

ANNUAL REPORT 2008



LPS SR

Letové prevádzkové služby Slovenskej republiky, štátny podnik



Air Navigation Services Provider

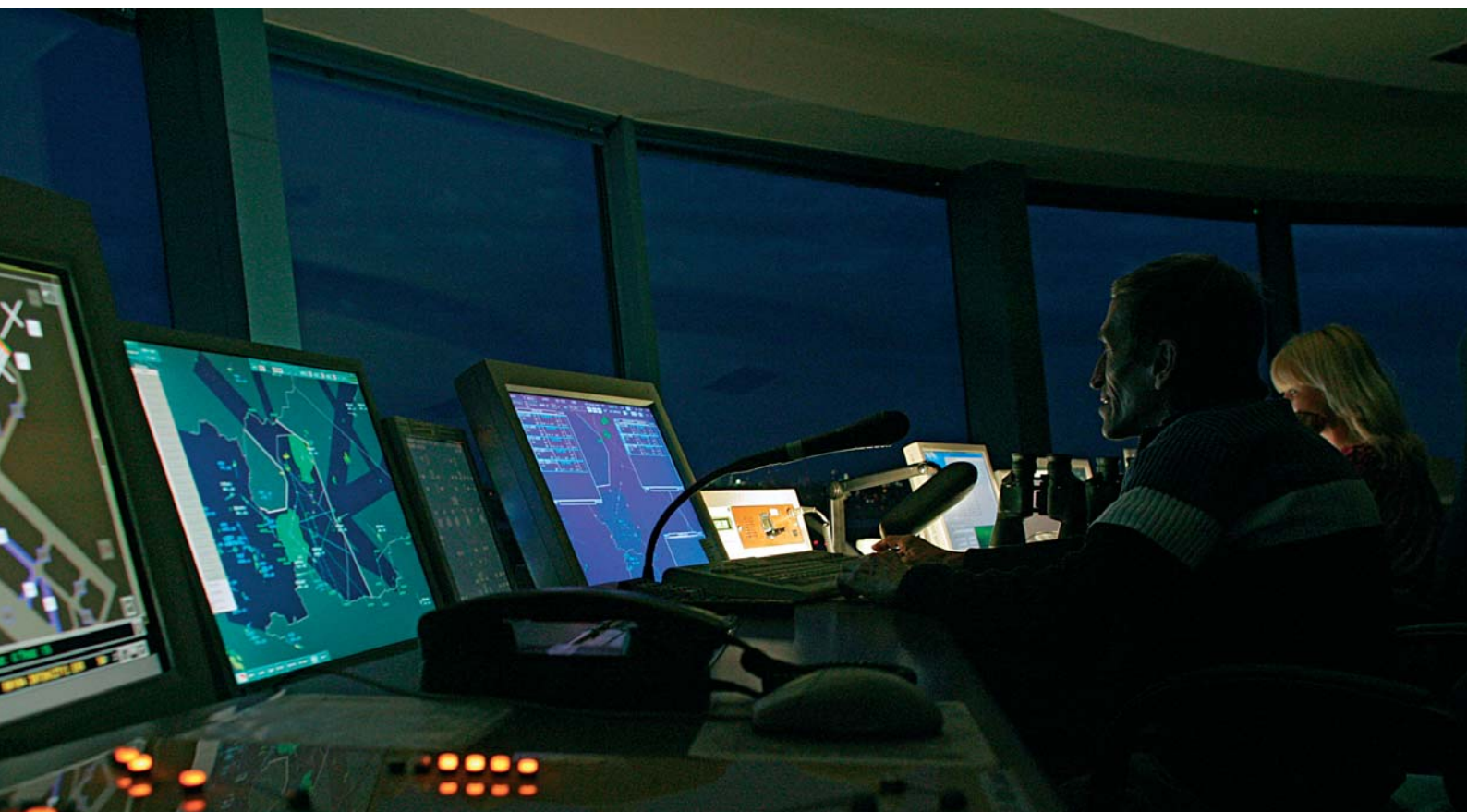
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Preface by the Director General

Ladies and Gentlemen,

looking at the previous year, I am pleased to state that our enterprise still ranks among economically strong and active companies in Slovakia, and the task to ensure effective and organised air traffic flow, provide high-quality services in air traffic control, maintain required level of safety and minimum delays of flights, is still accomplished despite the global financial crisis which has occurred in our conditions by the end of 2008 in a drop of air traffic, though not very significantly. Thanks to savings measures taken in early October, the result of economization was achieved as early as in 2008 in financial figures of SKK 118,121,800.

Economic crisis has decreased the demand for passenger and freight air transport. Nevertheless, I keep being an optimist as the long-term prospects in this branch of industry look favourable. The tendency shows that within forthcoming 15 years, the volume of air traffic will be doubled and hence I may claim we can expect continual growth. For instance, an effort to liberalise conditions of air transport from the side of EU and Canada is one of the positive signs of this tendency.

The ultimate priority of our enterprise is to secure safety in air traffic services and their technical provision. Aviation as such has always included hazards but contrary to other means of transport, still there is the lowest probability of serious accidents occurrence, and thanks to huge progress in technology, trainings, infrastructure combined with efforts of constant improvement, we were able to withstand the most difficult tests, and even if there were any doubts in the past, they turned out as not grounded.

In October, 2008 the enterprise acquired a licence of approval for ATM personnel training in compliance with valid legislation of EU.

Results of our activities prove that our services have been and will be in continuous demand from the side of our business partners and thus we are committed to maintaining high level of our services. To all who contribute to maintaining good reputation of our enterprise, I would like to express many thanks for their effort, professional and human potential which they put in.

A handwritten signature in blue ink, consisting of a stylized 'B' followed by a long horizontal stroke.

Ing. Roman Bíro, PhD.
Director

Report of the Supervisory Board

During its meeting on April 21, 2009, 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 2008 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, štátny podnik express the property and financial situation as of December 31, 2008 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 2008. 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 2008 intended for Company's founder and took it into consideration.



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

ATM DOMAIN

ACC Bratislava

In 2008, the total en-route air traffic increased by 6.3% when compared with 2007, i.e. the total number of overflights increased from 328 316 to 349 057.

During January – April 2008, three sectors were in operation in ACC Bratislava. From May 1st, 2008, four sectors were in operation and they were activated in accordance with the time needs of traffic. From 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. Fifth sector was in operation three times for approximately two hours in 2008.

Since May 8th, 2008 new routes have been implemented and on June 1st, 2008 a new „software release“ was implemented into E2000 system.

Four active sectors were in operation till October 31st, when three sectors principle was applied within the unit till the end of 2008.

During January - March, finalising phase of the process (safety studies, process of publishing ...) of preparation for straightening, change and tuning of ATS routes, changes of sector borders and procedures on the borders of the sectors W-E which should lead to operational effectiveness, increase in safety (decrease in number of conflict places, two-way routes, distribution of air traffic flows) and maximum utilisation of the capacity, was under way. In this relation, coordination procedures to LoA among SR, š. p. and ĽLP ČR and LPS SR, š. p. and HUNGAROCNTRNOL were modified and amended.

In the process of preparation, tuning of electronic intersector coordination in FIR Bratislava was conducted which should improve coordination among sectors and penetrability of air traffic in individual sectors. Time-consuming process of technical support development, testing, procedures and training of air traffic controllers requires enormous effort to implement this change. Assumption of the development accomplishment and implementation is planned in 2009.

In the monitored period, one serious incident and several occurrences appeared. They were classified as incidents or failures in air traffic which were related to decrease of minimum separation or technical support of the unit, in particular, failure of radar system, FDP and power blackout. They were investigated and resolved continuously by SAF department.

In the period from January to May 2008, all air traffic controllers took theoretical preparation for 2008. Minimum required number of exercises within practical maintaining training for 2008 was completed by December 19, 2008. Within two weeks in spring and five days in winter, the training was conducted in sector configuration „W – E“, on other training days in one sector.

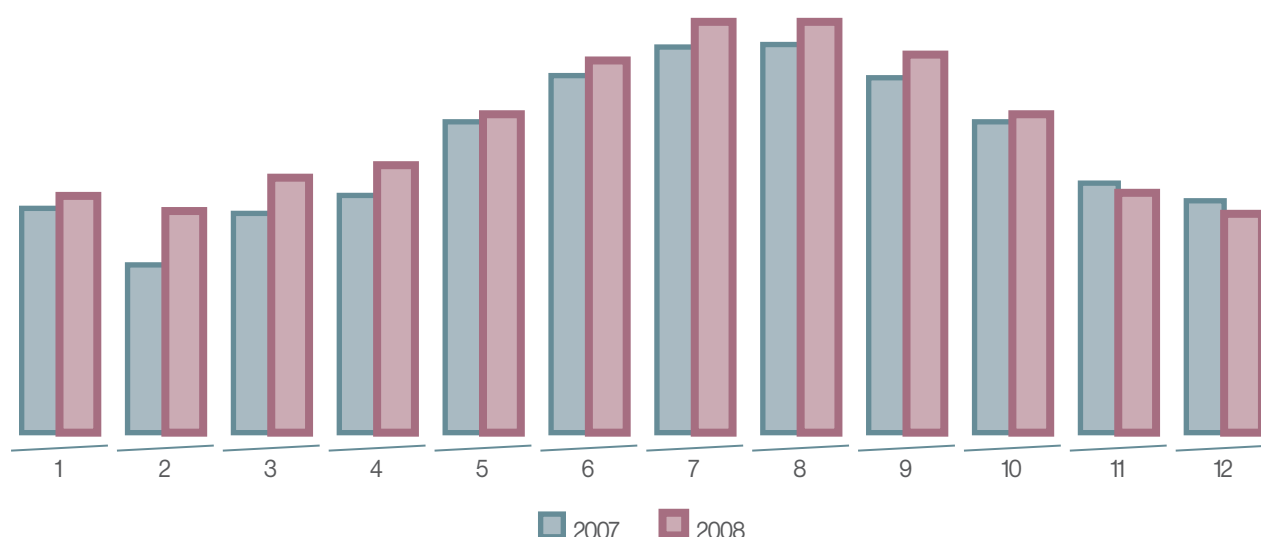
Theoretical training for 2008 was also taken by employees in dispatcher and assistant positions.

Air Traffic – flights in responsibility of ACC Bratislava

ANSP statistics recorded in E2000 system - structuring by flight type

Year	Commercial (COM)			Military (MIL)			Other (OTH)			Total
Month	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total	
1	20 149	1	20 150	1289	0	1289	931	182	1113	22 552
2	18 900	0	18 900	1104	0	1104	979	270	1249	21 253
3	21 359	7	21 366	1586	2	1588	1018	358	1376	24 330
4	22 267	9	22 276	1400	10	1410	1134	665	1799	25 485
5	27 018	8	27 026	1422	12	1434	1274	879	2153	30 613
6	31 683	3	31 686	1389	19	1408	1555	1012	2567	35 661
7	35 841	16	35 857	1349	6	1355	1308	805	2113	39 325
8	35 688	7	35 695	1441	9	1450	1329	968	2297	39 442
9	32 495	0	32 495	1625	26	1651	1354	711	2065	36 211
10	27 231	1	27 232	1419	9	1428	1243	467	1710	30 370
11	20 246	7	20 253	1256	2	1258	971	405	1376	22 887
12	18 629	0	18 629	1257	1	1258	818	223	1041	20 928
2008	311 506	59	311 565	16 537	96	16 633	13 914	6 945	20 859	349 057

Number of movements comparison - total



APP/TWR Štefánik and TWR Piešťany

Both units are in responsibility of one head. The main activity of the employees of APP/TWR Štefánik units and TWR Piešťany unit in 2008 was to expand the air traffic services and improve the quality of air traffic services provision.

