

ANNUAL REPORT 2009



Letové prevádzkové služby Slovenskej republiky, štátny podnik

LPS SR

Air Navigation Services Provider

www.lps.sk



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Preface by the Director General

Ladies and Gentlemen,

Looking at the previous year, I am glad to say that we can be even more satisfied with the results our company achieved; they show that a complex provision of air navigation services has become our vocation in the true sense of the word.

Last year the world financial crisis had also a negative impact on air transport evolution; several air companies declared their bankruptcy. Air transport is one of the first areas to be affected by financial crises. All companies as well as individual travelers take saving measures resulting mainly in travelling expenses cuts and, obviously, that has an impact on financial management of all subject involved in aviation business. Air transport is therefore an area which is longest affected by crises.

Regardless of the crisis, providing safe and continuous air navigation is still the main goal of the company and, in this regard, cooperation among air navigation service providers is of vital importance. In 2009, based on their own initiative, Slovakia and other six neighboring countries signed a Memorandum of Understanding in Bratislava with the aim to create a Functional Airspace Block Central Europe (FAB CE). This step was taken as a part of implementation of the Regulation (EC) of the European Parliament and of the Council of 2004 laying down the framework for the creation of the Single European Sky in the area of providing air navigation services. The Memorandum was signed by Bosnia and Herzegovina, the Czech Republic, Croatia, Hungary, Austria and Slovenia. The Slovak Republic has become a part of the Single European Sky which should lead to an overall optimization of providing air navigation services, supposing that a distributed model of providing these services ('virtual centre') is introduced. The services will be provided by individual countries without discrimination or interfering with their sovereignty.

There is a legislative change underway, being prepared by the European Commission, consisting in the fact that while until now, in the long term, costs of the company have been fully covered by charges for providing air navigation services, based on the so-called 'compensation mechanism', the new future system of coverage will depend on the comparison of costs evolution and air traffic volume with the plan ('risk sharing system') and also on meeting performance aims which have been set ('system of incentives'). The risk sharing system is going to reward or penalize LPS SR, š. p. for compliance or non-compliance with the plan in two areas: a) volume of controlled air traffic and b) amount of corresponding costs determined for that purpose. By improving an overall efficiency of air navigation services across individual key performance areas, i.e. safety, capacity, cost efficiency and environment, the change should contribute to a sustainable development of air transport.

With its human and technical potential, LPS SR, š. p. has always been able to meet growing demands of air carriers as for the airspace capacity, fluent and economical air traffic flow and high safety of air traffic, and I do believe that it will continue henceforward.

Let me express my sincere "Thank You" to all employees who have contributed to the achievements of our company until now.



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

Roman Bíro, PhD.
Director General

Supervisory Board Report

At its meeting on March 30, 2010, based on the audit of Financial Statements conducted by the auditing company of BDR, spol. s r.o., M. M. Hodžu 3, Banská Bystrica, the Supervisory Board of Letové prevádzkové služby Slovenskej republiky, štátny podnik evaluated results of financial management of the company in 2009 and stated that they are in compliance with the current legislation and accounting principles; that the presented Financial Statements of Letové prevádzkové služby Slovenskej republiky, štátny podnik show a true financial situation and assets of the company with all relevant connections as of December 31, 2009; and that the results of company's financial management for the given year are processed in compliance with the Act. No. 431/2002 Coll. on Accounting as amended, and in compliance with the current Accounting Standards for corporate subjects using double entry bookkeeping in 2009. The Supervisory Board also stated that financial management of the company was balanced.

The Supervisory Board discussed a proposal for after-taxation profit/loss distribution pursuant to Article 8 (4) (a) of the Act. No. 111/1990 Coll. on State Enterprise as amended, and in compliance with the Regulation 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 Financial Management of the Company in 2009 compiled for Company's founder and took it into consideration.



František Perutka

Chairman of the Supervisory Board
of Letové prevádzkové služby Slovenskej republiky, štátny podnik

Company Activities in 2009

ATM DOMAIN

ACC

ACC Bratislava provided air traffic services in line with the 2009 plan without any major shortcomings.

