of border points with the adjacent states

Within the harmonisation procedure, the activities leading to harmonisation of the published data on the state border with the adjacent countries continued in cooperation with the State Border Department of the Ministry of Interior of the Slovak Republic.

Preparation of shift to AIXM 4.5

Preparation works relating to shift to the planned version of AIXM 4.5 started in EAD in order to enable implementation of the change. A plan of the shift and technical specification of necessary system changes were prepared. Since the database structure modification is extensive and equal with the planned replacement of AIM systems in terms of time, the two changes will be implemented simultaneously in 2008/2009.

eAIP

A data analysis of records in ENR section was made with the aim to secure automatic generation of eAIP from PAMS. This solution will contribute to better integrity of data and will minimize the influence of human factor on the process of eAIP preparation.

SEARCH AND RESCUE SERVICES

During the period under review, the activities of the RCC centre were performed in compliance with the mission of the LPS SR, i.e. the activities were aimed on organisation, coordination and management of search and rescue services helping the aircraft in emergency. Within the framework of the activities, employees were observing and acting according to the RCC unit manual and the related managing acts.

During the period under review, services of the centre were used in 232 cases (245 cases in 2006).

72 cases involved recording of broadcast on frequencies determined for emergency locator transmitters (ELT), whereas their source was identified in 33 cases. 39 cases involved unprofessional service and unauthorized manipulation with ELT equipment or interference on emergency frequency and the source was not identified.

During the period under review, 72 aviation incidents occurred (of which 11 were aircraft accidents, during which 5 people died). From the evaluation centre of Cospas / Sarsat satellite system, in 24 cases we were asked to help detecting the source of the monitored place of emergency signal broadcasting. In 30 cases it was necessary to cooperate with the neighbouring RCC in Prague, Warsaw and in Vienna. In five cases the uncertainty phase (INCERFA) was declared, alert phase (ALERFA) was declared once (part of a training) and four times the distress phase (DETRESFA) was declared. All the emergency cases were gradually retracted after finding the airplane, re-establishing the contact or after safe landing on an alternative airport. Other 22 incidents were recorded, however it was not necessary to declare any state of emergency.

Inter-departmental cooperation with the Armed Forces of the Slovak Republic was used during the training of the "Violator" action pursuant to relevant agreements.

Further improvement of cooperation in providing the search and rescue services, and further reduction of the number of false broadcastings on the emergency frequency should be achieved in the future also thanks to mutual meeting with representatives of the Slovak air operators that was held in November in Bratislava. The representatives of air operators were, inter alia, informed about the most common lacks that occurred in particular due to unprofessional or incorrect manipulation with emergency locator transmitters.

Joint meeting with representatives of the Defence Department, who participate in providing the search and rescue services within the framework of Air Forces of the Armed Forces of the Slovak Republic, was held in April in Bratislava. The aim of the meeting was to evaluate the existing cooperation. We also took active part in tests of the military devices used for search and rescue services.

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In June we participated in preparation and implementation of a night training of emergency units organized within the framework of a cooperation review of the integrated rescue system crew of Žilina self-governing region in case of an aircraft crash in mountains. In October we participated in AERO 2007, a training of police and medical units. Our activities were also monitored by the Civil Aviation Authority (CAA) of the Slovak Republic and no shortcomings were detected during the training.

The RCC activity is also one of the activities of the LPS SR, which are subjected to a quality management system audit according to STN EN ISO 9001:2001 standard. In February, the company Det Norske Veritas performed a periodical audit at RCC; in April an internal audit of quality management system was performed. No shortcomings were detected.

Human resources

Human resources policy focused on meeting the requirements resulting from international treaties and EUROCONTROL requirements in the field of air traffic safety. Within the above-mentioned, the emphasis was put on preparation of air traffic controllers, on successful passing of language examination pursuant to the ICAO requirements. Professional education of ATM personnel, technical personnel and other employees of the enterprise was based in particular on recommendations by EUROCONTROL specified in ESARR 5; another important part of education was formed by vocational trainings organized by SAF department. Education and courses were provided for according to the current requirements. Special attention was paid to providing 58 employees with long-term education in the Institute of Aeronautical Navigation Services of EUROCONTROL. In 2007 the educational activities for employees of the enterprise cost SKK 4.9 million.

An important factor of human resources development policy was to apply the social policy of the enterprise. In fact, it was the management of labour relations that included remuneration for work, as well as working conditions, protection of health of employees, humanisation of interpersonal relations in the working process and participation of employer on employee's living conditions. A framework for determination of the enterprise value system was based on a poll of employees' opinions made in 2007. Social policy of LPS SR š. p. focuses on meeting the social needs of employees during performance of their job duties, and on improvement of social conditions of employees after they retire and so the enterprise operates as an additional unit of the state social policy. Some measures of the enterprise social policy focus also on support of employees in extraordinary life situations.

The enterprise paid attention to some urgent issues, in particular the motion for decrease of retirement age of air traffic controllers; however the solution depends on acceptance of special labour conditions and labour requirements by the competent central state administration bodies and the consequent approval within a legislative process.

As of December 31, 2007, LPS SR had 469 employees, of which were 130 women. 31 employees were hired in 2007; 3 female employees returned from parent leave; 3 female employees commenced maternity leave. In the period under review, 22 employees were made redundant and employment contracts of 19 employees were terminated by agreement, of which 11 employees retired.

Legal agenda

Legal agenda was provided for in a complex way. The legal department paid attention in particular to preparation, appraisal, marking up and control of draft contracts or amendments to contracts concluded in the field of business and civil law and contract on handling the state property administered by the enterprise. Receivables were assessed from the point of view of their recoverability and secured before their expiry. Another important task was to prepare tender documentation for public procurement of goods, services and works by marking up the tender documentation and by cooperating in preparation of business terms and conditions for conclusion of contracts that are a part of the tender documentation. The enterprise paid attention also to the agenda of basic enterprise documents regarding registration of data in the Commercial Register, i.e. adding data of a registered person.

Inspection activities

Department of internal inspection performed its activities in accordance with the approved annual plan, that included eleven inspections.

The inspection activities performed on the level of senior employees of the 2nd management level were governed by the inspection activity plans and were focused especially on the technical fields of operation of the enterprise. No findings proving occurrence of damage and no other similar findings were reached, and therefore it was not necessary to apply damage or to submit the case to the criminal investigation authorities.

External audit bodies made 11 audits in 2007. Measures to eliminate shortcomings were taken only after the audit by the Tax Authority of the Slovak Republic for selected tax subjects and after the audit by the Supreme Audit Office of the Slovak Republic. All the measures taken in order to eliminate shortcomings detected during the audits were met.

ECONOMIC SITUATION

Evaluation of the LPS SR š. p. economic results for I - XII 2007

Tasks determined in the 2007 financial plan assumed continuation in the trend of increasing efficiency of the company's activities and providing for the required volume of revenues to achieve a positive economic result (profit). However, the stable development of the enterprise in 2006, when the basic economic indicators, including profit, exceeded the estimated values, was actually replaced by a drop of performances of LPS SR, š. p. in 2007, what impaired the above-mentioned trend started in the previous periods. The drop was remarkable in particular in the field of receipts from sale of services in the "en-route charges" item that has a crucial impact on the overall amount of revenues achieved.

A turn in the positive development of economic indicators began at the beginning of 2007, when a strike of air traffic controllers caused air traffic restriction accompanied by a significant drop of receipts. After the strike, the strike emergency mood continued and air traffic kept lagging behind the planned values and it did not achieve the previous year level until the end of the 2007 accounting period.

In 2007, the financial plan determined drawing of costs in the amount of SKK 1,483,523,200. Total costs drawn amounted to SKK 1,233,010,400, i.e. the draw was lower by SKK 109,526,100 than in 2006, 0.92 in index expression. Slight increase of costs when compared with 2006 was recorded in three accounting classes, namely services, personnel costs and income tax. Costs drawn in other accounting classes were lower than in the previous year.

The financial plan of revenues for the year 2007 determined revenues in the total amount of SKK 1,500,917,300. The actual revenues reached by the enterprise amounted to SKK 1,240,027,200, what represents a drop by SKK 138,832,400, i.e. 0.90 in index expression, when compared with the same period of 2006.

The financial plan anticipated an economic result in the total amount of SKK 17,394,100; the economic result actually achieved was SKK 7,016,800, i.e. the economic result was positive.

Costs

When compared with the annual plan of LPS SR, š. p. for 2007, which defined total costs of provision of fluent and safe air traffic above the territory of the Slovak Republic in the amount of SKK 1,483,523,200, the actual costs drawn amounted to SKK 1,233,010,400, i.e. 83.1 % of the planned amount. Low drawing of costs was caused by introduction of effective economic measures during the second half of 2007, the aim of which was to eliminate negative impacts of not observing the plan of revenues.

When compared with 2006, the costs drawn in 2007 were lower by SKK 109,526,100, i.e. index of 0.92.