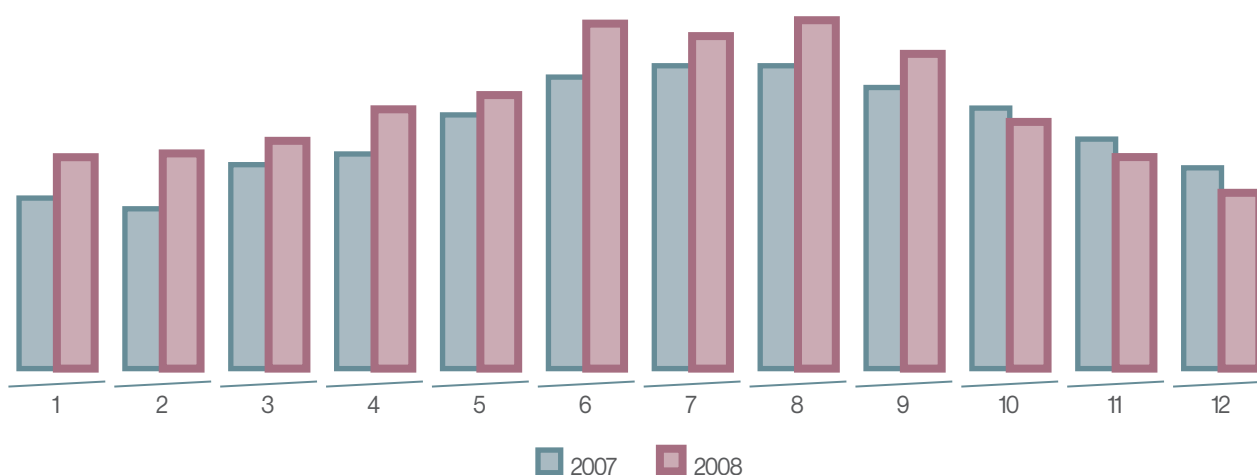
Within the scope of improving the professional level and qualification, five employees of APP/TWR Štefánik units passed the examinations and acquired the licence for radar controllers, one employee acquired licence endorsement for OJT instructor position and one employee got the authorization for assistant positions in 2008.

Comparison of the number of movements at the M.R.Štefánik Airport in 2008 (36 178) with the same period in 2007 showed an increase by 9,1 %. To this figure it is necessary to add overflights CTR and TMA handled by APP/TWR Štefánik units in the number of 15 853. In the long run, it means that APP/TWR Štefánik units provided their services to 52 031 flights which accounted for total increase by 10,6% compared with the previous year 2007.

BRATISLAVA

Month Year	Airport movements										Overflights CTR/TMA				NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF		
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total						
1	32	12	44	2 219	110	2 329	121	7	128	2 501	941	39	980	3 481	
2	28	8	36	2 165	171	2 336	74	62	136	2 508	1035	46	1081	3 589	
3	84	14	98	2 209	203	2 412	116	76	192	2 702	951	80	1031	3 733	
4	72	46	118	2 306	320	2 626	165	63	228	2 972	1171	142	1313	4 285	
5	76	12	88	2 433	375	2 808	181	27	208	3 104	1214	202	1416	4 520	
6	28	30	58	3 374	412	3 786	96	28	124	3 968	1453	249	1702	5 670	
7	51	14	65	3 242	326	3 568	84	64	148	3 781	1474	173	1647	5 428	
8	108	34	142	3 182	412	3 594	126	20	146	3 882	1592	253	1845	5 727	
9	48	12	60	3 051	285	3 336	130	22	152	3 548	1452	189	1641	5 189	
10	48	50	98	2 399	176	2 575	49	32	81	2 754	1181	115	1296	4 050	
11	52	30	82	1993	184	2 177	40	22	62	2 321	1070	79	1149	3 470	
12	76	8	84	1838	113	1951	102	0	102	2 137	700	52	752	2 889	
2008	703	270	973	30 411	3 087	33 498	1284	423	1707	36 178	14 234	1619	15 853	52 031	

Number of movements comparison

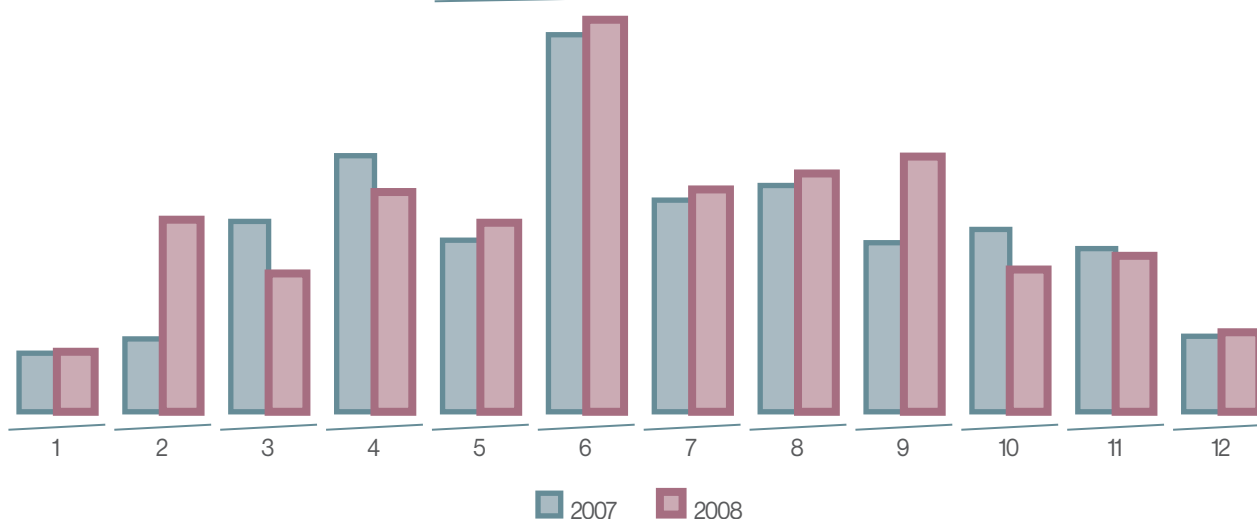


Comparison of the number of movements at Piešťany airport in 2008 (1 896) with the same period in 2007 showed a drop by 1,3 %. Along with overflights CTR and TMA (1 355) it presents 3 251 flights which represents a total increase by 6,7 %.

PIEŠŤANY

Month Year	Airport movements											Overflights CTR/TMA				NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF			
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total							
1	0	2	2	32	15	47	5	10	15	64	0	26	26	90		
2	0	2	2	61	17	78	50	73	123	203	0	70	70	273		
3	32	6	38	25	24	49	4	34	38	125	0	72	72	197		
4	0	0	0	38	18	56	8	65	73	129	2	180	182	311		
5	0	2	2	30	36	66	15	49	64	132	0	138	138	270		
6	15	125	140	68	83	151	26	61	87	378	3	173	176	554		
7	37	4	41	34	23	57	2	99	101	199	1	116	117	316		
8	5	0	5	27	19	46	2	114	116	167	0	170	170	337		
9	0	4	4	54	41	95	26	60	86	185	0	178	178	363		
10	0	0	0	29	21	50	7	36	43	93	0	111	111	204		
11	48	4	52	33	11	44	17	42	59	155	1	66	67	222		
12	0	0	0	23	15	38	6	22	28	66	0	48	48	114		
	137	149	286	454	323	777	168	665	833	1896	7	1348	1355	3 251		

Number of movements comparison



One new employee was hired to the TWR unit position of air traffic controller. Within one year, he passed proficiency course, prescribed exams at the Civil Aviation Authority and prepared for the final examination which he is due to pass in early 2009.

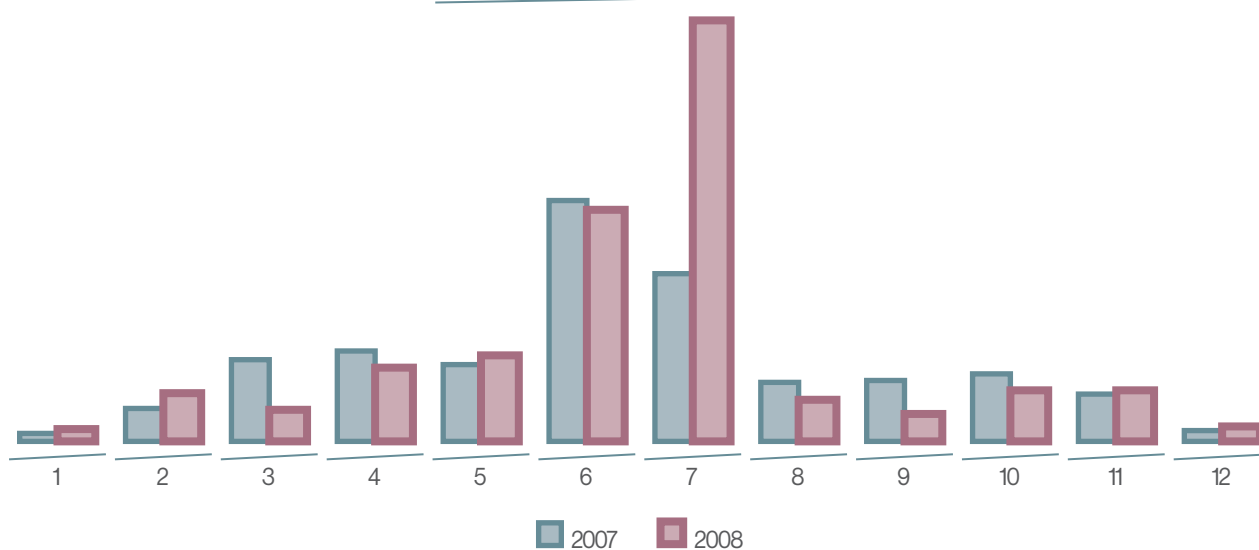
In comparison with the previous year 2007, mainly the traffic of IFR flights increased. In March, 2008 ČSA scheduled flights (opened in June 2005) got extended by morning departures at 05:00 a.m. local time and evening arrivals between 22:00 – 23:00 local time.

Comparison of the number of movements at Žilina airport in 2008 (12 676) with the same period in 2007 showed an increase by 15,3 %. Along with the overflights CTR and TMA (869) it amounted to 13 545 flights which represents a total increase by 15,3 %.

ŽILINA

Month Year	Airport movements											Overflights CTR/TMA				NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF			
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total							
1	0	0	0	49	32	81	14	104	118	199	0	22	22	221		
2	2	0	2	73	91	164	58	351	409	575	0	51	51	626		
3	0	0	0	99	75	174	16	220	236	410	1	43	44	454		
4	0	0	0	156	188	344	64	444	508	852	1	65	66	918		
5	0	0	0	149	174	323	68	608	676	999	0	82	82	1081		
6	2	2	4	150	211	361	8	2 268	2 276	2 641	5	120	125	2 766		
7	0	0	0	145	467	612	32	4 232	4 264	4 876	1	91	92	4 968		
8	0	0	0	107	118	225	12	189	201	426	1	124	125	551		
9	0	2	2	165	60	225	0	37	37	264	2	122	124	388		
10	0	0	0	159	104	263	24	329	353	616	1	47	48	664		
11	2	0	2	132	132	264	12	334	346	612	1	46	47	659		
12	0	0	0	89	31	120	6	80	86	206	5	38	43	249		
2008	6	4	10	1473	1683	3 156	314	9 196	9 510	12 676	18	851	869	13 545		

Number of movements comparison



APP/TWR Košice

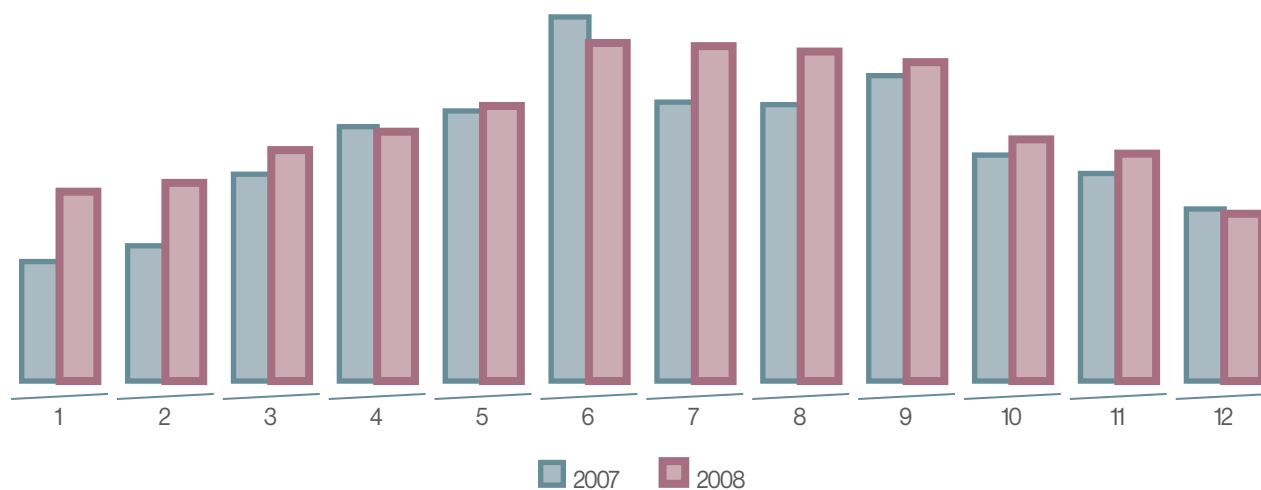
Within the scope of improving the professional level of air traffic services, from June 21st, 2008, air traffic services at Košice airport and it's vicinity were provided from the building of a new control tower. Approach and aerodrome control services were provided individually from two control working positions.