There was not a single case of decreased air traffic safety classified as a serious incident in the period under review, only cases identified as failures in air traffic, SATM, miscellaneous incidents concerning operational or technical equipment of the unit. These were dealt with at once and based on the knowledge gained, corrective measures were taken.

In the period under review the number of controlled flights (317 973) dropped by 12 % on average when compared to the same period last year, the main reason being a drop in arrivals and departures to/from national aerodromes (-23.2 %). The number of overflights decreased by 0.1%, which was caused by the financial crisis.

In the period of January – December the process of preparation and adjustment of electronic inter-sector coordination in the technical system was finishing (safety studies, staff training, practicing, publication process), which should improve inter-sector coordination and enhance operating efficiency in single sectors. Technical support development, testing, procedures as well as schooling and training of air traffic controllers required an enormous effort of all parties involved and a long period of time necessary for implementing this change. The implementation is foreseen for the early 2010.

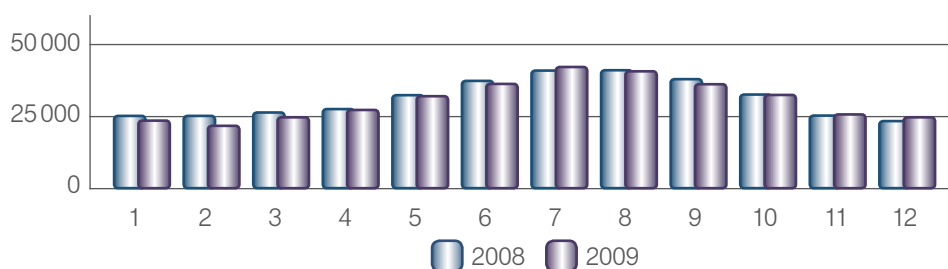
In the period of January – April 2009 all air traffic controllers took theoretical preparation for the year 2009. They accomplished a minimum required number of exercises within a practical refresher training for 2009, including also a “W – E” sector configuration training with a new ISC phase of inter-sector coordination with the aim to adjust the system and make the air traffic controllers familiarization with the version. The staff of FIC as well as FDO and AMM positions went through a theoretic training for 2009 too.

Air traffic - IFR flights, ACC Bratislava

Table 1: Comparison of the number of movements in 2008/2009

Month	Overflights		Rise / Drop (%)	Arrivals and departures		Rise / Drop (%)	Domestic flights		Rise / Drop (%)	Total		Rise / Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009	
1	19232	18801	-2,2	1686	1124	-33,3	327	215	-34,3	21245	20140	-5,2
2	17927	16722	-6,7	1528	1105	-27,7	354	208	-41,2	19809	18035	-9,0
3	20909	19790	-5,4	1564	1200	-23,3	318	251	-21,1	22791	21241	-6,8
4	21524	21581	0,3	1681	1087	-35,3	406	410	1,0	23611	23078	-2,3
5	26185	26257	0,3	1715	1182	-31,1	377	408	8,2	28277	27847	-1,5
6	29981	30148	0,6	1561	1356	-13,1	233	415	78,1	31775	31919	0,5
7	33866	35104	3,7	1888	1500	-20,6	357	436	22,1	36111	37040	2,6
8	34005	33541	-1,4	1771	1406	-20,6	327	376	15,0	36103	35323	-2,2
9	31118	29942	-3,8	1791	1280	-28,5	338	346	2,4	33247	31568	-5,1
10	26495	27068	2,2	1460	1196	-18,1	308	302	-1,9	28263	28566	1,1
11	19676	20837	5,9	1220	1058	-13,3	237	263	11,0	21133	22158	4,9
12	18132	19696	8,6	1164	1120	-3,8	219	242	10,5	19515	21058	7,9
Jan-Dec	299050	299487	0,1	19029	14614	-23,2	3801	3872	1,9	321880	317973	-1,2

Chart 1: Comparison of the number of movements in 2008/2009



The resulting delays caused by ACC Bratislava for 2009 was 0.1 min in total, calculated for one flight, which means a delay drop by 65 % on average.

APP/TWR Štefánik and TWR Piešťany

As for organizational structure, both units fall under responsibility of one head of these units. Air traffic services provided by the units were in line with the 2009 plan without any major shortcomings. The APP/TWR Štefánik saw a decrease in the number of flights (43 393) by 16.6 % on average in all categories, in comparison with the previous year (see Table 2). On the contrary, TWR Piešťany saw an increase by 29.1%, mainly due to a rise in VFR flights (+ 75 %).