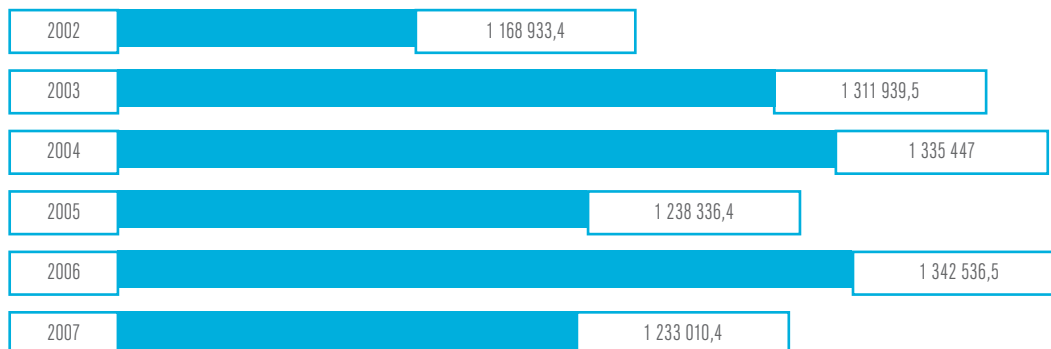
According to individual types of cost items, the actual drawing in 2007 was as follows:

- Consumed purchases, 77.9 % - comparison of actual situation in 2007 and 2006 shows a drop - index 0.92.
- Services, 82.9 % - comparison of actual situation in 2007 and 2006 shows an increase - index 1.07.
- Total personnel costs, 91.4 % - comparison of actual situation in 2007 and 2006 shows an increase - index 1.05. This growth in influenced especially by an increase (by 37 % when compared with the previous period) in the item of Statutory social costs. This item includes costs of training of air traffic controllers abroad. The item of Wages costs increased by 2% during the period under review when compared with the previous period. The total amount of wages costs was influenced especially by measures aimed at achievement of the planned economic result, some temporarily vacant positions and a change in infrastructure of employees.
- Taxes and charges, 68.6 % - comparison of actual situation in 2007 and 2006 shows a drop - index 0.89
- Other costs of economic activities, 81.5 % - comparison of actual situation in 2007 and 2006 shows a drop - index 0.78.



- Depreciations of long-term intangible assets and long-term tangible assets, 76.4 % - comparison of actual situation in 2007 and 2006 shows a drop - index 0.75. The drop of depreciations in 2007 was caused by harmonisation of allocation of the depreciation plan items recommended by conclusion of an audit performed by KPMG Slovensko and included in the "Report on inspection of the cost allocation system", pursuant to the requirements set by the EUROCONTROL document No. 04.60.01 called "Principles of establishing the costs base for en-route charges and calculation of unit rates".
- Financial costs, 57.2 %, comparison of actual situation in 2007 and 2006 shows a drop - index 0.93.

Comparison of cost evolution in ´000 SKK (for years 2002-2007)



Revenues

In 2007 LPS SR, š. p. recorded total revenues of SKK 1,240,027,200, i.e. 82.6 % of annual plan that determined the revenues in the amount of SKK 1,500,917,300. The most important item of revenues were the Receipts from sale of services, which dropped by SKK 37,755,100 when compared with the same period of 2006, i.e. the index was 0.97.

Total drop of receipts from sale of services was caused especially by a drop of the item "Receipts from en-route charges" that comprise crucial part of receipts. The receipts from en-route charges dropped by SKK 82,856,100 when compared with the previous period, i.e. the index was, 0.92.

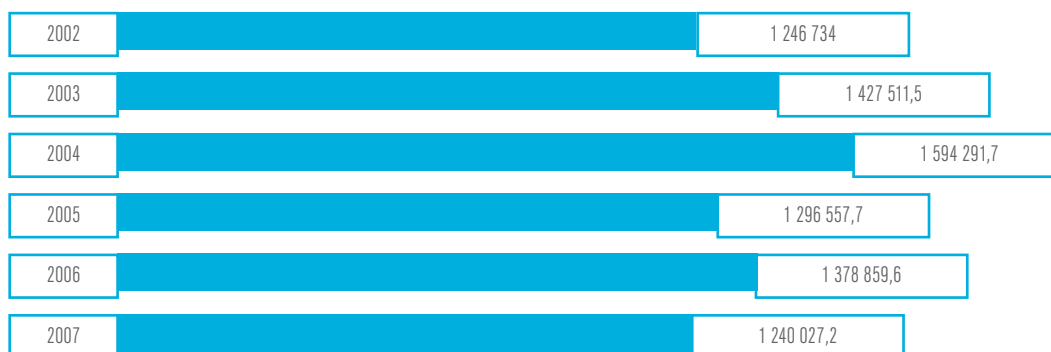


Increase was recorded in the item of approach charges. In 2007 they amounted to total of SKK 237,067,600, what represents an increase by SKK 23,785,300 when compared with 2006. The index was 1.11. This increase was influenced by an increase of operation, while the unit remuneration rates for services of approach and airport control valid since April 01, 2006 remained unchanged.

The structure of revenues divided into individual services shows the following fulfilment of the annual plan for 2007:

- Approach charges 100.1 % of the annual plan.
- En-route charges 79.1 % of the annual plan.
- Training flights 36.6 % of the annual plan.
- Other receipts from sale of services 118.6 % of the annual plan.
- Other revenues from sale of services 123.3 % of the annual plan.

Comparison of revenues evolution in ´000 SKK (for years 2002-2007)



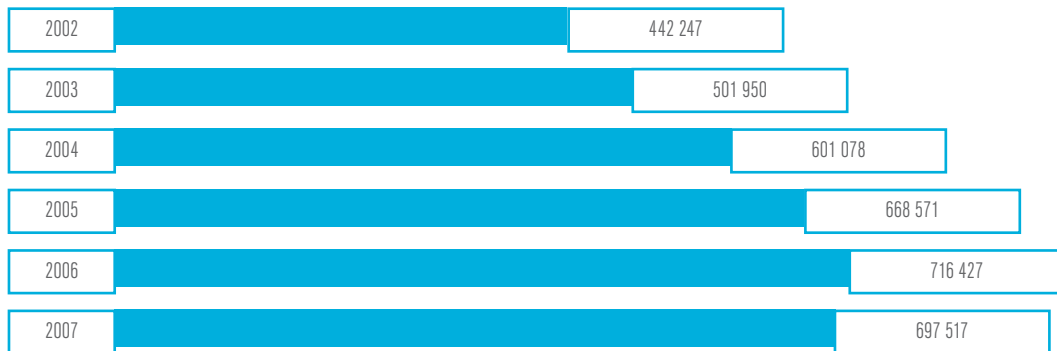
Receipts from sale of services, namely en-route charges, had a crucial influence on creation of revenues. However, they depend on invoiced overflight units and on the amount of the en-route charge.

When setting the charge amount, prognoses of air traffic density made by EUROCONTROL and the experience gained in 2006 were taken into account. Such prognoses anticipated an increase of air traffic to 767,600 of invoiced overflight units. In comparison with the actual situation in 2006, the number of planned invoiced overflight units in 2007 increased by 7.1%, i.e. 51,173 invoiced overflight units.

All the expected costs of operating activities, costs of administration, trainings, schoolings, AIM services and METEO services for 2007 were included in the calculation of the en-route unit rate charge for 2007.

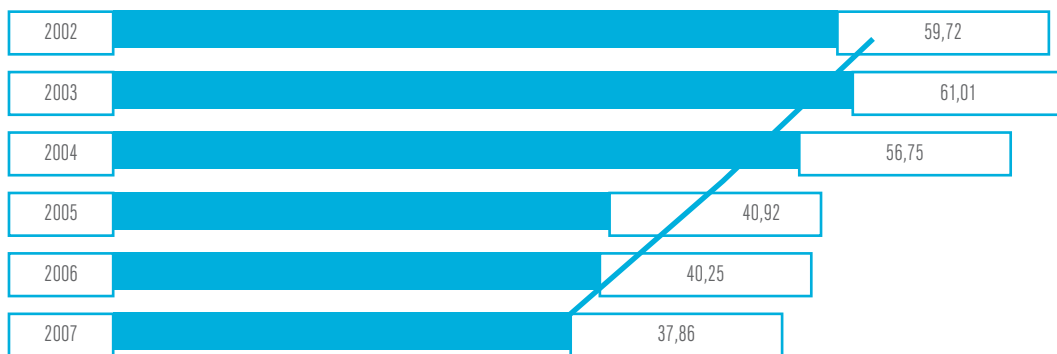
In 2007, the total number of actual invoiced overflight units was 697,517, what represents a drop by 18,910 overflight units when compared with 2006. In index was 0.97.

Trend of invoiced service units during the years 2002-2007



Amount of the en-route charge is determined in compliance with EUROCONTROL DOC 04.60 01, "Principles of establishing the costs base for en-route charges and calculation of unit rates". The en-route charge was determined to be SKK 1,412 in 2007, i.e. it dropped by SKK 87 when compared with 2006.