Comparison of the number of movements at Košice airport in 2008 (13 105) represents an increase by 10,1 % when compared with 2007. Along with the overflights CTR and TMA (1 572) it amounted to 14 677 flights which poses a total increase by 10,4 %.

KOŠICE

Month Year	Airport movements											Overflights CTR/TMA			NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF		
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total						
1	0	20	20	816	38	854	0	0	0	874	2	28	30	904	
2	0	52	52	756	38	794	11	16	27	873	4	60	64	937	
3	6	74	80	792	77	869	3	33	36	985	10	100	110	1095	
4	2	54	56	896	82	978	4	27	31	1065	14	111	125	1190	
5	4	63	67	900	136	1036	0	32	32	1135	16	145	161	1296	
6	2	95	97	969	227	1196	17	58	75	1368	20	201	221	1589	
7	0	61	61	1114	185	1299	5	62	67	1427	22	133	155	1582	
8	0	50	50	1053	210	1263	2	28	30	1343	29	188	217	1560	
9	5	54	59	1067	192	1259	2	9	11	1329	15	156	171	1500	
10	2	54	56	814	131	945	9	21	30	1031	6	110	116	1147	
11	36	53	89	692	90	782	2	101	103	974	10	94	104	1078	
12	2	20	22	637	27	664	0	15	15	701	7	91	98	799	
2008	59	650	709	10 506	1433	11939	55	402	457	13 105	155	1417	1572	14 677	

Number of movements comparison



TWR Poprad

Air traffic services in TMA Poprad, CTR Tatry and at Poprad-Tatry airport were provided in modified operating hours MON – FRI 07:15 a.m. – 10:00 p.m. and SAT – SUN 07:15 a.m. – 07:00 p.m. local time. From November 1st, 2008 on airport operator's request, the operating hours were modified to MON – SUN 07:15 a.m. – 07:00 p.m. local time till the end of 2008.

On air operators' and airport operator's request, the operating hours were modified in at least 51 cases beyond the scope of published hours. Air traffic services were provided without restrictions and delays from TWR Tatry side.

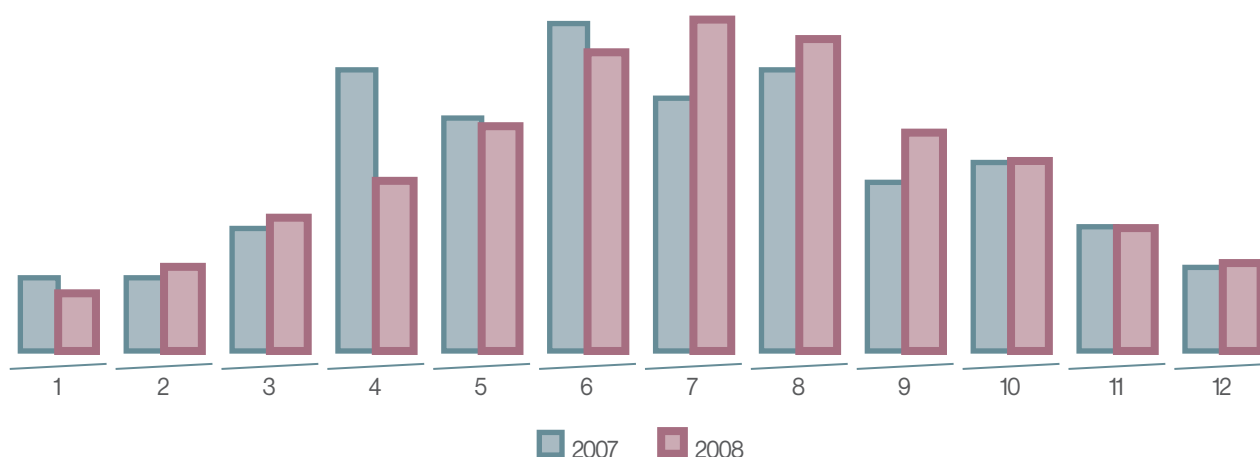
A new employee was hired to the position of air traffic controller in the TWR unit. Within a year he passed a proficiency course, prescribed examinations at the Civil Aviation Authority and in December he passed the theoretical and procedural part of the practical exam.

Comparison of the number of movements at Poprad-Tatry airport in 2008 (9 583) with the same period in 2007 showed an increase by 2,9 %. Along with the overflights CTR and TMA (1 752; drop by 5,8 %) it amounted to 11 335 flights which totally represents an increase by 1,4 %.

POPRAD

Year Month	Airport movements										Overflights CTR/TMA				NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF		
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total						
1	0	16	16	191	29	220	10	24	34	270	2	30	32	302	
2	4	8	12	172	86	258	22	85	107	377	3	52	55	432	
3	2	40	42	115	72	187	26	388	414	643	7	41	48	691	
4	10	36	46	130	203	333	18	255	273	652	6	207	213	865	
5	33	164	197	120	139	259	7	478	485	941	6	188	194	1135	
6	0	46	46	113	202	315	17	911	928	1289	9	206	215	1504	
7	6	60	66	170	194	364	8	955	963	1393	3	269	272	1665	
8	2	138	140	157	233	390	6	708	714	1244	3	318	321	1565	
9	30	56	86	156	151	307	4	523	527	920	5	182	187	1107	
10	2	46	48	195	199	394	17	394	411	853	1	114	115	968	
11	4	42	46	144	64	208	23	294	317	571	6	62	68	639	
12	0	14	14	137	54	191	22	203	225	430	1	31	32	462	
2008	93	666	759	1800	1626	3426	180	5218	5398	9583	52	1700	1752	11335	

Number of movements comparison



TWR Sliac

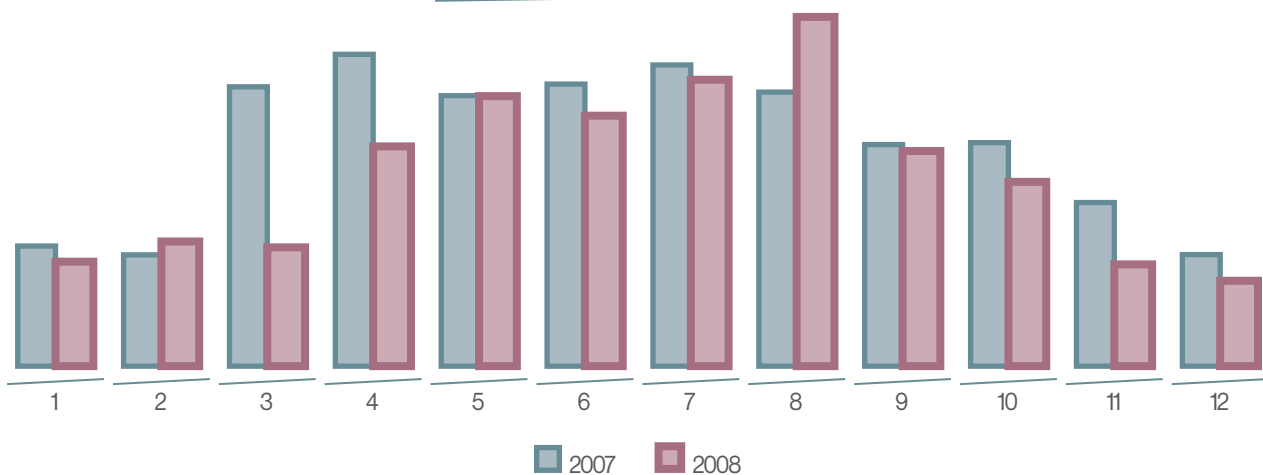
From January 2008, air traffic services in CTR/TMA and at Sliac airport were provided between 07:00 a.m. – 10:00 p.m. and from December 1st, 2008 between 07:00 a.m. – 06:45 p.m. local time. Modification arose from the operational needs of the airport.

Comparison of the number of movements at Sliac airport in 2008 (1778) with the same period in 2007 showed a decrease by 48,6 %. This significant drop was caused by air operators' uncertainty related to closure of traffic for the reason of reconstruction works of runway system which was not carried out in the end. Along with the overflights CTR and TMA (3 722; an increase by 30 %) it amounted to 5 500 flights which presents a total drop by 12,8 %.

SLIAC

Month Year	Airport movements										Overflights CTR/TMA				NoM
	Local (L)			Standard (S)			Training (T)			NoAM	IFR	VFR	NoOF		
	IFR	VFR	Total	IFR	VFR	Total	IFR	VFR	Total						
1	0	1	1	100	6	106	0	0	0	107	72	76	148	255	
2	0	0	0	83	4	87	24	6	30	117	60	120	180	297	
3	2	0	2	55	29	84	14	12	26	112	41	135	176	288	
4	34	3	37	68	38	106	38	40	78	221	65	235	300	521	
5	0	14	14	102	46	148	19	18	37	199	67	369	436	635	
6	6	8	14	66	30	96	24	20	44	154	65	373	438	592	
7	0	2	2	97	20	117	16	111	127	246	75	356	431	677	
8	8	6	14	87	33	120	13	18	31	165	62	595	657	822	
9	0	2	2	69	33	102	10	20	30	134	67	311	378	512	
10	4	4	8	53	19	72	41	17	58	138	57	245	302	440	
11	14	0	14	42	23	65	16	4	20	99	39	113	152	251	
12	8	5	13	34	14	48	19	6	25	86	28	96	124	210	
2008	76	45	121	856	295	1151	234	272	506	1778	698	3 024	3 722	5 500	

Number of movements comparison



Training

The main activities in 2008 were targeted mainly at:

- methodical and organisational provision of 3000 training hours on simulator training,
- preparation and testing of 150 exercises,
- organisation and methodical supervision of basic module procedural training,
- organisation of theoretical trainings in relation to changes of regulations and procedures,
- organisation and methodical supervision of training and examining process regarding the acquisitions of qualification of air traffic controllers.

SAFETY IN ATM

The main activity in the area of safety in ATM was aimed at reactive activities – investigation of incidents in air traffic as well as proactive activities – assessment and mitigation of hazards in changes and implementation of new systems, checking of safety, education in area of safety by means of participation in preparation and theoretical schoolings of newcomers in air traffic services as well as by organising three-week trainings SAF – SAM in cooperation with EUROCONTROL organisation for 66 methodical and operational employees and for another improvement of safety management level.

Technical investigation of incidents in air traffic

In 2008 the department of SAF received 225 reports on incidents in air traffic. 105 incidents were subject to internal investigation. Incidents of insignificant operational influence on ATS provision were investigated as well. They were aimed at finding if LPS SR, š. p. played a role in their appearance. The department of SAF carried out investigation of 3 voluntary reports.

SAF investigation of incidents in air traffic was conducted in close collaboration with the Civil Aviation Authority of the Slovak republic.

Based on the investigation of incidents, SAF department issued 222 recommendations to increase the level of safety.

CNS DOMAIN

Technical support of ATS (TZL)

The achieved values of reliability (availability) characteristics of the supplied services, CNS systems and TZL devices being operated clearly state that in 2008 the overall average availability was managed up to 99.5%.

The comparison of performance indicators for 2005, 2006, 2007 and 2008 shows increasing and permanent achievement of the requested values of reliability characteristics.