There were two audits carried out at APP/TWR Štefánik in April and October respectively: an internal Quality Audit and a CAA SR audit; neither of the cases detected any non-conformities.

As a part of improving their professional skills and qualification, three APP/TWR Štefánik employees acquired qualification for aerodrome control – IFR flights, one TWR Piešťany employee acquired a license endorsement for OJT instructor position and one employee a non-radar controller qualification. Two employees of Sliach unit moved to APP/TWR Štefánik and TWR Piešťany.

APP/TWR Štefánik executive supervisors attended an ASMT training and were trained for using FREQUENTIS application modification.

In November all air traffic controllers attended a refresher training, in line with the ATS units operation manual (SM 1).

Table 2: Comparison of the number of movements in 2008/2009 - Bratislava

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	2372	1748	-26,3	129	53	-58,9	2501	1801	-28,0	980	616	-37,1	3481	2417	-30,6
2	2267	1639	-27,7	241	98	-59,3	2508	1737	-30,7	1081	554	-48,8	3589	2291	-36,2
3	2409	1820	-24,4	293	142	-51,5	2702	1962	-27,4	1031	730	-29,2	3733	2692	-27,9
4	2543	2362	-7,1	429	449	4,7	2972	2811	-5,4	1313	1014	-22,8	4285	3825	-10,7
5	2690	2208	-17,9	414	427	3,1	3104	2635	-15,1	1416	1157	-18,3	4520	3792	-16,1
6	3498	2897	-17,2	470	403	-14,3	3968	3300	-16,8	1702	1392	-18,2	5670	4692	-17,2
7	3377	3150	-6,7	404	445	10,1	3781	3595	-4,9	1647	1533	-6,9	5428	5128	-5,5
8	3416	3399	-0,5	466	361	-22,5	3882	3760	-3,1	1845	1478	-19,9	5727	5238	-8,5
9	3229	2422	-25,0	319	353	10,7	3548	2775	-21,8	1641	1560	-4,9	5189	4335	-16,5
10	2496	2103	-15,7	258	214	-17,1	2754	2317	-15,9	1296	1113	-14,1	4050	3430	-15,3
11	2085	1936	-7,1	236	104	-55,9	2321	2040	-12,1	1149	946	-17,7	3470	2986	-13,9
12	2016	1789	-11,3	121	61	-49,6	2137	1850	-13,4	752	717	-4,7	2889	2567	-11,1
Jan-Dec	32398	27473	-15,2	3780	3110	-17,7	36178	30583	-15,5	15853	12810	-19,2	52031	43393	-16,6

Chart 2: Comparison of the number of movements in 2008/2009 - Bratislava

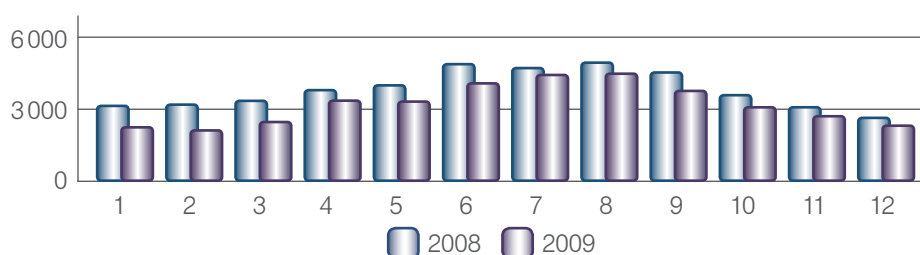
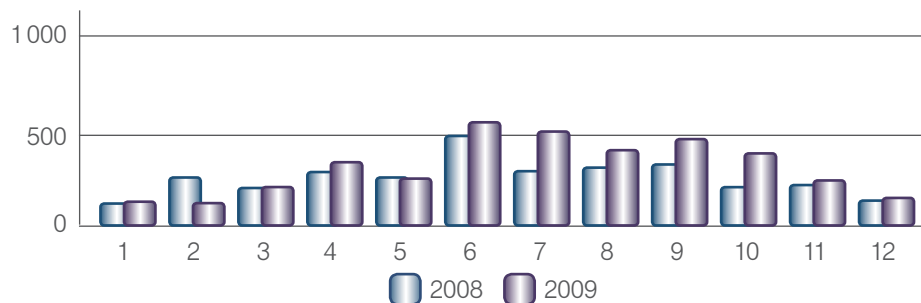