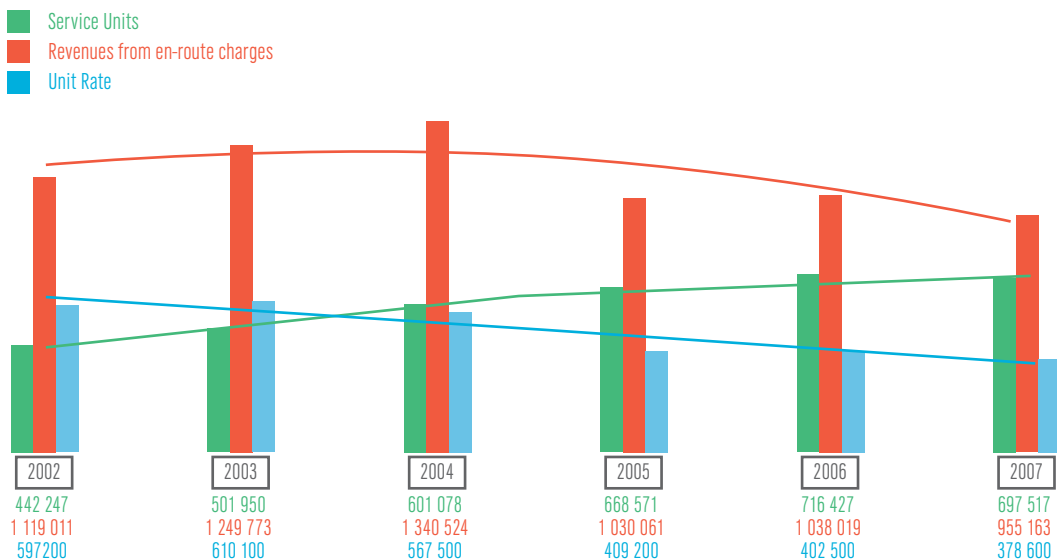
En-route charge evolution EUR for years 2002-2007



B

Dependence of the volume of receipts on 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 2002-2007)



Other accounting classes on the side of revenues, not very important from the point of view of their volumes, achieved the following results when compared with the planned values:

- Other revenues from economic activities achieved the amount of 55.8 % when compared with the amount planned for 2007. Low fulfilment of this class is caused by a shift of the accounting item "Receipts from sale of TZL services for Ministry of Defence, OAT (regional centre of flight control)" to the accounting class "Receipts from sale of services".
- Financial revenues were 69.7 % of the financial plan for 2007.

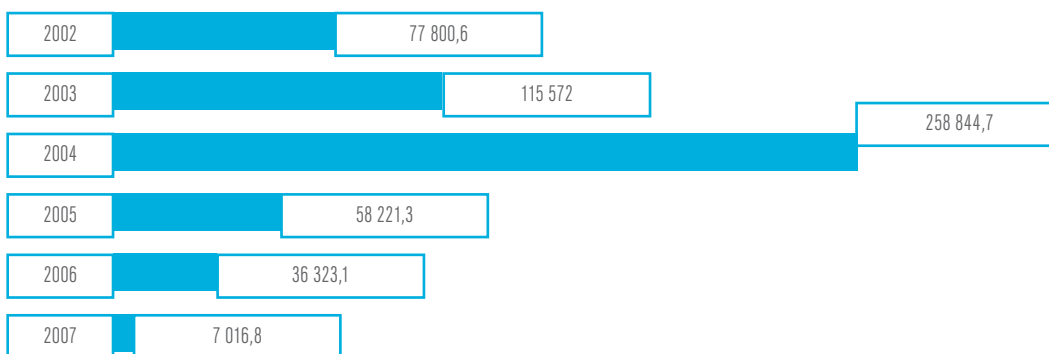
Business result (profit/ loss)

LPS SR, š. p. recorded a pre-tax business result of SKK 18,799,100 for 2007. After meeting all the tax duties for the period under review, the enterprise recorded a positive business result, a profit of SKK 7,016,800.

Due to economic measures taken on the side of costs in 2007, the enterprise managed to eliminate the negative development in the field of receipts caused by the strike of air traffic controllers and the economic year was completed with a positive business result. In spite of all the measures, the advantageous development of other economic indicators from previous years was not managed to be carried on.

On 6 November 2007, within the framework of formal consultation process LPS SR organized the meeting on cooperation with the users and the subjects participating on civil air transport in the Slovak Republic. The aim of that meeting was improvement of cooperation, enhancement of the quality and safety of the air traffic services as well as to inform participants on the charging policy of LPS SR for future period.

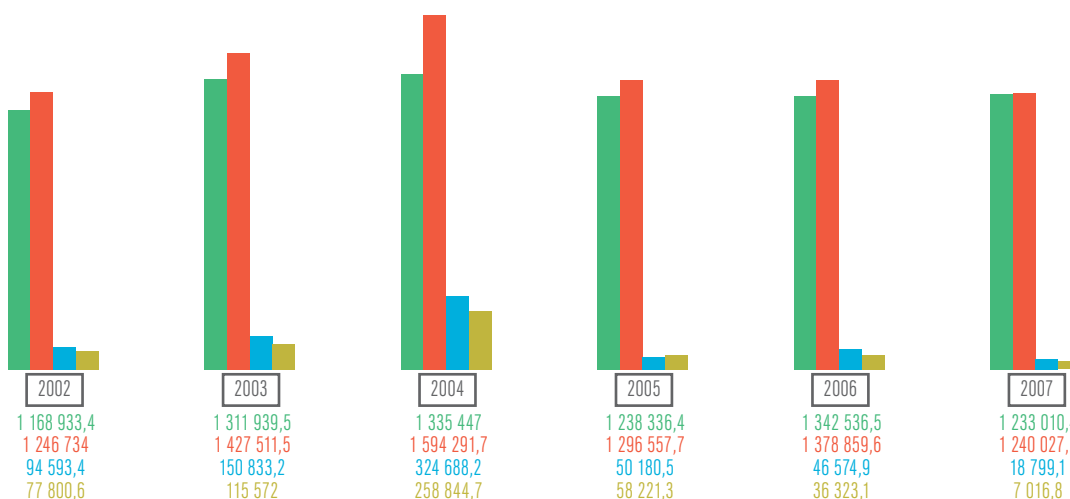
Profit after tax evolution in '000 SKK (for years 2002-2007)



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Comparison of indicator 's evolution in '000 SKK for years 2002-2007

■ Cost
■ Revenues
■ Profit before tax
■ Profit after tax



Liquidity

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

- a) by ratio of financial assets to short-term foreign funds; for 2007 this LPS SR, š. p. indicator is expressed by ratio of 2.87 – 1st level liquidity – immediate liquidity while the required value is 0.20 and optimum value is 0.2 to 0.5,
- b) by ratio of sum of financial assets and short-term receivables to short-term funds; for 2007 this LPS SR, š. p. indicator is expressed by ratio of 4.55 – 2nd level liquidity – emergency – common liquidity, while the required value is 1.50 and optimum value is 1.0 to 1.5,
- c) by ratio of current assets to short-term foreign funds; for 2007 the value of this LPS SR, š. p. indicator is expressed by ratio of 4.91 – 3rd level liquidity – overall liquidity, while the required value is 2.0 and optimum value is 1.5 to 2.5.

As of December 31, 2007 LPS SR, š. p. recorded a balance of financial funds in the amount of SKK 418,711,900 on its accounts in financial institutions.

Fulfilment of EIB loan conditions

As of December 31, 2007, repaying of the loan taken from EIB 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 LPS SR, š. p., was completed. LPS SR, š. p. had been continuously fulfilling the conditions connected with repayment of the loan in compliance with the instalment schedule.

In 2007 LPS SR, š. p. completed repaying the long-term loan granted by the EIB. The fifteenth principal instalment of SKK 32,676,100 was paid in February, and the last sixteenth principal instalment of SKK 32,130,900 was paid in August in compliance with the approved instalment schedule. In the period under review, instalments of loan interests were also paid, namely SKK 1,801,100 in February and SKK 885,300 in August. The enterprise has fulfilled all its obligations towards EIB by paying the August loan instalment.

In compliance with the Contract on Assumption of Rights and Obligations, LPS SR š. p. has met its duty to inform the Ministry of Transport, Posts and Telecommunications of the Slovak Republic and, as of instalment maturity date, LPS SR, š. p. had funds equal to a minimum amount of the next instalment on its deposit account. Upon request, LPS SR, š. p. elaborated summaries of current state of loans guaranteed by the state for the Ministry of Transport, Posts and Telecommunications of the Slovak Republic.

All the terms and conditions under the Financial Contract concluded between the European Investment Bank, the Slovak Republic and LPS SR, š. p., as well as under the Contract on Assumption of Rights and Obligations resulting 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 on April 28, 1995 were fulfilled by LPS SR, š. p. duly and on time.