The total availability 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: The total average availability for 1870 components of the recorded CNS systems/devices and the median value for 79 selected supplied ATM services. Comparison of the achieved availability values in 2005, 2006, 2007 and 2008.

Characteristics \ YEAR	2005 [%]	2006 [%]	2007 [%]	2008 [%]	Development trend
A Total mean value of availability of all the recorded components when taking into consideration failures only	99,90	99,91	99,95	99,98	improving
A Total value mean value of availability of all the recorded components when taking into consideration failures and maintenance	99,81	99,85	99,90	99,93	improving
Medium value Median value of mean availability for 79 selected supplied ATM services (median is the number in the middle of a set of numbers)	99,65	99,74	99,79	99,77	in 2008 - slight deterioration
A Required minimum value of total mean availability (quality objective)	99,50	99,50	99,50	99,50	
Number of recorded and evaluated components of CNS systems/ devices in SPI database	1774	1826	1933	1870	

The total mean value of availability for 1870 recorded components of the CNS systems and devices in 2008 was 99.93 %. This represents improvement of the achieved availability of the CNS systems and devices by 0.12 % compared with 2005 and by 0.08 % compared with 2006 and by 0,03 % compared with 2007. The quality objective determined for the Engineering and Infrastructure Division for 2008 was met.

The gradually improving values of availability of the CNS systems and devices in 2005 to 2008 indicate a positive trend, and improvement of quality of the CNS services provided.

Table: The total mean values of availability for ATM services provided – comparison from 2005 to 2008

Characteristics \ YEAR	2005 [%]	2006 [%]	2007 [%]	2008 [%]
Total mean value of availability in				
Communication systems (C – Communication)	99,86	99,89	99,87	99,88
Navigation systems (N – Navigation)	98,20	98,44	98,80	98,30
Surveillance systems (S – Surveillance)	99,76	99,92	99,93	99,92

The mean value of availability of navigation systems in 2008 was affected mainly by failures which were, besides the others, caused by weather conditions (ILS GP 31 - icing in January, stroke of lightning DME 31) that caused longer failures of facilities and devices when compared with 2006 and 2007.

Achieved mean values of availability for supplied services of ATM communication systems and surveillance systems from the long-term are higher than required value of 99,5 % and in 2005 to 2008 do not show more significant deviations in the period under review.

AERONAUTICAL INFORMATION SERVICES (AIS)

Besides the main activities of the aeronautical information management (AIM) department, i.e. acting as the Aeronautical information services, body employees of the department were also providing for other activities, namely issuing of the ICAO Annexes equivalent documents (series L), 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.

Maintaining compliance with ES 2096/2005 requirements

The activities maintaining compliance with the common requirements pursuant to Commission Regulation (ES) No. 2096/2005 were performed in accordance with the certificate of air navigation services provider issued by the CAA of the Slovak Republic. The compliance was verified by the CAA SR in a form of ongoing supervision. No non-compliances were recorded.

Agreements on mutual collaboration in the supply of documentation for the publication by the Aeronautical information services (Service Level Agreement - SLA)

In the course of 2008 the process of preparation and evaluation of SLA was under way. An agreement with The Ministry of Transport, Posts and Telecommunication (MoT) of SR was signed. Within the scope of evaluation, a meeting with operators of airports Bratislava, Košice, Poprad-Tatry, Sliač, Piešťany and Žilina was organised with the participation of CAA SR. On the meeting, a mutual collaboration was assessed and a new proposal of the contract which resulted from the common evaluation was discussed.

Evaluation of SLA with CAA SR was also carried out. The whole process creates preconditions for further improvement of provided services, particularly from the view of quality increase of factual content of aeronautical publications.

Digital model of terrain and database of obstacles

During the period under review, activities leading to accomplishment of requirements resulting from the amendment No.33 to the ICAO Annex 15 continued. As no consensus and common approach to implementation have been achieved on the international level so far, CAA SR initiated and MTPT SR agreed to postpone the term for the Slovak republic two years later. This opinion was announced to ICAO in a standard way as a difference from Annex 15. Despite this shift, preparatory works were under way. In this area, AIS specialists were actively involved in tasks of a work group created within EUROCONTROL (TOD WG) which task is to provide harmonised progress of states in implementation DMT and DB obstacles.

Harmonisation of border points with the adjacent states

Within the harmonisation process, 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 SR. Till now, memorandum with Austria, Hungary and Poland has been signed. Preparation of data set as well as memorandum with the Czech republic and Ukraine continued and was in the final stage by the end of the year.

SEARCH AND RESCUE SERVICES

During the period under review, the activities of the RCC centre were performed in compliance with the mission of the company i.e. the activities were aimed at organisation, coordination and management of search and rescue services assisting the aircraft in emergency.

In 2008, services of the centre were used accordingly 289 times in 244 particular cases.

57 cases involved recording of broadcast on frequencies determined for emergency locator transmitters (ELT), whereas their source was identified in 31 cases. 26 cases involved unprofessional service and unauthorized manipulation with ELT equipment or interference on emergency frequency where the source was not identified. In 40 cases it was necessary to cooperate with the neighbouring RCC in Prague, Warsaw and in Vienna

During the period under review, 107 aviation incidents occurred (of which 11 were aircraft accidents, during which 5 people died). In the branch of air transport, 2 cases of emergency descent occurred for the reason of loss of pressure in the cabin and the engine failure but the aircraft continued along their routes according to their flight plans and safely left FIR Bratislava. From the evaluation centre of Cospas / Sarsat satellite system, in 30 cases we were asked to help detecting the source of the monitored place of emergency signal broadcasting.

53 cases of flights with prolonged lost of communication (PLC) contact in the air space of the Slovak republic were recorded.

In five cases the uncertainty phase (INCERFA) was declared, alert phase (ALERFA) was declared three times and four times the distress phase (DETRESFA) was declared. Four urgency calls were received due to worsened health condition of passengers during the flight and planes landed at the nearest available aerodrome. All the emergency cases were gradually called off after finding the airplane/a pilot, re-establishing, restoring the contact or after safe landing on an alternative airport.

In February, Det Norske Veritas company conducted an audit of QMS at RCC centre as a part of the company recertification audit. 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 which was carried out within the due terms. Professional education of ATM personnel, technical personnel and other employees of the company 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. Apart from that, education and courses targeted on amendments in legal regulations in the sphere of labour, tax and pay policy as well as trainings resulting from valid legal regulations and Work safety and prevention of health at workplace and fire prevention (BOZP and PO), high-rise

works, updated professional preparation of electrotechnicians and a course of security in civil aviation for the enterprise employees were continuously provided accordingly. A proper attention was paid to provision of education for 130 employees in the educational institute EUROCONTROL.

During the period under review, the company concluded a contract with the Central Institute of Education and Psychology ŽSR of which on the basis of phone calls agreement, experienced psychologists of this institute will provide their services of psychological consultancy and support to the company employees at the workplaces in Bratislava, Zvolen and Košice. A contract with the National toxicologic information centre has a similar effect. It gives advice to the air traffic controllers who take pills or medicine. It is provided on the phone. Procedures to detect psychotropic and narcotic substances were implemented.

Company's special-purpose facilities

In reconditional, educational and recreational centre of Rajecké Teplice, 688 people were accommodated in 2008. The facility was exploited for reconditional stays and work purposes in the extent of 312 days.

87 employees of the company went on reconditional stays (14-day stay). Methodical days on ATS were held in the facility and other working events (56 persons). Recreational stays of the employees and their related people were provided to 546 participants. One-week stays prevailed.

A special-purpose facility in Banská Štiavnica was occupied by 288 people. Likewise in Rajecké Teplice, one-week recreational stays prevailed.

138 people were accommodated in a recreational cottage in Stará Lesná in 2008. Also the recreational one-week stays were the most popular.

As of December 31, 2008 company had 476 employees, out of which 136 women. 29 employees were hired in 2008; 1 female employee returned from parent leave; 3 female employees returned from maternity leave. 4 female employees commenced their maternity leave. In the period under review, 23 employees were made redundant and employment contracts of 19 employees were terminated by agreement, of which 7 retired. The actual status of employees represented about 94 % of planned capacity.

ECONOMIC SITUATION

Evaluation of the LPS SR, š. p. economic results for 2008

The tasks resulting from the financial plan for 2008 were determined in compliance with the goal to continue in the long-term trend in improvement of effectiveness of the company activities and provision of necessary volume of revenues so as to achieve positive result of economic activities. The stated trend was disrupted by the previous year 2007 which was influenced mainly by significant decrease in sales receipts of services in the item of en-route charges. This item has an essential impact on the total amount of the company revenues.

In 2008, the financial plan determined drawing of costs in the amount of SKK 1,599,005,700. Total costs drawn amounted to SKK 1,355,506,400, i. e. 84,8 % that posed savings towards the plan at the amount of SKK 243,499,300 and the drawing towards reality of the year 2007 represented the value of 1,10 in index expression. An increase of costs when compared with 2007 was recorded in accounting classes, namely income tax which was in direct relation to the amount of the achieved result of economic activities in the stated year. In other classes, the drawing of costs remained on the same level when compared with the previous year.

The financial plan of revenues for the year 2008 determined revenues in the total amount of SKK 1,604,278,100. The actual revenues reached by the company amounted to SKK 1,473,628,300 which represents an increase by SKK 233,601,100 and accomplishment of the plan represented the value 1,19 in index expression when compared with the same period of 2007.

The financial plan anticipated an economic result in the total amount of TSKK 5 272,4 ; the actual economic result achieved the amount of TSKK 118 122.

Costs

When compared with the annual plan for 2008 which defined total costs and safe air traffic above the territory of the Slovak republic in the amount of SKK 1,599,005,700, the actual costs drawn amounted to SKK 1,355,506,400, i. e. 84,8 % of the planned amount.

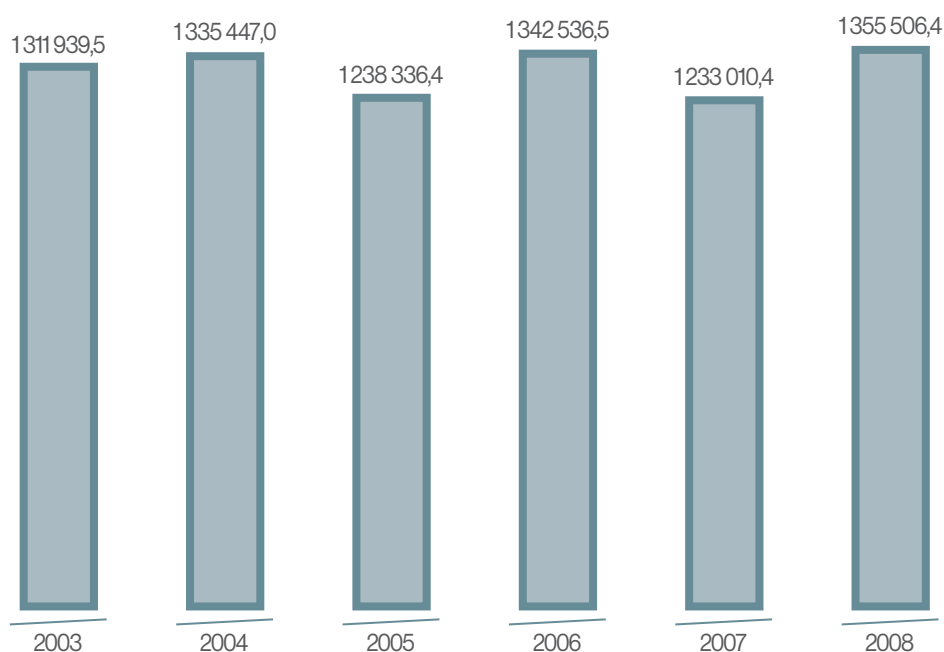
When compared with the plan of 2008, the costs drawn in 2008 were lower by SKK 243,499,300 which poses 84,8 % of the planned drawing amount.

According to individual types of cost items, the actual drawing in 2008 was as follows:

- Consumed purchases, 107,6 % - comparison of the actual situation and the plan of 2008
- Services, 88,4 % - comparison of the actual situation and the plan of the year 2008.