Table 3: Comparison of the number of movements in 2008/2009 - Piešťany

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	37	51	37,8	27	42	55,6	64	93	45,3	26	24	-7,7	90	117	30,0
2	111	36	-67,6	92	50	-45,7	203	86	-57,6	70	21	-70,0	273	107	-60,8
3	61	55	-9,8	64	80	25,0	125	135	8,0	72	78	8,3	197	213	8,1
4	46	39	-15,2	83	163	96,4	129	202	56,6	182	180	-1,1	311	382	22,8
5	45	32	-28,9	87	93	6,9	132	125	-5,3	138	148	7,2	270	273	1,1
6	109	128	17,4	269	402	49,4	378	530	40,2	176	127	-27,8	554	657	18,6
7	73	80	9,6	126	274	117,5	199	354	77,9	117	239	104,3	316	593	87,7
8	34	68	100,0	133	200	50,4	167	268	60,5	170	200	17,6	337	468	38,9
9	80	97	21,3	105	253	141,0	185	350	89,2	178	191	7,3	363	541	49,0
10	36	95	163,9	57	231	305,3	93	326	250,5	111	116	4,5	204	442	116,7
11	98	60	-38,8	57	146	156,1	155	206	32,9	67	58	-13,4	222	264	18,9
12	29	49	69,0	37	56	51,4	66	105	59,1	48	35	-27,1	114	140	22,8
Jan-Dec	759	790	4,1	1137	1990	75,0	1896	2780	46,6	1355	1417	4,6	3251	4197	29,1

Chart 3: Comparison of the number of movements in 2008/2009 - Piešťany



APP/TWR Košice

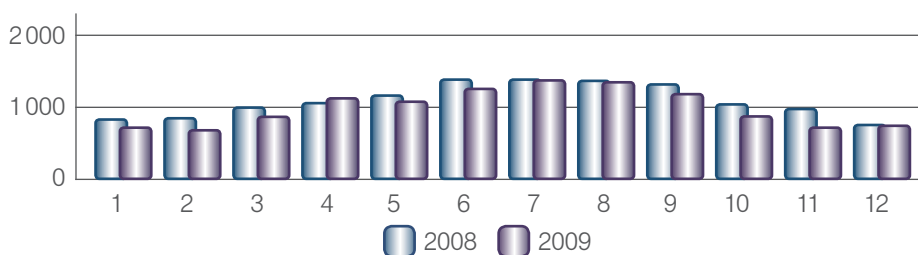
In the period under review the number of movements (13 195) dropped by 10.1%, which was caused mainly by a drop in IFR flights (-18.3%). When providing air traffic services at APP/TWR Košice, one case of loss of separation was caused by air traffic controllers.

As for TZL systems operation at the aerodrome Košice, there were frequent breakdowns of TAR RL64 and VCS GAREX systems at both APP and TWR Košice, classified as SATM.

Table 4: Number of movements comparison for 2008/2009 - Košice

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	816	649	-20,5	58	30	-48,3	874	679	-22,3	30	66	120,0	904	745	-17,6
2	767	645	-15,9	106	34	-67,9	873	679	-22,2	64	53	-17,2	937	732	-21,9
3	801	709	-11,5	184	128	-30,4	985	837	-15,0	110	93	-15,5	1095	930	-15,1
4	902	767	-15,0	163	365	123,9	1065	1132	6,3	125	139	11,2	1190	1271	6,8
5	904	682	-24,6	231	331	43,3	1135	1013	-10,7	161	200	24,2	1296	1213	-6,4
6	988	857	-13,3	380	414	8,9	1368	1271	-7,1	221	144	-34,8	1589	1415	-11,0
7	1119	948	-15,3	308	431	39,9	1427	1379	-3,4	155	175	12,9	1582	1554	-1,8
8	1055	926	-12,2	288	357	24,0	1343	1283	-4,5	217	242	11,5	1560	1525	-2,2
9	1074	726	-32,4	255	381	49,4	1329	1107	-16,7	171	222	29,8	1500	1329	-11,4
10	825	619	-25,0	206	205	-0,5	1031	824	-20,1	116	127	9,5	1147	951	-17,1
11	730	575	-21,2	244	123	-49,6	974	698	-28,3	104	47	-54,8	1078	745	-30,9
12	639	574	-10,2	62	127	104,8	701	701	0,0	98	84	-14,3	799	785	-1,8
Jan-Dec	10620	8677	-18,3	2485	2926	17,7	13105	11603	-11,5	1572	1592	1,3	14677	13195	-10,1