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Other evaluation indicators

When compared with 2006, the item “Wages and refunds of wages” for 2007 recorded an overall increase by 1.5%. The enterprises recorded lower dynamics of growth when compared with the previous period. The overall growth dynamics was influenced especially by measures focused on achievement of the planned business result, by some temporarily vacant positions and a change of infrastructure of employees.

The average monthly earnings of employees dropped by 0.5% in 2007 when compared with 2006. The drop of the average monthly earnings of employees was influenced especially by a change of infrastructure of employees, i.e. higher number of employees performing highly specialised activities left, and, on the other hand, new employees were admitted and paid only the entry wage while they were preparing for qualification examinations and acquirement of the qualification certificate for performance of the air traffic controller function.

In 2007 the average registered number of employees increased from 450 in 2006 to 459 in 2007. The registered number of employees as of December 31, 2007 increased by nine employees to the final number of 459 when compared with 2006.

Production (P) represented by “Receipts from sale of services” has a crucial influence on added value (AV) creation in LPS SR, š. p. Other conditions that influence the AV creation, are drawings of inter-consumption (IC) comprising costs of the consumed purchases and services and shortfalls and damages to inventories (SI) in the amount before receiving indemnification from insurance companies.

Financial ratio indicators

The financial ratio indicators enable the most complex evaluation of conditions and development of the enterprise economy. They are expressed in financial values and are monitored in the accounting of the enterprise. They are used as a basis for calculation of other qualitative indicators.

The productivity indicators characterize effectiveness of human labour in the firm. They represent a ratio of the production volume to work done.

Profitability indicators measure the economic effectiveness of the firm's work from the point of view of the owner. They are the relative indicators, the numerator of which is the profit.

$$\text{Labour productivity from added value} = \frac{\text{Added value}}{\text{Number of employees}} = 2\,206 \text{ TSKK}$$

This indicator expresses a relative size of own economic contribution per one employee. It is the most important indicator of economic effectiveness. When compared with 2006, the labour productivity from added value is lower by SKK 149,000 due to lower added value reported in 2007, and due to slight increase of average number of employees from 450 in 2006 to 459 in 2007.

$$\text{Labour productivity from revenues} = \frac{\text{Revenues}}{\text{Number of employees}} = 2\,702 \text{ TSKK}$$

Labour productivity measured by revenues represents the size of contribution by one employee. When compared with 2006, the labour productivity indicator from revenues is lower by SKK 362,000 due to the same reasons as in case of the previous indicator – drop in the revenues and slight increase of the number of employees.

$$\text{Financial labour productivity from added value} = \frac{\text{Added value}}{\text{Personnel costs}} = 1,54 \text{ SKK}$$

Financial labour productivity indicator from added value expresses the volume of production per one Crown of personnel costs. When compared with 2006 (SKK 1.69), this indicator dropped by SKK 0.15. The added value in 2007 did not achieve the level of 2006 and so the personnel costs in 2007 are slightly higher than in 2006.

$$\text{Revenue profitability} = \frac{\text{Profit}}{\text{Revenues}} \cdot 100 = 0,56 \%$$

Revenue profitability is also called profitability and represent the proportion of profit in total revenues. When compared with 2006, when LPS SR š. p. reported profitability of 2.63 %, the profitability in 2007 was lower by 2.07 %.

$$\text{Added value profitability} = \frac{\text{Profit}}{\text{Added value}} = 0,69 \%$$

Indicator of added value profitability characterizes the share of the firm owner on distribution of the firm's own results measured by the added value. When compared with 2006, the indicator of added value profitability is lower by 3.43 %.

All the specified ratio indicators achieved lower values in 2007 than in 2006 due to lower volume of revenues and the reasons specified in more detail in sections 1. – Costs, 2. – Revenues, 3. – Economic result and 6. – Other evaluating indicators.

Annual bonus to Director and Supervisory Board members

After evaluating the economic result of the enterprise for 2007, the Ministry of Transport, Posts and Telecommunications of the Slovak Republic, as the founder, awarded the General Director of the company an annual bonus of SKK 350 850 pursuant to the Act No. 111/1990 Coll., section 19, par. 8.

At the same time, bonuses of SKK 111 600 were awarded to the Supervisory Board members pursuant to the Act No. 111/1990 Coll., section 20, par. 10.

Transmission of property of state enterprise

In line with the Act No. 111/1990 of the Collection of Laws, para. 21 item 1j) based on proposals for sales agreements submitted according to provisions of para. 588 and subsequent paragraphs of the Civil Code No. 40/1964 of the Collection of Laws as further amended, in 2007 the Supervisory Board approved translation of assets of the state enterprise for a sale of 3 motor vehicles, the object of the former NDB located in Nána, the parcels located in Poprad and the parcels located in Bratislava-Ružinov.

Investment plan

LPS SR, š. p. approved an investment plan of SKK 415,348,000 for the year 2007. SKK 291,250,000 was invested during 2007, of which SKK 226,442,900 were used for acquisition of long-term tangible and intangible assets and SKK 64,807,100 was used for instalments of the EIB loan.

Capital expenditures, resources and their utilization in thousand of SKK in I to XII 2007

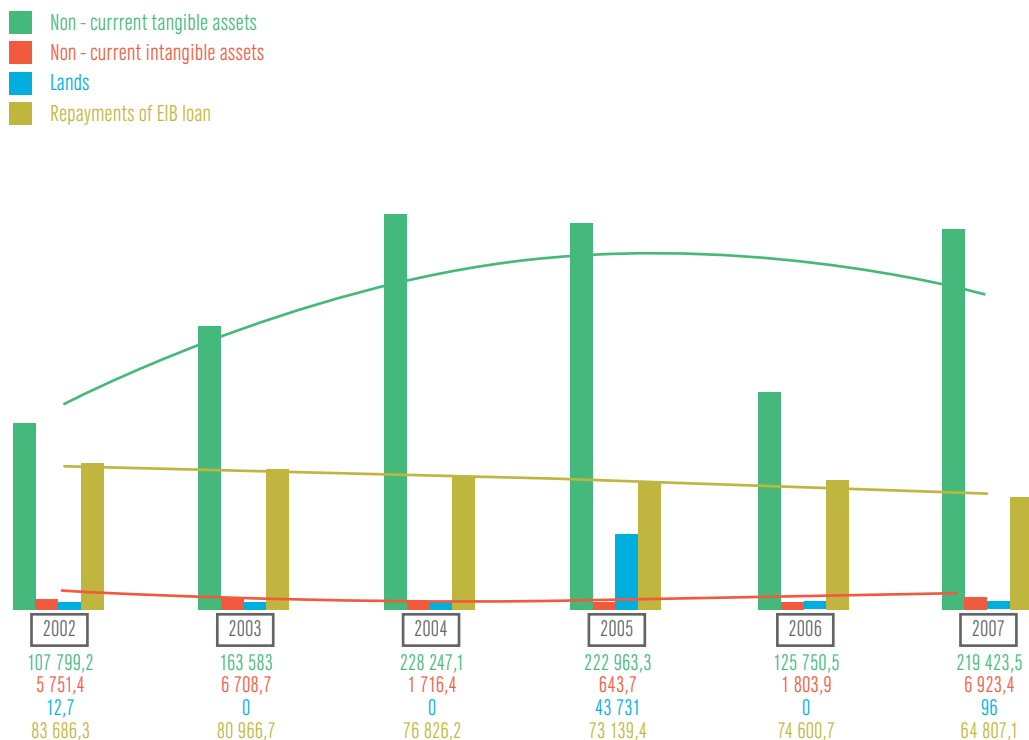
Capital expenditures in SKK		I to XII 2007
Total resources		415 348,0
- Debt capital		41 075,4
- Equity capital		374 272,6
Investment plan for 2007		415 348,0
Utilisation of own resources:		291 250,0
Of which:		
- Non - current tangible assets		219 423,5
- Non - current intangible assets		6 923,4
- Lands		96,0
- Repayments of EIB loan		64 807,1

An overview of capital expenditures of the enterprise and its resources for the period 2002 - 2007 is shown in the table and graph below:

Capital expenditures in 2002 to 2007

	2002	2003	2004	2005	2006	2007
Total resources	305 410,0	320 446,8	332 751,0	447 117,0	375 662,6	415 348,0
Of which: Equity capital	305 410,0	320 446,8	332 751,0	447 117,0	375 662,6	374 272,6
Debt capital	0	0	0	0	0	0
Utilisation of own resources	197 249,6	251 258,4	306 789,7	340 477,4	202 155,1	291 250,0
Of which: Non - current tangible assets	107 799,2	163 583,0	228 247,1	222 963,3	125 750,5	219 423,5
Non - current intangible assets	5 751,4	6 708,7	1 716,4	643,7	1 803,9	6 923,4
Lands	12,7	0,0	0,0	43 731,0	0,00	96,0
Repayments of EIB loan	83 686,3	80 966,7	76 826,2	73 139,4	74 600,7	64 807,1

Capital expenditure evolution in '000 SKK (for years 2002-2007)



OUTLOOK FOR 2008

Concept of LPS SR, š. p. development is based on the aims adopted by the management within the approved business plan for 2008 ? 2011. Implementation of these aims is updated in annual financial plans and specified in individual items of the financial plan of costs and revenues.