- Total personnel costs, 93,6 % - comparison of the actual situation and the plan of the year 2008; index 1,12 was achieved when compared with 2007. Changes were mainly influenced by the increase in the item of Statutory social costs. This item includes costs of reserve fund for retirement benefits at the amount of SKK 30,621,500 which caused the mentioned increase. The change was also recorded in the item of Statutory social and health insurance. The growth was caused by the increase of maximum amount of monthly wage base assessment (from treble the average of monthly wage in economy of the Slovak republic to quadruple one) for calculation of insurance payment to retirement insurance, insurance in unemployment and insurance to the reserve fund of solidarity. The item of Labour costs achieved index 1,07 compared with 2007. In comparison with the previous period, changes in basic wage rates were made within the collective negotiation between the employer and adequate union associations; as well as changes in placement of employees to particular wage rate classes based on training completion and passing the qualification examinations.
- Tax and charges, 96,3 % - comparison of the actual situation and the plan of 2008.
- Other costs of economic activities, 78,0 % - comparison of the actual situation and the plan of 2008.
- Depreciations of long-term intangible assets and long-term tangible assets, 72,2 % - comparison of the actual situation and the plan of 2008.
- Financial costs, 53,3 %, - comparison of the actual situation and the plan of 2008.

Comparison of cost evolution in '000 SKK (for years 2003 - 2008)



Revenues

In 2008 the company recorded total revenues at the amount of SKK 1, 473, 628,300 , i.e. 91,9 % of the annual plan that was determined at the amount of SKK 1, 604, 278,100. The most important item of revenues were the Receipts from the sale of services which increased by SKK 204,266,400 compared with the same period in 2007 which poses the index value of 1,17 of the previous year.

Total increase in Receipts from sales of services was caused mainly by the growth in the item of Receipts from en-route charges which comprise a crucial part of the receipts. These rose by SKK 224, 514,200 compared with the previous period which represents the index value of 1,24.

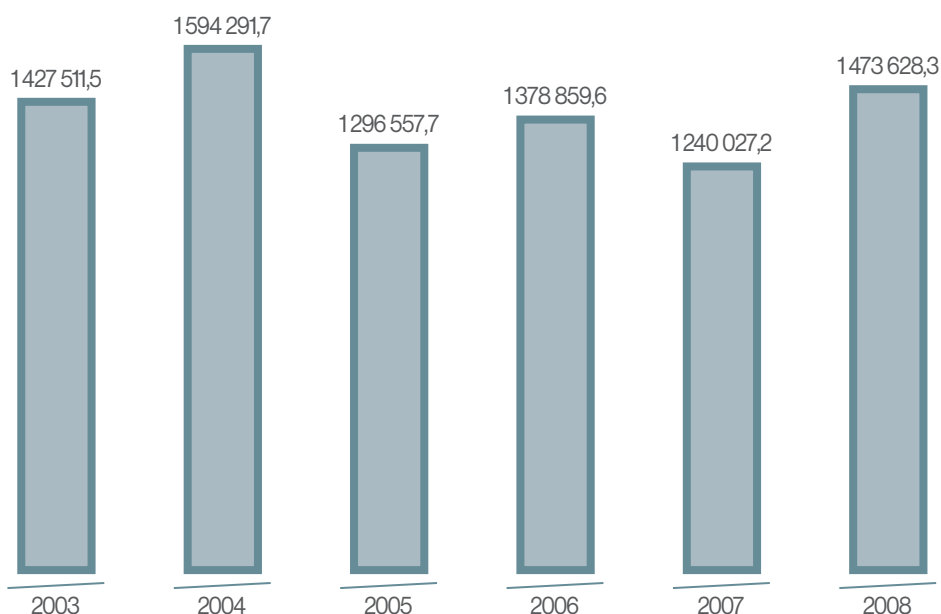
The item of terminal charges recorded a drop. In 2008, they achieved the total amount of SKK 213, 690,600 that is a drop by SKK 23,377,000 compared with the 2007. It represents the index value 0,90.

This decrease appeared because it was necessary to take into account the requirements of air operators using the aerodromes in the Slovak republic having fleets of aircraft with lower maximum take-off mass (MTOM) and in this respect, provision of section 1 para 6 of Commission Regulation (ES) No. 1794/2006 was applied.

The structure of revenues divided into individual services shows the following fulfilment of the annual plan for 2008:

- Terminal charges 98,7 % of the annual plan.
- En-route charges 88,2 % of the annual plan.
- Training flights 24,0 % of the annual plan.
- Other receipts from sale of services 109,0 % of the annual plan.
- Other revenues from sale of services 117,2 % of the annual plan.
- Other revenues from economic activities reached 558,3 % when compared with the plan for 2008 (the growth arose from the billing of subvention from MDPT SR for exempted flights for 2008).
- Financial revenues 137,4 % of the annual plan.

Comparison of revenues evolution in '000 SKK (for years 2003 - 2008)



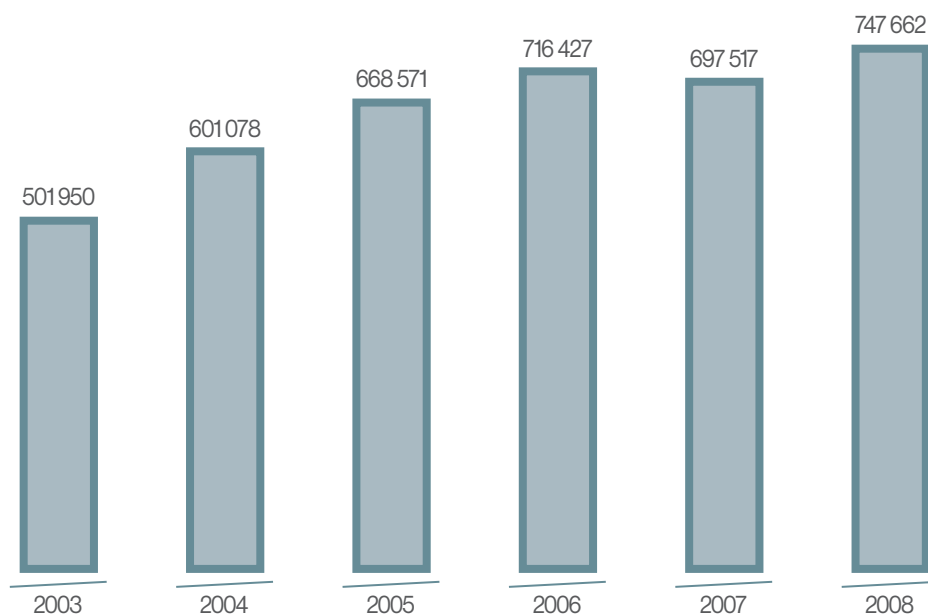
Receipts from sale of services, namely en-route charges, had a crucial influence on creation of revenues. However, they depend on invoiced en-route units and on the amount of en-route charge rate.

When setting the charge amount, prognoses of air traffic density made by EUROCONTROL and the experience gained in previous periods were taken into account. In comparison with the actual situation in 2007, the number of planned invoiced en-route units in 2008 was set higher by 5,7 % which amounts to 737 500 en-route units.

All the expected costs of operating activities, costs of administration, trainings, schoolings, AIS services and MET services for 2008 were included in the calculation of en-route unit rate charge for 2008.

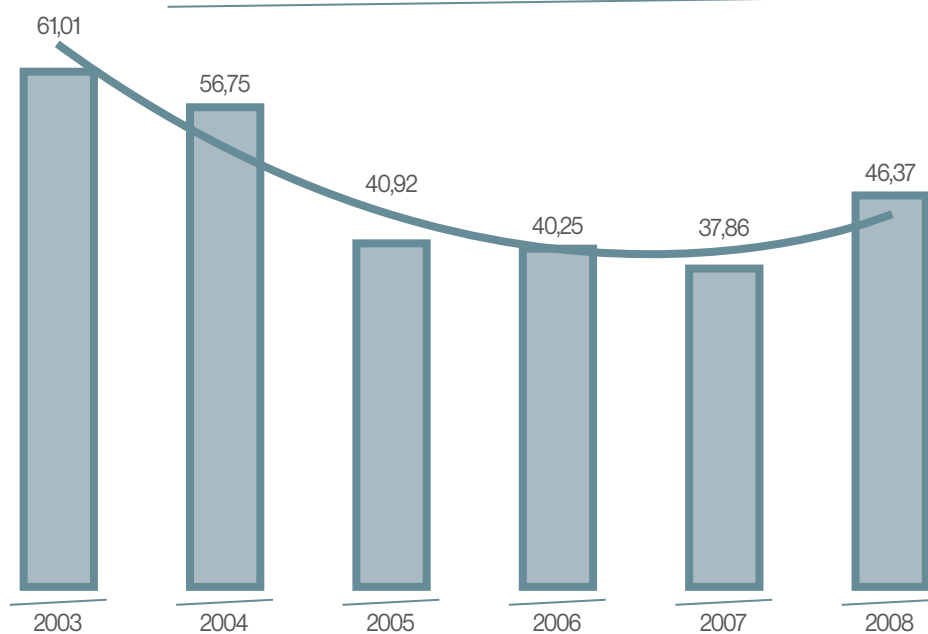
In 2008, the total number of actual invoiced en-route units was 747 662 which represents an increase by 50 145 en-route units compared with 2007 which poses the index value of 1,07 %.

Trend of invoiced service units during the years 2003 - 2008

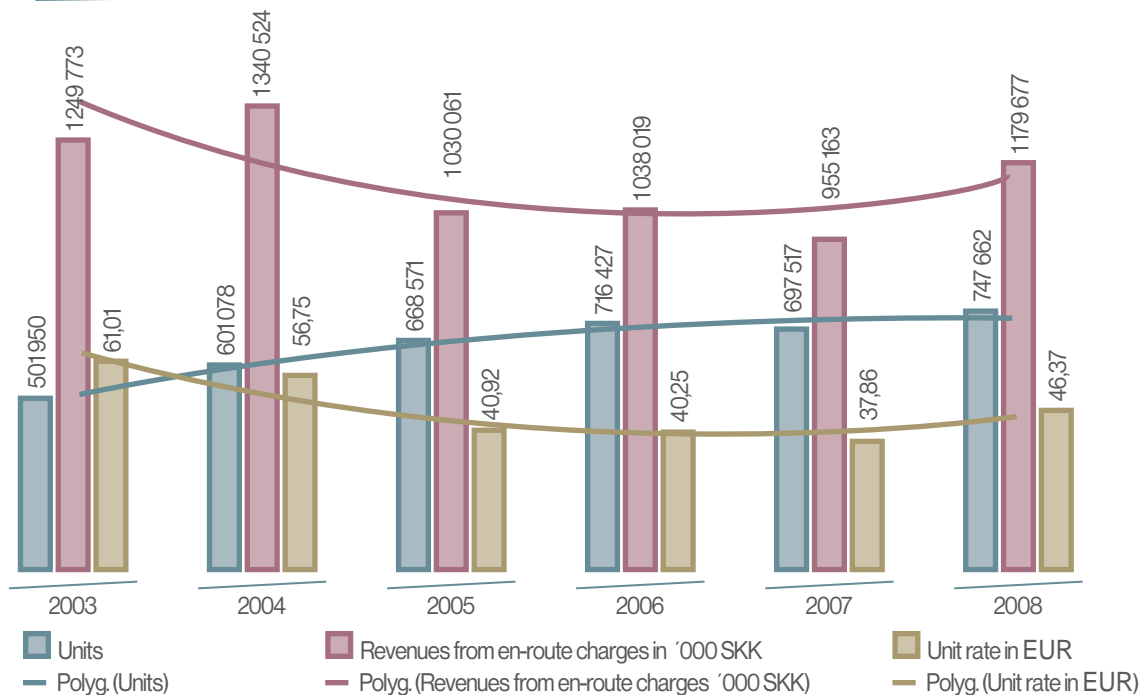


Amount of the en-route charge is determined in compliance with EUROCONTROL DOC 04.60 01, "Principles of establishing the costs base for en-route charges and calculation of unit rates". The en-route charge was determined to be SKK 1,628,- in 2008, i.e. an increase by SKK 216,- when compared with 2007, i.e. an increase by 15 % in percentages.