Chart 4: Comparison of the number of movements in 2008/2009 - Košice



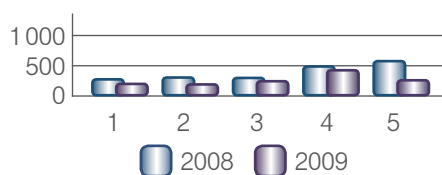
TWR Sliac

The aerodrome Sliac represented a special situation, as an operational lock-out was planned due to a RWY reconstruction; however, until the last moment its owner was not able to specify its exact date. Therefore the aerodrome could not be fully used by regular or irregular transport providers. The aerodrome saw a significant drop in movements in all flight categories from 19.6 % in April up to 66.8 % in May (see Table 5). In June LPS SR, š. p. finished providing air navigation services at this aerodrome; after the reconstruction of the RWY and other aerodrome ground equipment the services will be provided by the Ministry of Defence of the Slovak Republic.

Table 5: Comparison of the number of movements in 2008/2009 - Sliac

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	100	26	-74,0	7	0	-100,0	107	26	-75,7	148	119	-19,6	255	145	-43,1
2	107	41	-61,7	10	7	-30,0	117	48	-59,0	180	83	-53,9	297	131	-55,9
3	71	43	-39,4	41	24	-41,5	112	67	-40,2	176	132	-25,0	288	199	-30,9
4	140	55	-60,7	81	60	-25,9	221	115	-48,0	300	304	1,3	521	419	-19,6
5	121	3	-97,5	78	4	-94,9	199	7	-96,5	436	204	-53,2	635	211	-66,8
Jan-May	1166	168	-85,6	612	95	-84,5	1778	263	-85,2	3722	842	-77,4	5500	1105	-79,9

Chart 5: Comparison of the number of movements in 2008/2009 - Sliac



TWR Tatry

Air traffic services were provided at TWR Tatry without any restrictions or delays. Based on its operational needs, operating time of the unit was modified throughout the year after an agreement with the aerodrome operator.

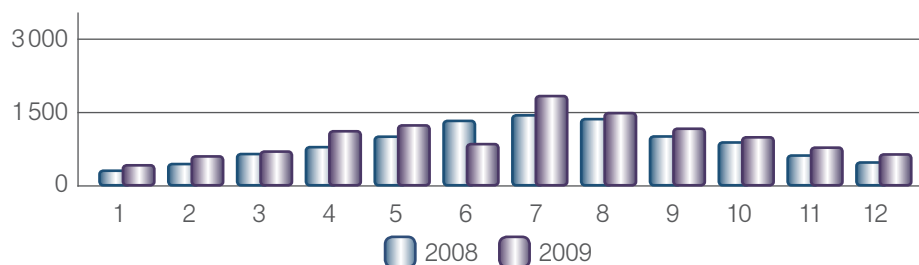
In the period under review the movement number (12 327) increased by 8.8 %, which was caused mainly by an increase in the number of IFR flights (+ 37 %).

Training scope and content determined for TWR Tatry was fully complied with in the stated period, both for non-radar and radar practical training, including a theoretical training and written testing.