Concept of LPS SR, š. p. development for 2008 was discussed by the Supervisory Board on April 29, 2008 in compliance with section 19, par. 6 of the Act No. 111/1990 Coll. on State Enterprise. The concept includes a 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 LPS SR, š. p., which will be achieved within the framework of securing air traffic in the airspace of the Slovak Republic.
- When compared with the plan for 2007 (SKK 1,483,523,200) the total cost base planned for 2008 is higher by 7.8 % in average; i.e. the planned costs are TSKK 1 599 005.5.
- As for the revenues, an increase by SKK 103,360,700 is planned, what represents an increase by 6.9% when compared with the plan for 2007. The planned revenues are SKK 1,604,278,000. The crucial part of revenues, SKK 1,337,806,800, comprises of income from en-route activities, what represents 83.4 % of all the revenues. The biggest increase of receipts when compared with 2007, an increase by 23.3 %, is expected in the item of other receipts from sale of services.
- All costs of operating activities, costs of administration, trainings, schoolings, AIM services and METEO services expected in 2008 were included in the calculation of the en-route unit rate for 2008, while the expected air traffic density is estimated to comprise of 718,900 invoiced overflight units.
- The planned en-route unit rate for 2008 is SKK 1,628, what represents an increase by SKK 216 when compared with 2007.



For the Ministry of Transport, Posts and Telecommunications of the Slovak Republic and for the management of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik, Bratislava.

We performed an audit of the attached financial statements of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik, having its registered office in Bratislava, identification number: 35,778,458, that comprise the balance sheet prepared as of December 31, 2007, profit and loss statement for the year ending as of the mentioned date and notes, as well as an overview of important accounting principles and accounting methods and other explanatory notes. The company's financial statements for the year ending on December 31, 2006 were audited by a different auditor, who expressed his opinion without any reservations on April 18, 2007.

Responsibility of the statutory body of the state enterprise for the financial statements

The statutory body of the state enterprise of the company bears responsibility for preparation and objective presentation of the financial statements in accordance with the Act on Accounting No. 431/2002 Coll. as amended. This responsibility includes suggestion, implementation and preservation of internal checks relevant for preparation and objective presentation of the financial statements, which include no gross inaccuracies caused by fiddle or mistake; further it includes selection and implementation of suitable accounting principles and accounting methods, as well as performance of reasonable accounting estimates within the relevant circumstances.

Auditors' Responsibility

Our responsibility is to express our opinion on these financial statements based on our audit. The audit was performed in accordance with the International Standards on Auditing. According to these Standards we shall observe the ethical requirements, plan and perform the audit so that we obtain reasonable assurance that the financial statements are free of any significant inaccuracies.

The audit comprises procedures for obtaining audit evidence about sums and data included in the financial statements. The procedures are selected based on the auditor's decision, including assessment of risk of gross inaccuracies in the financial statements caused by fiddle or mistake. When assessing the risk, the auditor takes into consideration the internal checks relevant for preparation and objective presentation of the financial statements within the accounting unit, so that the Auditor could propose audit procedures suitable under the relevant circumstances, however not in order to express his/ her opinion about efficiency of the accounting unit's internal checks. The audit further includes evaluation of suitability of the accounting principles and accounting methods used, and evaluation of adequacy of estimations made by the management, as well as evaluation of presentation of the financial statement as a whole.

We are sure that the audit evidence acquired provide suitable and reasonable basis for our opinion.

Opinion

In our opinion, the financial statements provide true and objective view of financial situation of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik as of December 31, 2007, its business results and its cash-flow for the year ending as of the specified date in accordance with the Act on Accounting.

Banská Bystrica, April 1, 2008

BDR, spol. s r.o. Banská Bystrica
M. M. Hodžu 3, 974 01 Banská Bystrica
SKAu licence No. 6
Commercial Register of the District Court Banská Bystrica
Section: Sro, Insert No.: 98/S, identification number: 00614556

Ing. Radovan Reguli
Auditor in charge
SKAu licence No. 968





Letové prevádzkové služby Slovenskej republiky, štátny podnik,
Letisko M. R. Štefánika
Bratislava 823 07 IČO: 35 778 458

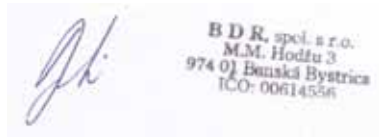
Information on Audit of the Annual Report

Based on our examination performed in accordance with the Accounting Act No. 431/2002 of the Collection of Laws, para. 20, with the Act on Auditors and Slovak Auditors Association No. 466/2002 of the Collection of Laws and with the International Accounting Standards we found out that indications presented in Annual Report with reference to the Statement of Finances are compliant to Statement of Finances which was a subject to our Audit and presented Statement of Finances is comprehensive.

On the ground of that we endorse the presentation of the Auditor's Report on the Audit of the Statement of Finances within the Annual Report.

Banská Bystrica, 30. júna 2008

Ing. Radovan Reguli
Zodpovedný audítor
licencia SKAU č. 968



BALANCE SHEET AS AT 31 DECEMBER 2007 IN TSKK

ASSETS		2006	2007
Total assets		1 918 368	1 882 525
B.	Non-current assets	1 042 9881	135 885
B.I.	Non-current intangible assets	2 378	8 078
B.II.	Property, plant and equipment	1 040 610	1 127 807
B.III.	Non-current financial assets	0	0
C.	Current assets	838 196	716 930
C.I.	Inventory - total	55 666	51 819
C.II.	Non-current receivables	7 446	0
C.III.	Current receivables	239 508	246 399
C.IV.	Financial accounts	535 576	418 712
D.	Accruals and deferrals	37 184	29 710
LIABILITIES			
Total equity and liabilities		1 918 368	1 882 525
A.	Equity	1 642 689	1 645 902
A.I.	Share capital	1 163 083	1 163 083
A.II.	Capital funds	0	0
A.III.	Funds created from profit	495 297	527 816
A.IV.	Net profit/loss of previous years	-52 014	-52 014
A.V.	Net profit/loss for the accounting period	36 323	7 017
B.	Liabilities	274 097	236 259
B.I.	Provisions	71 959	66 005
B.II.	Non-current liabilities	25 304	22 799
B.III.	Current liabilities	112 051	147 455
B.IV.	Bank loans and financial assistance	64 783	0
C.	Accruals and deferral	1 582	364