En-route charge evolution EUR for years 2003 - 2008



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



Business result (profit/loss)

The company recorded a pre-tax business result of SKK 135,972,000 for 2008. After meeting all the tax duties for the period under review, the company recorded a positive business result, a profit of SKK 118,121,800.

On March 3rd, 2008, within the framework of formal consultation process, the company organized a discussion meeting on cooperation with the operators of civil aviation transport in Slovakia and subsequently on October 14th, 2008 they met on the meeting with the Slovak Hydrometeorologic Institute the goal of which was to improve cooperation with the users, enhancement of quality and safety of air traffic services as well as to inform participants on the charging policy of the company in the upcoming period.

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:

- by ratio of financial assets to short-term foreign funds; for 2008 this indicator is expressed by ratio of 3,16 – 1st level liquidity – immediate liquidity while the required value is 0,20 and optimum value is 0,2 to 0,5,
- by ratio of sum of financial assets and short-term receivables to short-term funds; for 2008 this indicator is expressed by ratio of 5,38 – 2nd level liquidity – emergency – common liquidity, while the required value is 1,50 and optimum value is 1,0 to 1,5,
- by ratio of current assets to short-term foreign funds; for 2008 the value of this indicator is expressed by ratio of 5,94 – 3rd level liquidity – overall liquidity, while the required value is 2,0 and optimum value is 1,5 to 2,5.

As of December 31st, 2008 the company recorded a balance of financial funds in the amount of SKK 443,782,200 on its accounts in financial institutions.

Other evaluation indicators

When compared with 2007, the item of Labour costs for 2008 recorded an increase by 7 %. The increase was caused by the growth of basic wage rates within the collective bargaining between the employer and appropriate union associations, placing of employees to particular wage classes based on training completion and passing the qualification exams.

Average monthly earnings of employees increased by 5,5 % in 2008 when compared with 2007.

Production (P) represented by "Receipts from sale of services" has a crucial influence on added value (AV) creation. 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 company economy. They are expressed in financial values and are monitored in the accounting of the company. They are used as a basis for calculation of other qualitative indicators.

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

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

$$\text{Labour productivity from added value} = \frac{\text{Added value}}{\text{Number of employees}} = 2\,534 \text{ TSKK}$$

This indicator shows the scale of added value falling on one employee. It is the most important indicator of economic effectiveness. Labour productivity from added value increased by SKK 328,000 in 2008 compared with 2007.

$$\text{Labour productivity from revenues} = \frac{\text{Revenues}}{\text{Number of employees}} = 3\,141 \text{ TSKK}$$

Labour productivity measured by revenues represents the size of contribution by one employee. When compared with 2007, the labour productivity indicator from revenues is higher by SKK 439,000.

$$\text{Financial labour productivity from added value} = \frac{\text{Added value}}{\text{Personnel costs}} = 1,61 \text{ SKK}$$

Financial labour productivity indicator from added value expresses the volume of production per one Crown of personnel costs. When compared with 2007 (SKK 1,54) this indicator is higher by SKK 0,07.

$$\text{Revenue profitability} = \frac{\text{Profit}}{\text{Revenues}} \times 100 = 8,02 \%$$

Revenue profitability is also called profitability and represents the proportion of profit in total revenues. When compared with 2007, when the company reported the revenue profitability of 0,57 %, the fulfillment of this indicator in 2008 is significantly higher.

$$\text{Added value profitability} = \frac{\text{Profit}}{\text{Added value}} = 9,94 \%$$

Indicator of added value profitability characterises the share of the company owner on distribution of the company's own results measured by the added value. When compared with 2007, the indicator of added value profitability is significantly higher.

All the specified ratio indicators achieved higher values in 2008 than in 2007 due to higher volume of reached revenues.

Profit allocation

In line with the Act 111/1990 coll. on State Enterprise as amended, section 19, para 6, the founder Ministry of Transport, Posts and Telecommunications of the Slovak republic approved profit allocation for 2008 as follows:

a) addition to reserve fund (5 % out of profit)	5 906,1 '000 SKK	(196,0 '000 EUR)
b) addition to social fund	21 860,0 '000 SKK	(725,6 '000 EUR)
c) allowance to evolution fund	89 558,5 '000 SKK	(2 972,8 '000 EUR)
d) bonus to Director General	590,6 '000 SKK	(19,6 '000 EUR)
e) bonus to Supervisory Board members in total	206,7 '000 SKK	(6,9 '000 EUR)

Annual bonus to Director General and Supervisory Board members

After evaluating the economic result of the company for 2008, the Ministry of Transport, Posts and Telecommunications of the Slovak Republic, as the founder, awarded the Director General of the company an annual bonus of 19,6 '000 EUR pursuant to the Act No. 111/1990 Coll., section 19, par. 8.

At the same time, bonuses of 6,9 ' 000 EUR were awarded to the Supervisory Board members pursuant to the Act No. 111/1990 Coll., section 20 para. 10.

Transfer of property of state enterprise

In line with the Act No. 111/1990 Coll., section 21, para 1 item j) the Supervisory Board did not approve any transmission of property of state enterprise in 2008.

Investment plan

Company management approved an investment plan of SKK 339,476,000 (EUR 11 268 539) for the year 2008. During the period from January to July, 2008, of which SKK 164,338,986 (EUR 5 455 054,95) was invested for acquisition of long-term tangible and intangible assets.

Capital expenditures, resources and their utilisation in SKK from I to XII 2008

Capital expenditures in SKK	I to XII 2008
Planned resources in total	339 476 000,00
– lease/loan	74 601 000,00
– equity capital	264 875 000,00
Actual resources in total	200 416 608,64
Actual depreciation for 2008	150 029 482,17
Transfer of financial funds from 2007 to 2008 (unexpended resources)	44 683 634,13
Profit allocation from 2007 – allowance to development fund	5 703 492,34
Investment plan for 2008	339 476 000,00
Utilisation of own resources:	164 338 985,44
Out of which:	
– non-current tangible assets	122 017 658,10
– non-current intangible assets	17 504 328,34
– lands	24 816 999,00

In the course of the period from January to December of 2008, a financial increase of long-term tangible and intangible assets occurred and amounted to total SKK 174 517 102,78.

OUTLOOK FOR 2009

Concept of LPS SR, š. p. development is based on the aims adopted by the management within the approved strategic business plan for 2009 to 2013. 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 the development for 2009 was discussed by the Supervisory Board on April 21st, 2009 in compliance with section 19, para 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, which will be achieved within the framework of securing air traffic in the airspace of the Slovak republic.
- When compared with the plan for 2008 (EUR 53 077,300) the total cost base planned for 2009 is lower by 3 % on average; i.e. the planned costs are EUR 51,224,600 which is a drop by EUR 1,852,700 when compared with the financial plan for 2008.
- The plan for 2009, as for the revenues, a total increase by EUR 52,567,000 is expected. The revenues in total are comparable with the plan for 2008 (EUR 53,252,300) what represents a drop to a level of 99% of planned revenues in 2008. The crucial part of revenues comprises the income from en-route activities, namely at a total planned amount of EUR 42,923,800 what represents more than 80 % of all the revenues. The stated sum represents performances in 785 000 en-route units in 2009.
- The cost base was determined on the basis of calculated planned costs for services of air traffic management, communication services, radionavigational services, surveillance services, search and rescue service, aeronautical information services and meteorological service. The cost base expects unit rating for 2009 in line with EUROCONTROL rules at EUR 54,68 that is an increase by 13,5% when compared with 2008. The amount of unit rate takes into account the so-called adjustment mechanism for 2007.

Based on unfavourable development of global economic and financial crisis, progress of air traffic and civil aviation as well as unbalanced development of performances and related revenues, mainly for provided terminal services, the company also expects the impact of the crisis in development of air traffic on its economic activities in 2009. In case of need, the company management will be taking measures for regulation and particular procedures for the purpose of decrease of cost drawings, however to such extent so as not to have negative impact on safety and fluency of air traffic.

The Annual Report of LPS SR, š. p. for 2008 was compiled on June 26th, 2009.

From the day of compilation of the Annual Report of LPS SR, š.p. for 2008 till the day of accomplishment of the financial statements of the state enterprise LPS SR, š.p. no follow-up events occurred.

INDEPENDENT AUDITOR'S REPORT

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 comprises the balance sheet prepared as of December 31, 2008, 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.

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 convinced 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, 2008, 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 27th, 2009

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



**REPORT OF RECONCILIATION VERIFICATION
OF THE ANNUAL REPORT WITH THE FINANCIAL STATEMENTS**

pursuant to the Act No.540/2007 of the Collection of Laws, section 23 para. 5

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

- I. We verified financial statement of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik, having its office in Bratislava, identification number 35 778 458 as of December 31st, 2008 stated in the attached annual report to which, on March 27th, 2009 we expressed auditor 's opinion in the following wording:

In our opinion, the financial statements provide true and objective view of the financial situation of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik as of December 31st, 2008 its business results and cash-flow for the year ending as of the specified date in accordance with the Act on Accounting.

- II. We also performed verification of reconciliation of the annual report with the above-mentioned financial statements. The enterprise management is responsible for correctness of the annual report compilation. Arising from the verification, our task is to issue the standpoint on reconciliation of the annual report with the financial statements. The verification was accomplished in accordance with the International Accounting Standards. These standards ' requirement is auditor 's planning and performance of verification in order to gain adequate assurance that the information and data specified in the annual report are in their all important relations in accordance with the appropriate financial statements. Information stated in the annual report was verified with the information specified in the proper financial statements as of December 31st, 2008. Other data and information, such as accounting information obtained from financial statements and bookkeeping, was not verified.

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

In our opinion, the accounting information in the annual report is stated in its all important relations and in accordance with the above-mentioned financial statements.

Banská Bystrica, April 26th, 2009

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M.M.Hodžu 3, 974 01 Banská Bystrica
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Section: Sro, Insert No.: 98/S, identification number: 00614556

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



BALANCE SHEET AS AT 31 DECEMBER 2008 IN TSKK

ASSETS		2007	2008
	Total assets	1 882 525	2 007 559
B.	Non-current assets	1 135 885	1 149 904
B.I.	Non-current intangible assets	8 078	23 936
B.II.	Property, plant and equipment	1 127 807	1 125 968
B.III.	Non-current financial assets	0	0
C.	Current assets	716 930	834 631
C.I.	Inventories	51 819	78 910
C.II.	Non-current receivables	0	0
C.III.	Current receivables	246 399	311 939
C.IV.	Financial accounts	418 712	443 782
D.	Accruals and prepayments	29 710	23 023

LIABILITIES		2007	2008
	Total equity and liabilities	1 882 525	2 007 559
A.	Equity	1 645 902	1 763 138
A.I.	Share capital	1 163 083	1 530 417
A.II.	Capital funds	0	0
A.III.	Funds created from profit	527 816	114 321
A.IV.	Net profit/loss of previous years	-52 014	278
A.V.	Net profit/loss for the accounting period	7 017	118 122
B.	Liabilities	236 259	244 071
B.I.	Provisions	66 005	93 149
B.II.	Non-current liabilities	22 799	10 456
B.III.	Current liabilities	147 455	140 466
B.IV.	Bank loans and borrowings	0	0
C.	Accruals and deferral	364	350