Table 6: Comparison of the number of movements in 2008/2009 - Tatry

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	201	166	-17,4	69	121	75,4	270	287	6,3	32	26	-18,8	302	313	3,6
2	198	159	-19,7	179	354	97,8	377	513	36,1	55	37	-32,7	432	550	27,3
3	143	149	4,2	500	485	-3,0	643	634	-1,4	48	34	-29,2	691	668	-3,3
4	158	200	26,6	494	739	49,6	652	939	44,0	213	249	16,9	865	1 188	37,3
5	160	283	76,9	781	744	-4,7	941	1027	9,1	194	323	66,5	1 135	1 350	18,9
6	130	229	76,2	1 159	494	-57,4	1 289	723	-43,9	215	144	-33,0	1 504	867	-42,4
7	184	354	92,4	1 209	1 378	14,0	1 393	1 732	24,3	272	363	33,5	1 665	2 095	25,8
8	165	268	62,4	1 079	1 105	2,4	1 244	1 373	10,4	321	272	-15,3	1 565	1 645	5,1
9	190	269	41,6	730	740	1,4	920	1 009	9,7	187	232	24,1	1 107	1 241	12,1
10	214	234	9,5	639	657	2,8	853	891	4,5	115	132	14,8	968	1 023	5,7
11	171	242	41,5	400	483	20,8	571	725	27,0	68	45	-33,8	639	770	20,5
12	159	286	79,9	271	262	-3,3	430	548	27,4	32	69	115,6	462	617	33,5
Jan-Dec	2073	2839	37,0	7510	7562	0,7	9583	10 401	8,5	1 752	1 926	9,9	11 335	12 327	8,8

Chart 6: Comparison of the number of movements in 2008/2009 - Tatry



TWR Žilina

2009 saw no major shortcomings in the air traffic control on the part of ATS staff; there were no flight delays at the aerodrome Žilina either.

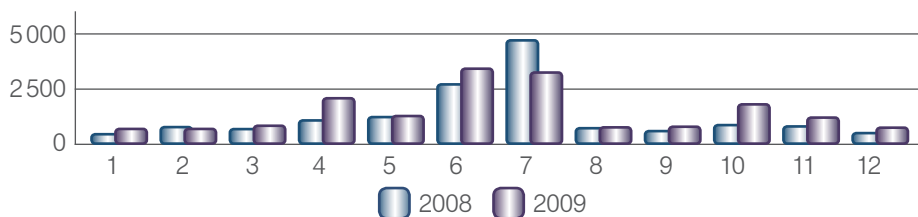
In the period under review the number of movements (15 015) increased by 10,9 %, which was caused mainly by VFR flight increase VFR (+ 17,1%).

Based on a decision made the year before, construction and installation works regarding an ILS device installation started in 2009; this is going to enhance both comfort and navigation safety at the aerodrome Žilina.

Table 7: Comparison of the number of movements in 2008/2009 - Žilina

Month	NoAM-IFR		Rise/ Drop (%)	NoAM-VFR		Rise/ Drop (%)	NoAM		Rise/ Drop (%)	NoOF		Rise/ Drop (%)	NoM		Rise/ Drop (%)
	2008	2009		2008	2009		2008	2009		2008	2009		2008	2009	
1	63	81	28,6	136	274	101,5	199	355	78,4	22	20	-9,1	221	375	69,7
2	133	94	-29,3	442	226	-48,9	575	320	-44,3	51	20	-60,8	626	340	-45,7
3	115	122	6,1	295	363	23,1	410	485	18,3	44	27	-38,6	454	512	12,8
4	220	177	-19,5	632	1 667	163,8	852	1 844	116,4	66	96	45,5	918	1 940	111,3
5	217	156	-28,1	782	771	-1,4	999	927	-7,2	82	113	37,9	1 081	1 040	-3,8
6	160	232	45,0	2 481	3 196	28,8	2 641	3 428	29,8	125	60	-52,0	2 766	3 488	26,1
7	177	195	10,2	4 699	2 884	-38,6	4 876	3 079	-36,9	92	160	73,9	4 968	3 239	-34,8
8	119	105	-11,8	307	304	-1,0	426	409	-4,0	125	72	-42,4	551	481	-12,7
9	165	123	-25,5	99	315	218,2	264	438	65,9	124	49	-60,5	388	487	25,5
10	183	139	-24,0	433	1 449	234,6	616	1 588	157,8	48	43	-10,4	664	1 631	145,6
11	146	80	-45,2	466	892	91,4	612	972	58,8	47	21	-55,3	659	993	50,7
12	95	57	-40,0	111	405	264,9	206	462	124,3	43	27	-37,2	249	489	96,4
Jan-Dec	1 793	1 561	-12,9	10 883	12 746	17,1	12 676	14 307	12,9	869	708	-18,5	13 545	15 015	10,9