PROFIT AND LOSS STATEMENT AS AT DECEMBER 2007 IN TSKK

mark	TEXT		2007	2006
I.	Revenues from sale of merchandism (604)	01	71	317
A.	Costs on merchandise sold (504)	02	52	252
+	Trade margin - lines 01 - 02	03	19	65
II.	Production - lines 05 + 06 + 07	04	1 222 726	1 260 938
II.1.	Revenues from the sale of own products and services (601,602)	05	1 222 471	1 260 353
2.	Change in internal inventory (+/- account group 61)	06	103	384
3.	Own work capitalized (account group 62)	07	152	201
B.	Production lines 09 +10	08	209 793	201 157
B.1.	Consumed raw materials, energy consumption and consumption of other non-inventory supplies (501,502,503)	09	33 872	36 645
2.	Services (account group 51)	10	175 921	164 512
+	Added value lines 03 + 04 - 08	11	1 012 952	1 059 846
C.	Personnel expenses (lines 13 to 16)	12	656 107	625 525
C.1.	Wages and salaries (521,522)	13	493 786	483 631
C.2.	Remuneration of board members of company or cooperative (523)	14	2 786	2 654
C.3.	Social security expenses (524,525,526)	15	120 516	112 169
C.4.	Social expenses (527,528)	16	39 019	27 071
D.	Taxes and fees (account group 53)	17	1 725	1 942
E.	Amortization of non-current intangible assets and depreciation of property, plant and equipment (551)	18	137 653	183 287
III.	Revenue from the sale of non-current assets and raw materials (641,642)	19	8	2 910
F.	Carrying value of non-current assets sold and raw materials sold (541,542)	20	0	1
IV.	Other operating income (644,645,646,648,655,657)	21	3 628	24 775
G.	Other operating expenses (543 to 546,548,549,555,557)	22	103 950	130 490
V.	Transfer of operating income (-) (697)	23	0	0
H.	Transfer of operating expenses (-) (597)	24	0	0
*	Profit/loss from operations lines 11-12-17-18+19-20+21-22+(-23)-(-24)	25	117 153	146 286
VI.	Revenue from the sale of securities and shares (661)	26	0	0
I.	Securities and shares sold (561)	27	0	0
VII.	Income from non-current financial assets (lines 29+30+31)	28	0	0
VII.1.	Income from securities and ownership interests in a subsidiary and in a company where significant influence is held (665A)	29	0	0
2.	Income from other long-terms securities nad shares (665A)	30	0	0
3.	Income from other non-current financial assets (665A)	31	0	0
VIII.	Income from current financial assets (666)	32	0	0
J.	Expenses related to current financial assets (566)	33	0	0
IX.	Gains on revaluation of securities and income from derivative transsactions (664,667)	34	0	0
K.	Loss on revaluation of securities and expenses related to derivative transactions (564,567)	35	0	0
L.	Creation and account the adjusting entry related to financial assets (+/-565)	36	0	0
X.	Interest income (662)	37	9 382	9 439
M.	Interest expense (562)	38	1 446	5 413
XI.	Exchange rate gains (663)	39	4 212	11 716
N.	Exchange rate losses (563)	40	30 011	44 120
XII.	Other income from financial activities (668)	41	0	0
O.	Other expenses from financial activities (568, 569)	42	80 491	71 333
XIII.	Transfer of financial income (-) (698)	43	0	0
P.	Transfer of financial expenses (-) (598)	44	0	0
*	Profit/loss from financial activity lines 26-27+28-32-33+34-35-36+37-38+39-40+41-42+(-43)-(-44)	45	-98 354	-99 711
R	Income tax on ordinary activity - line 47+ 48	46	11 782	10 252
R.1.	- current (591,595)	47	1 312	6 454
2.	- deferred (+/- 592)	48	10 470	3 798
**	Profit/losst from ordinary activity - lines 25+45-46	49	7 017	36 323
XIV.	Extraordinary income (account group 68)	50	0	0
S	Extraordinary expenses (account group 58)	51	0	0
T.	Income tax from extraordinary activity lines 53+54	52	0	0
T.1.	- current (593)	53	0	0
2.	- deferred (594)	54	0	0
*	Profit/loss from extraordinary activity - lines 50-51-52	55	0	0
U.	Transfer of net profit/net loss shares to partners (+/- 596)	63	0	0
***	Profit/loss for the accounting period (+/-) - lines 49+55-56	64	7 017	36 323

CASH FLOW STATEMENT AS AT 31 DECEMBER 2007 IN TSKK

mark	T E X T		2007
Z/s	Net profit (before interests, tax and extraordinary items)	001	18 799,1
A.1	Adjustments for non-monetary transactions	002	241 888,4
A.1.1	Depreciations to non-current assets	003	136 721,8
A.1.2	Depreciated price to non-current assets besides sales	004	930,9
A.1.4	Value adjustment to provisions	006	8 619,1
A.1.5	Value adjustment to adjusting entry	007	-5 354,0
A.1.6	Value adjustment to accrual and deferral of costs and revenues	008	-6 257,2
A.1.7	Dividends and shares account to revenues	009	0,0
A.1.8	Interests account to expenses(+)	010	1 446,6
A.1.9	Interests account to revenues (-)	011	-9 381,9
A.1.10	Balance ending of cash as at 31 December 2006 (-)	012	0,0
A.1.11	Balance ending of cash as at 31 December 2006 (+)	013	4,0
A.1.12	Proceeds from sale of non-current assets	014	0,0
A.1.13	Other items of non-monetary status, influenced profit/loss from ordinary activities	015	115 159,2
A.2	Changes in working capital	016	-37 273,7
A.2.1	Value adjustment to receivables	017	-18 644,2
A.2.2	Value adjustment to liabilities	018	-14 599,0
A.2.3	Value adjustment to inventory	019	-4 030,5
A.2.4	Value adjustment to financial accounts	020	0,0
-	Cash Flow from operating activities Z/s + A1 + A2	021	223 413,8
A.3	Interests received (besides interests received from investment activities)	022	9 381,9
A.4	Interests paid (besides interests including into the financial activities)	023	-1 446,6
A.5	Dividends and other shares income (besides incomes from investment activities)	024	0,0
A.6	Dividends and other shares paid (besides paid including to investments activities)	025	-4 903,6
-	Cash Flow from operating activities (+/-), (A1 - A6)	026	226 445,6
A.7	Income tax paid (besides paid including in financial and investment activities)	027	2 119,3
A.8	Extraordinary income from operating activity	028	7,1
A.9	Extraordinary expenses from operating activity	029	-312,4
A1-A9	Net cash flow from operating activity (A1 - A9 + Z/s)	030	228 259,5
-	Cash Flow from investment activities	031	0,0
B.1	Purchase of non-current intangible assets	032	-6 924,0
B.2	Purchase of non-current tangible assets	033	-258 249,6
B.3	Purchase of securities	034	0,0
B.4	Proceeds from sale of non-current intangible assets	035	0,0
B.5	Proceeds from sale of non-current tangible assets	036	0,0
B.6	Proceeds from sale of securities	037	0,0
B.7	Expenses of extend long-term loans	038	0,0
B.8	Incomes from long-term loans	039	0,0
B.11	Incomes from rent tangible assets that are depreciable by renter	042	0,0
B.12	Interest received (besides interests from operating activities)	043	0,0
B.13	Dividends and shares received	044	0,0
B.14	Derivates expenses to derivates	045	0,0
B.15	Derivates incomes from derivates	046	0,0
B.16	Income tax paid	047	0,0
B.17	Extraordinary incomes from investment activities	048	0,0
B.18	Extraordinary expenses from investment activities	049	0,0
B.19	Other investment incomes	050	637,2
B.20	Other investment expenses	051	0,0
B1-B20	Net cash flow from investment activities	052	-264 536,5
	Cash flow from financial activities	053	0,0
C.1	Cash Flow in equity (C.1.1 - C.1.8)	054	-100,0
C.1.1	Proceeds from issuance of share capital	055	0,0
C.1.2	Proceeds from other deposits	056	0,0
C.1.3	Received financial donations	057	0,0
C.1.6	Expenses relating to decrease of funds created by accounting entity	060	-100,0
C.1.8	Expenses relating to decrease of share capital	062	0,0
C.2	Cash flow from long-term and short-term financial activities (C.2.1 - C.2.10)	063	0,0
C.2.3	Proceeds from bank loans	064	0,0
C.2.4	Repayment of received bank loans	065	0,0
C.2.5	Proceeds from received loans	066	0,0
C.2.6	Repayment of received loans	067	0,0
C.2.7	Expenses of financial leasing	068	0,0
C.2.8	Expenses for rent tangible assets that are depreciable by renter	069	0,0
C.2.9	Incomes from other long-term and short-term liabilities from financial activities	070	0,0
C.2.10	Expenditures from other long-term and short-term liabilities from financial activities	071	0,0
C.3	Interests paid (including to financial activities)	072	0,0
C.4	Dividends	073	0,0
C.5	Derivates	074	0,0
C.7	Income tax paid from financial activities	076	0,0
C.8	Extraordinary incomes relating to financial activities	077	0,0
C.9	Extraordinary expenses relating to financial activities	078	-80 491,1
C1-C9	Net Cash Flow from financial activities	079	-80 591,1
D	Net increase or decrease of cash money	080	-116 868,0
E	Cash and cash equivalents as at 1 January 2006	081	535 576,0
F	Cash and cash equivalents as at 31 December 2006	082	418 708,0
G	Exchange-rate difference as at 31 December 2006	083	4,0
H	Cash and cash equivalents with exchange-rate difference	084	418 711,9

INDEPENDENT AUDITORS' 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 2007, 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

30 May 2008
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 2007
(In thousands of Slovak Crowns)

	Note	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	2	1 104 635	1 001 593
Intangible assets	3	8 030	2 162
Deferred tax assets	4	23 500	15 661
Total non-current assets		1 136 165	1 019 416
Current assets			
Inventories	5	8 212	27 297
Trade and other receivables	6	234 434	215 242
Corporate income tax refund		4 468	13 316
Cash and cash equivalents		418 712	535 576
Total current assets		665 826	791 431
Total assets		1 801 991	1 810 847
EQUITY AND LIABILITIES			
Equity			
Issued capital		1 163 083	1 163 083
Legal reserve and other capital funds		527 815	495 296
Retained earnings / (Accumulated losses)		(99 513)	(104 201)
Total equity	7	1 591 385	1 554 178
Non-current liabilities			
Other non-current liabilities		5 415	309
Provision for employee benefits	9	39 724	49 304
Total non-current liabilities		45 138	49 613
Current liabilities			
Trade and other payables	10	161 296	138 361
Short term part of provision for employee benefits	9	4 172	3 912
Interest bearing loans and borrowings	8	-	64 783
Total current liabilities		165 468	207 056
Total equity and liabilities		1 801 991	1 810 847

The financial statements, which include the notes on pages 5 to 17, were signed on behalf of the Company on 30 May 2008 by:



Ing. Roman Biro, PhD.
Chief Executive Officer

Income statements for the year ended 31 December 2007
(In thousand of Slovak Crowns)