PROFIT AND LOSS STATEMENT AS AT DECEMBER 2008 IN TSKK

mark	TEXT		2008	2007
I.	Revenues from sale of merchandise (604)	01	9	71
A.	Costs on merchandise sold (504)	02	8	52
+	Trade margin (lines 01 - 02)	03	2	19
II.	Production (lines 05 + 06 + 07)	04	1 427 021	1 222 726
II.1.	Revenues from the sale of own products and services (601,602)	05	1 426 735	1 222 471
2.	Change in internal inventory (+/- account group 61)	06	9	103
3.	Own work capitalized (account group 62)	07	277	152
B.	Production cost (lines 09 +10)	08	238 309	209 793
B.1.	Consumed raw materials, energy consumption and consumption of other non-inventory supplies (501,502,503)	09	44 921	33 872
2.	Services (account group 51)	10	193 388	175 921
+	Added value (lines 03 + 04 - 08)	11	1 188 713	1 012 952
C.	Personnel expenses (lines 13 to 16)	12	737 274	656 107
C.1.	Wages and salaries (521,522)	13	528 000	493 786
C.2.	Remuneration of board members of company or cooperative (523)	14	2 947	2 786
C.3.	Social security expenses (524,525,526)	15	143 670	120 516
C.4.	Social expenses (527,528)	16	62 658	39 019
D.	Taxes and fees (account group 53)	17	1 780	1 725
E.	Amortization of non-current intangible assets and depreciation of property, plant and equipment (551)	18	150 030	137 653
III.	Revenue from the sale of non-current assets and raw materials (641,642)	19	961	8
F.	Carrying value of non-current assets sold and raw materials sold (541,542)	20	106	0
IV.	Other operating income (644,645,646,648,655,657)	21	35 399	3 628
G.	Other operating expenses (543 to 546,548,549,555,557)	22	91 872	103 950
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	244 012	117 153
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	6 263	9 382
M.	Interest expense (562)	38	0	1 446
XI.	Exchange rate gains (663)	39	3 976	4 212
N.	Exchange rate losses (563)	40	32 349	30 011
XII.	Other income from financial activities (668)	41	0	0
O.	Other expenses from financial activities (568, 569)	42	85 929	80 491
XIII.	Transfer of financial income (-) (698)	43	0	0
P.	Transfer of financial expenses (-) (598)	44	0	
*	Profit/loss from financial activity (lines 26-27+28-32-33+34-35-36+37-38+39-40+41-42+(-43)-(-44))	45	-108 040	-98 354
R	Income tax on ordinary activity (line 47+ 48)	46	17 850	11 782
R.1.	- current (591,595)	47	20 874	1 312
2.	- deferred (+/- 592)	48	-3 024	10 470
**	Profit/losst from ordinary activity (lines 25+45-46)	49	118 122	7 017
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	118 122	7 017

CASH FLOW AS AT 31 DECEMBER 2008 IN TSKK

mark	T E X T		2008
Z/s	Net profit (before interests, tax and extraordinary items)	001	135 972,1
A.1	Adjustments for non-monetary transactions	002	622 788,8
A.1.1	Deprecations to non-current assets	003	149 692,4
A.1.2	Depreciated price to non-current assets besides sales	004	337,1
A.1.4	Value adjustment to provisions	006	-24 487,8
A.1.5	Value adjustment to adjusting entry	007	2 178,3
A.1.6	Value adjustment to accrual and deferral of costs and revenues	008	6 701,1
A.1.7	Dividends and shares account to revenues	009	0,0
A.1.8	Interests account to expenses(+)	010	0,0
A.1.9	Interests account to revenues (-)	011	-6 262,7
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	12,2
A.1.12	Proceeds from sale of non-current assets	014	855,0
A.1.13	Other items of non-monetary status, influented profit/loss from ordinary activity	015	493 763,2
A.2	Changes in working capital	016	-92 318,1
A.2.1	Value adjustment to receivables	017	-67 828,9
A.2.2	Value adjustment to liabilities	018	2 601,9
A.2.3	Value adjustment to inventory	019	-27 091,0
A.2.4	Value adjustment to financial accounts	020	0,0
---	Cash Flow from operating activities (Z/s + A1 + A2)	021	666 442,8
A.3	Interests received (besides interests received from investment activities)	022	6 262,7
A.4	Interests paid (besides interests including into the financial activities)	023	0,0
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	-462,5
---	Cash Flow from operating activities (+/-), (A1 - A6)	026	672 243,1
A.7	Income tax paid (besides paid including in financial and investment activities)	027	22 593,2
A.8	Extraordinary income from operating activities	028	10,0
A.9	Extraordinary expenses from operating activities	029	-1 090,6
A1-A9	Net cash flow from operating activities (A1 - A9 + Z/s)	030	693 755,7
---	Cash Flow from investment activities	031	0,0
B.1	Purchase of non-current intangible assets	032	-11 483,6
B.2	Purchase of non-current tangible assets	033	-152 671,4
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	960,6
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	0,0
B.20	Other investment expenses	051	0,0
B1-B20	Net cash flow from investment activities	052	-163 194,4
---	Cash flow from financial activities	053	0,0
C.1	Cash Flow in equity (C.1.1 - C.1.8)	054	-419 549,4
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	-419 548,7
C.1.8	Expenses relating to decrease of share capital	062	-0,7
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	Expenses 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	-85 929,3
C1-C9	Net Cash Flow from financial activities	079	-505 478,7
D	Net increase or decrease of cash money	080	25 082,6
E	Cash and cash equivalents as at 1 January 2006	081	418 711,9
F	Cash and cash equivalents as at 31 December 2006	082	443 794,5
G	Exchange-rate difference as at 31 December 2006	083	-12,2
H	Cash and cash equivalents with exchange-rate difference	084	443 782,2



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 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

29 May 2009
Bratislava, Slovak Republic

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



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

Balance sheet as at 31 December 2008

(In thousands of Slovak Crowns)

	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	2	1101 501	1104 635
Intangible assets	3	23 840	8 030
Deferred tax assets	4	-	23 500
Total non-current assets		1125 341	1136 165
Current assets			
Inventories	5	32 493	8 212
Trade and other receivables	6	270 235	234 434
Corporate income tax refund		-	4 468
Cash and cash equivalents		443 781	418 712
Total current assets		746 509	665 826
Total assets		1871 850	1801 991
EQUITY AND LIABILITIES			
Equity			
Issued capital		1530 417	1163 083
Legal reserve and other capital funds		114 321	527 815
Retained earnings / (Accumulated losses)		6 771	(99 513)
Total equity	7	1651 509	1591 385
Non-current liabilities			
Provision for employee benefits	8	52 405	39 724
Deferred tax liability		5 831	-
Other non-current liabilities		4 823	5 414
Total non-current liabilities		63 059	45 138
Current liabilities			
Trade and other payables	9	133 023	161 296
Corporate income tax		18 125	-
Short term part of provision for employee benefits	8	6 134	4 172
Total current liabilities		157 282	165 468
Total equity and liabilities		1871 850	1801 991

The financial statements, which include the notes on pages 31 to 40, were signed on behalf of the Company 29 May 2009 by:



Ing. Roman Biro, PhD.
Chief Executive Officer

Income statement for the year ended 31 December 2008

(In thousands of Slovak Crowns)

	Note	2008	2007
Revenues			
Air traffic control services		1,426,734	1,222,471
Other operating income		35,345	3,707
Total revenues		1,462,080	1,226,178
Operating expenses			
Personnel expenses	10	(713,104)	(636,818)
Depreciation and amortization	2, 3	(150,517)	(131,041)
Other operating expenses	11	(465,489)	(417,801)
Total operating expenses		(1,329,110)	(1,185,660)
Profit from operations		132,970	40,518
Net financing costs	12	(22,641)	(9,838)
Profit before tax		110,329	30,680
Income tax expense	13	(50,205)	6,527
Profit for the year		60,124	37,207

The notes on pages 31 to 40 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2008

(In thousands of Slovak Crowns)

	Issued capital	Legal reserve fund	Other capital funds	Retained earnings / (acc. losses)	Total
At 1 January 2007	1163 083	39 984	455 312	(104 201)	1554 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	1163 083	41 800	486 015	(99 513)	1591 385
At 1 January 2008	1163 083	41 800	486 015	(99 513)	1591 385
Use of other capital funds	367 334	-	(419 549)	52 215	-
Transfer to other capital funds	-	-	5 704	(5 704)	-
Transfer to legal reserve fund	-	351	-	(351)	-
Profit for the year	-	-	-	60 124	60 124
At 31 December 2008	1530 417	42 151	72 170	6 771	1651 509

The notes on pages 31 to 40 form part of these financial statements.

Cash flow statement for the year ended 31 December 2008

(In thousands of Slovak Crowns)

	2008	2007
OPERATING ACTIVITIES		
Cash receipts from customers	1 357 366	1 210 821
Subsidies from the state	30 500	-
Cash paid to suppliers and employees	(1 207 694)	(1 047 948)
Cash generated from operations	180 172	162 873
Income tax received	1 719	7 535
Cash flows from operating activities	181 891	170 408
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(144 089)	(223 762)
Acquisition of intangible assets	(18 996)	(6 923)
Interest received	6 263	9 382
Cash flows used in investing activities	(156 822)	(221 303)
FINANCING ACTIVITIES		
Loan repayments	-	(64 522)
Interest paid	-	(1 447)
Cash flows used in financing activities	-	(65 969)
 Net increase / (decrease) in cash and cash equivalents	 25 069	 (116 864)
 Cash and cash equivalents at beginning of year	 418 712	 535 576
 Cash and cash equivalents at end of year	 443 781	 418 712

The notes on pages 31 to 40 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008

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 29 May 2009.

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 new standards, amendments to standards and interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing the financial statements:

- Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009) requires 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). The Company is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- Revised IAS 23 Borrowing costs (effective from 1 January 2009) requires the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Due to financial position of the Company this standard would currently have no impact on the Company’s financial statements.

- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) – in the revised standard the term minority interest has been replaced by non-controlling interest, and is defined as „the equity in a subsidiary not attributable, directly or indirectly, to a parent“. The revised standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. However it is not relevant for the Company as it does not have any interests in subsidiaries.
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009) – the amendments remove the definition of “cost method” currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. It also provides guidance when the receipt of dividend income is deemed to be an indicator of impairment. However it is not relevant for the Company as it does not have any interests in subsidiaries.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The Company expects no effect on the financial statements as in the past it has not issued any puttable instruments that would be affected by the amendments.
- Revised IFRS 2 Share-based Payment (effective from 1 January 2009) standard clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The standard is expected not to have any impact on the Company’s financial statements.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) standard has been amended and the definition of a business has been expanded. The standard is expected not to have any impact on the Company’s financial statements.
- IFRS 8 Operating Segments (effective from 1 January 2009) requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters.
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009) – the interpretation clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in certain cases. As the Company has not entered into such agreements, the interpretation will have no impact on the Company’s financial statements.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 15 July 2009) – The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. As the Company does not distribute non-cash assets to the shareholders, the interpretation will have no impact on the Company’s financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009) - The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Company’s operations as the Company does not apply hedge accounting.
- IAS 40 Investment Property (effective for annual periods beginning on or after 1 January 2009) - IAS 40 is amended to include property under construction or development for future use as investment property in its definition of “investment property”. This results in such property being within the scope of IAS 40; previously it was within the scope of IAS 16. As the Company has no plans to operate Investment property (the company has only assets used for by the Company), it is expected, that the amendments to IAS 40 will not be relevant to the Company.

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

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

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

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

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

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

Impairment

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

Intangible assets

Software costs are capitalized and amortized using the straight-line method over a period from two to five years.

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 using risk free discount rate.

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 foreign exchange gains and losses, interest income from cash deposits and interest from borrowings calculated using the effective interest rate method.

Income taxes

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

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

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

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

2. PROPERTY, PLANT AND EQUIPMENT

In thousands of SKK	Land and buildings	Plant and equipment	Assets under construction	Total
Cost				
At 1 January 2008	683 095	1 887 583	218 696	2 789 374
Additions	32 362	52 226	60 569	145 157
Disposals	(213)	(58 672)	-	(58 885)
Transfers	8 155	65 280	(73 435)	-
At 31 December 2008	723 399	1 946 417	205 830	2 875 646
Accumulated depreciation and impairment losses				
At 1 January 2008	164 559	1 520 180	-	1 684 739
Charge for the year	20 004	127 327	-	147 331
Disposals	(126)	(57 799)	-	(57 925)
At 31 December 2008	184 437	1 589 708	-	1 774 145
Net book value				
At 1 January 2008	518 536	367 403	218 696	1 104 635
At 31 December 2008	538 962	356 709	205 830	1 101 501

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

3. INTANGIBLE ASSETS

In thousands of SKK	Software	In thousands of SKK	Software
Cost		Cost	
At 1 January 2008	140 993	At 1 January 2007	134 666
Additions	18 996	Additions	6 924
Disposals	(3 340)	Disposals	(597)
At 31 December 2008	156 649	At 31 December 2007	140 993
Accumulated depreciation		Accumulated depreciation	
At 1 January 2008	132 963	At 1 January 2007	132 504
Charge for the year	3 186	Charge for the year	1 056
Disposals	(3 340)	Disposals	(597)
At 31 December 2008	132 809	At 31 December 2007	132 963
Net book value		Net book value	
At 1 January 2008	8 030	At 1 January 2007	2 162
At 31 December 2008	23 840	At 31 December 2007	8 030

4. DEFERRED TAX LIABILITY

Deferred tax assets and liabilities as at 31 December 2008 and 2007 are attributable to the items detailed in the table below:

In thousands of SKK	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Property, plant and equipment		2 382	(34 965)	-	(34 965)	2 382
Inventories	8 801	8 218	-	-	8 801	8 218
Receivables	8 858	4 560	-	-	8 858	4 560
Provision for employee benefits	11 475	8 340	-	-	11 475	8 340
Deferred tax assets / (liabilities)	29 134	23 500	(34 965)	-	(5 831)	23 500
Set off of tax	(29 134)	-	29 134	-	-	-
Net deferred tax	-	23 500	(5 831)	-	(5 831)	23 500

The deferred tax liability as at 31 December 2008 has been calculated using a rate of 19 % (2007: 19 %).