Chart 7: Comparison of the number of movements in 2008/2009 - Žilina



Training

The main activities in 2009 were aimed particularly at:

- methodical and organizational provision of approximately 2500 simulator training hours;
- preparation and testing of 100 exercises;
- ATS units staff training;
- organization and methodical supervision of basic module procedural training;
- organization and methodical supervision of training and examining processes regarding the acquisition of air traffic controller qualifications;
- initial course for air traffic controllers in cooperation with the Ministry of Defence of the Slovak Republic and the University of Žilina.

In September the CAA SR granted the company a certificate for training ATM staff in line with European legislation requirements.

Safety in ATM

The highest priority of the company is safety when providing the air traffic services and their technical support. This is one of the reasons why ATM safety activities in 2009 were aimed at proactive activities (safety audits, risk assessments and mitigations performed with all changes of existing and implementations of new systems; safety education and further increase of the level of safety management system), as well as reactive activities (investigation of incidents in air traffic).

In 2009 the SAF department received 322 reports, out of which 292 were reports on incidents in air traffic reported by means of an internal reporting system, 17 were voluntary reports, 9 other reports, and 4 incidents were found on the basis of regular monitoring. 299 incidents were subject to an internal investigation. On the basis of investigation findings there were corrective measures taken in order to increase the level of safety.

CNS Domain

Technical Support of ATS (TZL)

Based on the achieved figures defining reliability (availability) of the supplied services, CNS systems and TZL devices in operation, it is clear that the overall average availability was higher than 99.5% in 2009.

Comparing performance indicators for 2005, 2006, 2007, 2008 and 2009, we can see a permanent increasing tendency in figures defining reliability.

Total availability of technical systems which provide aeronautical telecommunication services, data transfer telecommunication services and technical support of air traffic services is requested to be higher than 99.5 % for the period under review.

Table 1: Total average availability of 2 137 components of registered CNS systems/devices and a median value of 75 selected ATM services supplied. Comparison of the achieved availability in 2005, 2006, 2007, 2008 and 2009

Characteristics	Year	2005 [%]	2006 [%]	2007 [%]	2008 [%]	2009 [%]
A						
Total average value of availability of all registered components; taking into account failures only		99,90	99,91	99,95	99,98	99,98
A						
Total average value of availability of all registered components, taking into account maintenance and failures		99,81	99,85	99,90	99,93	99,94
Mean value						
Average availability value of 75 selected ATM services supplied (median is a figure in the middle of a set of figures)		99,65	99,74	99,79	99,77	99,85
A						
Required minimum value of total average availability (long-term quality goal for the Engineering and Infrastructure Division)		99,50				
The number of registered components of CNS systems and devices in SPI databases		1774	1826	1933	1870	2137

The total average value of availability of 2 137 registered components of CNS systems and devices in 2009 was 99.94 %. The quality aim set for the Engineering and Infrastructure Division (DTZL) for 2009 was met.

The gradually increasing values of availability of CNS systems and devices in 2005 - 2009 indicate a positive trend in its evolution and thus an increasing quality of CNS services provided.

The increase in the number of registered and monitored components in comparison with 2008 is caused by putting a new VCS Frequentis 3020X device into operation.

Table 2: Total average availability values for 3 services supplied for ATM – comparison of 2005 - 2009

Total average value of CNS availability	Year	2005 [%]	2006 [%]	2007 [%]	2008 [%]	2009 [%]
Communication systems (C – Communication)		99,86	99,89	99,87	99,88	99,83
Navigation systems (N – Navigation)		98,20	98,44	98,80	98,30	98,66
Surveillance systems (S – Surveillance)		99,76	99,92	99,93	99,92	99,94

The achieved average values of availability of communication and surveillance systems have long been higher than the required value of 99.5 %. There were no significant deviations in the monitored period of 2005 – 2009.