	Note	2007	2006
Revenues			
Air traffic control services		1 222 471	1 260 354
Other operating income		3 707	28 002
Total revenues		1 226 178	1 288 356
Personnel expenses	11	(636 818)	(651 018)
Depreciation and amortization	2, 3	(131 041)	(192 712)
Other operating expenses	12	(417 801)	(376 205)
Total operating expenses		(1 185 660)	(1 219 935)
Profit from operations		40 518	68 421
Net financing costs	13	(9 838)	(20 353)
Profit before tax		30 680	48 068
Income tax expense	14	6 527	(11 795)
Profit for the year		37 207	36 273

Statement of changes in equity for the year ended 31 December 2007
(In thousand of Slovak Crowns)

	Issued capital	Legal reserve fund	Other capital funds	Retained earnings / (acc. losses)	Total
At 1 January 2006	1 163 083	37 073	407 560	(89 811)	1 517 905
Transfer to/use of other capital funds	-	-	47 752	(47 752)	-
Transfer to legal reserve fund	-	2 911	-	(2 911)	-
Profit for the year	-	-	-	36 273	36 273
At 31 December 2006	1 163 083	39 984	455 312	(104 201)	1 554 178
At 1 January 2007	1 163 083	39 984	455 312	(104 201)	1 554 178
Transfer to/use of other capital funds	-	-	30 703	(30 703)	-
Transfer to legal reserve fund	-	1 816	-	(1 816)	-
Profit for the year	-	-	-	37 207	37 207
At 31 December 2007	1 163 083	41 800	486 015	(99 513)	1 591 385

Cash flow statement for the year ended 31 December 2007
(In thousand of Slovak Crowns)

	2007	2006
OPERATING ACTIVITIES		
Cash receipts from customers	210 821	1 247 228
Cash paid to suppliers and employees	(1 047 948)	(1 032 852)
Cash generated from operations	162 873	214 376
Income tax received	7 535	38 173
Cash flows from operating activities	170 408	252 549
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(223 762)	(128 115)
Acquisition of intangible assets	(6 923)	(1 804)
Interest received	9 382	9 439
Cash flows used in investing activities	(221 303)	(120 480)
FINANCING ACTIVITIES		
Loan repayments	(64 522)	(78 090)
Interest paid	(1 447)	(5 413)
Cash flows used in financing activities	(65 969)	(83 503)
Net increase / (decrease) in cash and cash equivalents	(116 864)	48 566
Cash and cash equivalents at beginning of year	535 576	487 010
Cash and cash equivalents at end of year	418 712	535 576

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 Letové prevádzkové služby Slovenskej republiky, š.p. as at 1 January 2000. All assets were transferred under the administration of the Slovak Ministry of Transportation, Post Offices and Telecommunications as of the dissolution of the budget contributory organization. These assets were transferred into the stewardship of the state owned company. The assets used for the Company's operations and administrated by the Company are owned by the State and they are disclosed in the Company's accounts.

The main activity of the Company is the provision of 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. 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 over a unified European air space, 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) issued 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 2007.

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

The following recently issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments, 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 management in deciding how to allocate resources and in assessing performance. IFRS 8 will become effective from 1 January 2009.
- Revised IAS 23 Borrowing Costs. The revised Standard will require the capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will become effective from 1 January 2009. Due to financial position of the Company this standard would currently have no impact on Company's operations.
- Revised IAS 1 Presentation of Financial Statements will require information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Revised IAS 1 will become effective from 1 January 2009. The Company is currently evaluating

the impact.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions will require 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 equity instruments needed are obtained. It also provides guidance on whether share-based payment 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. It becomes effective for the Company's 2008 financial statements and is not expected to have any impact on the financial statements.
- IFRIC 12 Service Concession Arrangements. The Interpretation 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 will become effective from 1 January 2008 and is currently not relevant to the Company's operations as the Company has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes. The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Interpretation will become effective from 1 July 2008 and the Company does not expect the Interpretation to have any impact on the financial statements.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions will be effective for annual periods beginning on or after 1 January 2008. The Branch does not have any Defined Benefit Assets and therefore this Interpretation should have no impact on the Company's financial statements.

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 when 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 employee benefits

The Company creates 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.

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2. PROPERTY, PLANT AND EQUIPMENT

In thousands of SKK	Land and buildings	Plant and equipment	Assets under construction	Total
Cost				
At 1 January 2007	586 796	1 843 853	156 242	2 586 891
Additions	3 347	42 634	177 781	223 762
Disposals	(939)	(20 340)	-	(21 279)
Transfers	93 891	21 436	(115 327)	-
At 31 December 2007	683 095	1 887 583	218 696	2 789 374
Accumulated depreciation and impairment losses				
At 1 January 2007	164 432	1 420 866	-	1 585 298
Release of the impairment losses	(9 265)	-	-	(9 265)
Charge for the year	10 331	119 654	-	129 985
Disposals	(939)	(20 340)	-	(21 279)
At 31 December 2007	164 559	1 520 180	-	1 684 739
Net book value				
At 1 January 2007	422 364	422 987	156 242	1 001 593
At 31 December 2007	518 536	367 403	218 696	1 104 635

In thousands of SKK	Land and buildings	Plant and equipment	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
Disposals	(481)	(49 183)	-	(49 664)
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	In thousands of SKK	Software
Cost		Cost	
At 1 January 2007	134 666	At 1 January 2006	135 630
Additions	6 924	Additions	1 808
Disposals	(597)	Disposals	(2 772)
At 31 December 2007	140 993	At 31 December 2006	134 666
Accumulated depreciation		Accumulated depreciation	
At 1 January 2007	132 504	At 1 January 2006	131 478
Charge for the year	1 056	Charge for the year	3 798
Disposals	(597)	Disposals	(2 772)
At 31 December 2007	132 963	At 31 December 2006	132 504
Net book value		Net book value	
At 1 January 2007	2 162	At 1 January 2006	4 152
At 31 December 2007	8 030	At 31 December 2006	2 162

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4. DEFERRED TAX ASSETS

Deferred tax assets and liabilities as at 31 December 2007 and 2006 are attributable to the items detailed in the table below:

In thousands of SKK	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	2 382	-	-	(8 227)	2 382	(8 227)
Inventories	8 218	5 304	-	-	8 218	5 304
Receivables	4 560	8 473	-	-	4 560	8 473
Provision for employee benefits	8 340	10 111	-	-	8 340	10 111
Deferred tax assets / (liabilities)	23 500	23 888	-	(8 227)	23 500	15 661
Set off of tax	-	(8 227)	-	8 227	-	-
Net deferred tax assets	23 500	15 661	-	-	23 500	15 661

The deferred tax assets as at 31 December 2007 have been calculated using a rate of 19 % (2006: 19 %).

5. INVENTORIES

In thousands of SKK	2007	2006
Spare parts and supplies	51 466	55 218
Provision for slow-moving items	(43 254)	(27 921)
	8 212	27 297

6. TRADE AND OTHER RECEIVABLES

In thousands of SKK	2007	2006
Trade accounts receivable	267 849	256 814
Provision for bad and doubtful debt	(54 697)	(63 177)
Advances to suppliers	1 746	2 281
Value added tax receivable	9 946	12 299
Other receivables and prepaid expenses	9 590	7 025
	234 434	215 242

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 2006 and 2007 no changes occurred. As at 31 December 2007, the Issued capital was TSKK 1,163,083.

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Other capital funds

Other capital funds consist of Fund for expansion and Statutory fund. The Minister of Transportation, Post Offices and Telecommunications decided on 26 July 2007 to transfer to Fund for expansion an amount of TSKK 30,803 from the 2006 profit. The remuneration of the Supervisory Board represented the amount of TSKK 704. The remuneration was paid during the year 2007. The Supervisory Board in 2007 also decided to provide financial donations in the amount of TSKK 100 from Statutory fund. As at 31 December 2007, the Other capital funds were TSKK 486,015.

Legal reserve fund

The increase in legal reserve fund in amount of TSKK 1,816 was approved by the Supervisory Board on 26 July 2007. As at 31 December 2007, the Legal reserve fund was TSKK 41,800. 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	2007	2006
Investment loans from the European Investment Bank	-	64 783
Less: current portion	-	(64 783)
	-	-

9. PROVISION FOR EMPLOYEE BENEFITS

In thousands of SKK	2007	2006
Present value of retirement benefits	43,896	53,216
out of that short-term part	4,172	3,912
out of that long-term part	39,724	49,304

The Company's obligation in respect of other long-term employee benefits is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior years. The calculation is performed using the projected unit credit method and is discounted to determine its present value using risk free discount rate.

The Company did introduce new benefit for the first time in Collective agreement valid for 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 2007.