5. INVENTORIES

In thousands of SKK	2008	2007
Spare parts and supplies	76 716	51 466
Provision for slow-moving items	(44 223)	(43 254)
	32 493	8 212

6. TRADE AND OTHER RECEIVABLES

In thousands of SKK	2008	2007
Trade accounts receivable	343 185	267 849
Provision for bad and doubtful debt	(83 294)	(54 697)
Advances to suppliers	2 552	1 746
Value added tax receivable	3 643	9 946
Other receivables and prepaid expenses	4 149	9 590
	270 235	234 434

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. In 2008, the issued capital was increased by the transfer of TSKK 367,334 from Fund for expansion based on decision of the Minister of Transportation, Post Offices and Telecommunications of the Slovak Republic on 2 June 2008. As at 31 December 2008, the Issued capital was TSKK 1,530,417.

Other capital funds

Other capital funds consist of Fund for expansion and Statutory fund. On 29 April 2008 the Supervisory board decided to transfer the amount of TSKK 52,015 from Fund of expansion to accumulated losses account to cover losses from prior years. The Minister of Transportation, Post Offices and Telecommunications decided on 11 June 2008 to transfer to Fund for expansion an amount of TSKK 5,704 from the year 2007 profit. The Supervisory Board in 2008 also decided to provide financial donations (gifts) in the amount of TSKK 200 from Statutory fund. As at 31 December 2008, the Other capital funds were TSKK 72,170.

Legal reserve fund

The increase in legal reserve fund in amount of TSKK 351 (5 % of profit as per the statutory financial statements for the year 2007) was approved by the Minister of Transportation, Post Offices and Telecommunications of the Slovak Republic on 11 June 2008. As at 31 December 2008, the Legal reserve fund was TSKK 42,151. This reserve fund is not available for distribution and should only be used against future losses arising from business activities.

8. PROVISION FOR EMPLOYEE BENEFITS

In thousands of SKK	2008	2007
Present value of retirement benefits	58,539	43,896
out of that short-term part	6,134	4,172
out of that long-term part	52,405	39,724

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.

Movements in provision for retirement benefits:

Actuarial loss (TSKK 10,029) is caused by a change of estimated future payroll growth (4.9 % in 2008; 3 % in 2007).

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.

9. TRADE AND OTHER PAYABLES

In thousands of SKK	2008	2007
Trade accounts payable	29 331	53 804
Salaries, wages and social security payable	59 667	47 026
Employee income taxes	12 717	10 375
Social fund (see below)	5 633	15 721
Other payables and accrued expenses	25 675	34 370
	133 023	161 296

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 2008, the Company contributed to the employees' endowment insurance an amount of TSKK 10,384 (2007: TSKK 10,476). In 2008, the Company also contributed from the social fund to the employees' supplementary pension insurance an amount of TSKK 505 (2007: TSKK 391).

10. PERSONNEL EXPENSES

In thousands of SKK	2008	2007
Wages and salaries	528 000	491 953
Legal social insurance	114 622	91 823
Supplementary pension insurance	30 905	28 694
Provision for retirement benefits	14 766	(9 320)
Social fund expense	17 495	16 062
Remuneration of the Supervisory Board and Directors	3 409	3 489
Retirement benefits	3 087	9 764
Additional contribution to social fund	500	3 000
Severance payments	320	1 353
	713 104	636 818

The average number of employees during 2008 was 469 (2007: 459) including 3 directors (2007: 3).

There was an additional contribution to the social fund from profit 2007 in the amount of TSKK 500 in the year 2008 following a decision of the Minister of Transportation, Post Offices and Telecommunications on 11 June 2008.

11. OTHER OPERATING EXPENSES

In thousands of SKK	2008	2007
EUROCONTROL membership fees	88 019	85 500
Insurance	85 396	80 120
Other services	39 585	28 493
Telecommunications costs	37 946	38 027
Meteorological services	31 500	26 500
Provisions and write-offs of bad and doubtful debts	30 776	6 072
Repairs and maintenance	29 074	34 663
Spare parts and supplies	23 670	16 136
Travel	17 413	21 462
Rent of premises	15 591	15 896
Training	14 221	21 160
Maintenance fees for technical software	12 505	6 380
State air traffic inspection	9 098	9 726
Provision for spare parts	4 092	15 333
Release of impairment losses to land	-	(9 265)
Other operating expenses	26 603	21 598
	465 489	417 801

12. NET FINANCING COSTS

In thousands of SKK	2008	2007
Interest income	6 263	9 382
Interest expenses	-	(1 447)
Bank charges	(533)	(371)
Net foreign exchange losses	(28 371)	(17 402)
Total financing expenses	(28 904)	(19 220)
Net financing cost	(22 641)	(9 838)

13. INCOME TAX EXPENSE

In thousands of SKK	2008	2007
Current year tax expense	(20 874)	(1 312)
Deferred tax income / (expense)	(29 331)	7 839
Total income tax expense in income statement	(50 205)	6 527

Income taxes have been provided for at a rate of 19 % (2007: 19 %) of taxable income based on Slovak accounting and tax regulations and deferred tax at a rate of 19 % (2007: 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	2008		2007	
Profit before tax		110,329		30,680
Income tax using the prevailing corporation tax rate	19%	(20,963)	19%	(5,829)
Non-deductible expenses	32%	(35,456)	56%	(17,244)
Non-taxable income	-56%	61,576	-81%	24,889
Temporary differences	50%	(55,351)	-15%	4,711
	46%	(50,205)	-21%	6,527

14. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, the Directors of the Company and members of the Supervisory Board received wages and salaries amounting to TSKK 26,609 (2007: TSKK 22,764) and TSKK 9,505 (2007: TSKK 9,235), respectively.

15. COMMITMENTS

Capital commitments

As at 31 December 2008, the Company has entered into purchase agreements for property, plant and equipment totalling approximately TSKK 995,079 (2007: TSKK 563,813).

Lease obligations

The Company leases for office and warehouses spaces based on the noncancellable contracts. The minimum annual lease payments are TSKK 15,591 (2007: TSKK 8,370).

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.

16. 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 and costs 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 and costs in foreign currencies.

The Company is showing the following structure of assets and liabilities in foreign currency and Slovak crowns as at 31 December 2008:

In thousands of SKK	EUR	USD	Other	SKK	Total
Assets					
Trade and other receivables	197 971	5 375	-	66 889	270 235
Cash and cash equivalents	-	-	-	443 781	443 781
	197 971	5 375	-	510 670	714 016
Liabilities					
Provision for employee benefits	-	-	-	58 539	58 539
Deferred tax liability	-	-	-	5 831	5 831
Other non-current liabilities	-	-	-	4 823	4 823
Trade and other payables	9 897	21	44	123 061	133 023
Corporate income tax	-	-	-	18 125	18 125
	9 897	21	44	210 379	220 341

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 remaining period to maturity of financial assets and liabilities at 31 December 2008 are set out in the following table.

In thousands of SKK	1 year or less	1-5 years	More than 5 years	Total
Assets				
Trade and other receivables	270 235	-	-	270 235
Cash and cash equivalents	443 781	-	-	443 781
Liabilities				
Provision for employee benefits	(6 134)	(9 815)	(42 590)	(58 539)
Other non-current liabilities	-	(4 823)	-	(4 823)
Trade and other payables	(133 023)	-	-	(133 023)
Corporate income tax	(18 125)	-	-	(18 125)
Net position	556 734	(14 638)	(42 590)	499 506

The remaining period to maturity of financial assets and liabilities at 31 December 2007 was as follows:

In thousands of SKK	1 year or less	1-5 years	More than 5 years	Total
Assets				
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
Liabilities				
Provision for employee benefits	(4 172)	(7 617)	(32 107)	(43 896)
Other non-current liabilities	(2 783)	(2 632)	-	(5 415)
Trade and other payables	(144 801)	(16 495)	-	(161 296)
Net position	509 289	(30 175)	(32 107)	447 007

Fair values

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

17. INFORMATION ON EVENTS OCCURRING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

Starting from 1 January 2009 the Slovak Republic has become a member of the European Monetary Union and adopted the euro to replace the Slovak crown. Accordingly, with effect from that date, the Company will prepare financial statements and maintain its accounting records in euro. The financial statements for the year ended 31 December 2009 will include comparative figures for 2008 translated into euro using the conversion rate of 1 euro to 30.126 Slovak crowns.

Acronyms and abbreviations

AA	Asistent ATIS/VOLMET
ACC	Area Control Centre or Area Control
AIM	Aeronautical Information Management
AIP SR	Aeronautical Information Publication SR
AIS	Aeronautical Information Service
AIXM	Aeronautical Information Exchange
ALERFA	Alert Phase
AMM	Assistant Message Management
APP	Approach Control Office or Approach Control Service
ARO	Air Traffic Services Reporting Office
ATCo	Air Traffic Controller
ATM	Air Traffic Management
ATS	Air Traffic Services
BOZP PO	Work safety and protection of health at workplace and Fire prevention
CANSO	Civil Air Navigation Services Organisation
CARO	Central air Traffic Services Reporting Office
CAT	Category
CNS	Communications, Navigation and Surveillance
CTR	Control zone
DB	Database
DETRESFA	Distress phase
DLPS	Division of Air Traffic Services
DME	Distance Measuring Equipment
DMS	Document management system
DTZL	Division of Technical Provision of ATS
DVM	Dispatcher Vehicle Movement
EAD	European AIS Database
EATM	European Air Traffic Management
ELT	Emergency Locator Transmitter
ES	Executive Supervisor
ESARR	Eurocontrol Safety Regulatory Requirement
EÚ	European Union
EUROCONTROL	European Organisation for the Safety of Air Navigation
FDO	Flight Data Operator
FDP	Flight Data Processing
FIC	Flight Information Centre
FIR	Flight Information Region
FPL	Filed Flight Plan

GAT	General Air Transport
IAS	Institute of Air Navigation Services
IBAF	Integrated Briefing Automated Facility
ICAO	International Civil Aviation Organisation
IFR	Instrument Flight Rules
ILS	Instrument Landing System
INCERFA	State of uncertainty
ISO	Norms
JAR	Joint Aviation Requirements
L	Regulations of category „L“
LoA	Letter of Agreement
LZIB	Bratislava Airport
LZKZ	Košice Airport
LZPP	Piešťany Airport
LZSL	Sliac Airport
LZIT	Poprad Airport
LZZI	Žilina Airport
LÚ SR	Civil Aviation Authority
MDPT SR	Ministry of Transport, Posts and Telecommunication of SR
MTOM	Maximum Take-off Mass
NSA	National Supervisory Authority
OJT	On-job training
PSSA	Preliminary System Safety Assessment
QMS	Quality Management System
RCC	Rescue Coordination Centre
SAF	Safety and Rescue
SB	Self Briefing
SLA	Service Level Agreement
SPI	System of traffic information
TMA	Terminal Control Area
TOD WG	Terrain and Obstacle Database Working Group
TWR	Tower or Aerodrome Tower
TZL	Technical support of air traffic services

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