Movements in provision for retirement benefits:

In thousands of SKK	2007	2006
At 1 January 2007	53 216	54 184
Interest costs	2 528	1 821
Current service costs	4 616	2 533
Actuarial (gains) / losses	(6 700)	2 241
Benefits paid	(9 764)	(7 563)
At 31 December 2007	43 896	53 216

Actuarial gains (TSKK 6,700) are caused by a change of estimated future payroll growth (3 % in 2007; 5.3 % in 2006).

Under collective agreements with employees, the Company pays to employees certain retirement benefits. Each employee, who has been employed with the Company for 5 years or less, is eligible for a retirement benefit of 1 average monthly salary and, if employed for more than 5 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.

10. TRADE AND OTHER PAYABLES

In thousands of SKK	2007	2006
Trade accounts payable	53 804	10 698
Salaries, wages and social security payable	47 026	52 338
Employee income taxes	10 375	11 306
Accrued interest on loans and borrowings	-	1 240
Social fund (see below)	15 721	24 995
Other payables and accrued expenses	34 370	37 784
	161 296	142 273

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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 2007, the Company contributed to the employees' endowment insurance an amount of TSKK 10,476 (2006: TSKK 10,642). In 2007, the Company also contributed from the social fund to the employees' supplementary pension insurance an amount of TSKK 391 (2006: TSKK 288).

11. PERSONNEL EXPENSES

In thousands of SKK	2007	2006
Wages and salaries	491 953	502 560
Legal social insurance	91 823	83 666
Provision for retirement benefits	(9 320)	(968)
Retirement benefits	9 764	7 563
Supplementary pension insurance	28 694	28 257
Social fund expense	16 062	20 328
Additional contribution to social fund	3 000	5 000
Severance payments	1 353	500
Remuneration of the Supervisory Board and Directors	3 489	4 112
	636 818	651 018

The average number of employees during 2007 was 459 (2006: 450) including 8 directors (2006: 8).

The Company contributes to supplementary pension insurance for employees. In 2007, the Company contributed TSKK 28,694 (2006: TSKK 28,257), representing 6 % from the gross salaries for all employees. An amount of TSKK 28,694 (2006: TSKK 28,257) is recognized in the income statement as expense and an amount of TSKK 391 (2006: TSKK 288) was paid from the social fund.

There was an additional contribution to the social fund from profit 2006 in the amount of TSKK 3,000 in the year 2007.

12. OTHER OPERATING EXPENSES

In thousands of SKK	2007	2006
EUROCONTROL membership fees (see below)	85 500	114 233
Telecommunication costs	38 027	33 688
Insurance (see below)	80 120	70 941
Spare parts and supplies	16 136	21 779
Meteorological services	26 500	26 500
Repairs and maintenance	34 663	24 021
Maintenance fees for technical software	6 380	13 162
Travel	21 462	15 387
Rent of premises	15 896	15 651
State air traffic inspection	9 726	9 327
Other services	20 863	26 212
Training	21 160	4 365
Provision for spare parts	15 333	(2 545)
Release of impairment losses to land	(9 265)	(9 265)
Provisions and write-offs (write backs) of bad and doubtful debts	6 072	(26 290)
Other operating expenses	29 228	39 039
	417 801	376 205

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Membership fees paid to EUROCONTROL are calculated in advance and are based on certain factors such as GDP of the country and cost-base for route facility charges. There was a decrease of membership fees in 2007 by TSKK 28,733 due to lower services provided in a central Europe region under project CEATS.

The annual increase in insurance was due to amendment to the contract signed for damage responsibility for providing air traffic services in connection with insurance of risks related to the military risks, kidnaps and other dangerous situations, with the insurance limit of USD 50,000,000.

13. NET FINANCING COSTS

In thousands of SKK	2007	2006
Interest income	9 382	9 439
Interest expenses	(1 447)	(5 413)
Net foreign exchange losses	(17 773)	(24 379)
Total financing expenses	(19 220)	(29 792)
Net financing costs	(9 838)	(20 353)

14. INCOME TAX EXPENSE

In thousands of SKK	2007	2006
Current year tax expense	(1 312)	(6 454)
Deferred tax income / (expense)	7 839	(5 341)
Total income tax expense in income statement	6 527	(11 795)

Income taxes have been provided for at a rate of 19 % (2006: 19 %) of taxable income based on Slovak accounting and tax regulations and deferred tax at a rate of 19 % (2006: 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		2007		2006
Profit before tax		30 680		48 068
Income tax using the prevailing corporation tax rate	19%	(5 829)	19%	(9 133)
Non-deductible expenses	56%	(17 244)	65%	(31 087)
Non-taxable income	-81%	24 889	-91%	43 692
Temporary differences	-15%	4 711	32%	(15 267)
	-21%	6 527	25%	(11 795)

15. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2007, the Directors of the Company and members of the Supervisory Board received wages and salaries amounting to TSKK 22,764 (2006: TSKK 26,138) and TSKK 9,235 (2006: TSKK 9,594), respectively.

16. COMMITMENTS

Capital commitments

As at 31 December 2007, the Company has entered into purchase agreements for property, plant and equipment totalling approximately TSKK 563,813 (2006: TSKK 382,000).

Lease obligations

The Company entered into a future lease for office space effective from 2007. The minimum annual lease payments are TSKK 8,370 (2006: 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 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.

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.

The Company is showing the following structure of assets and liabilities in foreign currency and Slovak crowns as at 31 December 2007:

In thousands of SKK	EUR	USD	Other	SKK	Total
Assets					
Deferred tax asset	-	-	-	23 500	23 500
Trade and other receivables	191 367	6 533	-	36 534	234 434
Corporate income tax refund	-	-	-	4 468	4 468
Cash and cash equivalents	138	35	58	418 481	418 712
	191 505	6 568	58	482 983	681 114
Equity and liabilities					
Other non-current liabilities	-	-	-	5 415	5 415
Provision for employee benefits	-	-	-	43 896	43 896
Trade and other payables	38 553	3	94	122 646	161 296
	38 553	3	94	171 957	210 607

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Liquidity risk

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The table shows assets and liabilities by remaining contractual maturity.

In thousands of SKK	2007			Total
	1 year or less	1-5 years	More than 5 years	
Assets				
Deferred tax asset	(946)	23,496	950	23,500
Trade and other receivables	237,865	(3,431)	-	234,434
Corporate income tax refund	4,468	-	-	4,468
Cash and cash equivalents	418,712	-	-	418,712
Equity and liabilities				
Other non-current liabilities	(2,783)	(2,632)	-	(5,415)
Provision for employee benefits	(4,172)	(7,617)	(32,107)	(43,896)
Trade and other payables	(144,801)	(16,495)	-	(161,296)
Net position	508,343	(6,679)	(31,157)	470,507

In thousands of SKK	2006			Total
	1 year or less	1-5 years	More than 5 years	
Assets				
Deferred tax asset	5,719	9,942	-	15,661
Trade and other receivables	211,237	4,005	-	215,242
Corporate income tax refund	13,316	-	-	13,316
Cash and cash equivalents	535,576	-	-	535,576
Liabilities				
Interest bearing loans and borrowings	(64,783)	-	-	(64,783)
Other non-current liabilities	(309)	-	-	(309)
Provision for employee benefits	(3,912)	(11,094)	(38,210)	(53,216)
Trade and other payables	(109,928)	(28,433)	-	(138,361)
Net position	586,916	(25,580)	(38,210)	523,126

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
AIM	Aeronautical Information management
AIS	Aeronautical Information Service
AIP	Aeronautical Information Publication
APP	Approach Control Unit
ATM	Air Traffic Management
ATS	Air Traffic Services
CARO	Central Air Traffic Services Reporting Office
CEATS	Central European Air Traffic Services
DLPS	Division of Air Traffic Services
DME	Distance Measuring Equipment
DTZL	Division of Technical Provision of ATS
DVOR	Doppler VHF Omnidirectional Radio Range
EIB	European Investment Bank
ELT	Emergency Locator Transmitter
ES	Executive Supervisor
ESSAR	Eurocontrol Safety Regulatory Requirement
EUR	European Currency
EUROCONTROL	European Organisation for the Safety of Air Navigation
FIR	Flight Information Region
ICAO	International Civil Aviation Organization
IFR	Instrument Flight Rules
ILS	Intrument Landing System
JAR	Joint Aviation Requirements
LIS	Aeronautical Information Service (AIS)
LÚ SR	Aviation Authority
LZIB	Bratislava Airport
LZKZ	Košice Airport
LZPP	Piešťany Airport
LZSL	Sliač Airport
LZTT	Poprad Airport
LZZI	Žilina Airport
MKR	Marker
MDPT SR	Ministry of Transport, Posts and Telecommunications of the Slovak Republic
NDB	Non-Directional Radio Beacon
RCC	Rescue Coordination Centre
SAF	Safety
SATM	Specific occasion in ATM
TMA	Terminal control area
TZL	Technical Provision of Air Traffic Services
TWR	Tower or Aerodrome Tower
VOR	VHF Omnidirectional Radio Range
VFR	Visual Flight Rules





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