Aeronautical Information Services (AIS)

The Ministry of Transport, Post and Telecommunications has authorized LPS SR, š. p. to provide Aeronautical Information Services of the Slovak Republic. Apart from their main activity, i.e. the provision of aeronautical information services, the Aeronautical Information Management Department (AIM) staff also performed other activities, namely issuing regulations of L- and JAR-series as well as other documents, and serving as an ICAO-documents sale centre. As a part of aeronautical information services provision, the amendment service of the Aeronautical Information Publication of the Slovak Republic was provided and other parts of an integrated aeronautical information package were issued in compliance with users' requirements and needs. There were no shortcomings in providing the aeronautical information services in the period under review.

Digital Terrain Model and Database of Obstacles

In the period under review activities aimed at meeting the requirements resulting from the Amendment No. 33 to L 15 Regulation (equal to ICAO Annex 15) continued to be performed. As for the database of obstacles, the activities were coordinated with CAA and TOPU. In this area AIM specialists took an active part in activities performed by a work group established within Eurocontrol (TOD WG) with the purpose to ensure a harmonized DMT and DB obstacles implementation procedure in individual states. As for the implementation in the Slovak Republic, a work group was appointed by the Ministry of Transport, Post and Telecommunications of the Slovak Republic (MDPT SR), while the AIM Department head was appointed to be its leader. Workgroup members are experts in the subjects concerned, namely: MDPT SR, CAA SR, LPS SR, š. p.

Topographic Institute Banská Bystrica, Research Institute of Geodesy and Cartography, Association of Aerodromes of the Slovak Republic, the M. R. Štefánik - Airport Bratislava, a. s. (BTS), Slovak Environmental Agency and Faculty of Natural Sciences of the Comenius University.

Modernization of the system of compiling the 'Aeronautical Information Publication' and the Transition to AIXM 4.5

In line with the plan to renew the system of compiling the Aeronautical Information Publication and the transition to AIXM 4.5, the implementation of a project of new eWizard system generation was launched.

Aeronautical Publications Sale

Following users' requirements, the form of sale of L-series aeronautical regulations was changed. These are available in their electronic form on a CDROM and on the Internet. At the same time a new way of aeronautical publications sale was introduced – by means of an internet shop complementing the traditional way of mail ordering.

Integrated Briefing System (IBAF)

In the period under review AIM staff actively participated in the workgroup activities aimed at carrying out an integrated briefing project. This system will improve the quality of pre-flight crew preparation, providing them with the necessary aeronautical and meteorological information and enabling them to submit flight plans.

Search and Rescue

In the period under review activities of the RCC centre were performed in compliance with the mission of the company, i.e. they were aimed at organization, coordination and management of search and rescue services assisting aircraft in emergency. All staff performing these activities followed the respective regulation on RCC service performance and related documents.

In 2009 services of the centre were used 311 times, representing an increase of about 20% for the period under review in comparison with previous years. However, this rise does not mean a significant deterioration of the civil aviation safety; it is a result of a change in methodology and in the form of reporting incidents in air traffic, the aim of which is exactly to prevent accidents/incidents.

41 cases involved receiving transmissions on frequencies determined for emergency locator transmitters (ELT), whereas their source was identified in 16 cases. The remaining cases involved unprofessional or unreported service and an unauthorized manipulation of ELT equipment or an interference on the emergency frequency, while these transmissions were not based on real air accidents or emergencies.

In the period under review 131 aviation incidents occurred, out of which 17 were aircraft accidents with 4 casualties (2 of them were parachutists). There were also 4 serious incidents: emergency descents caused by a loss of pressure, engine failure, fuel escape and landing on a closed runway.

In 14 cases the uncertainty phase (INCERFA) was announced, alert phase (ALERFA) was announced 6 times, and even the distress phase (DETRESFA) was announced in 2 cases (a foreign pilot did not report his landing at a relevant unit in an agreed way; the second case was a long-term radiocommunication failure with a glider pilot).

Out of the total number of 110 incidents, there were 33 cases of radiocommunication failure flights within the airspace of the Slovak Republic.

We were asked to assist in detecting a source of a monitored place of emergency signal transmission in 16 cases by the Cospas / Sarsat Satellite System centre.

When searching for a source of transmission on the emergency frequency, it was necessary to cooperate with the neighboring RCC in Prague, Warsaw and Vienna in 18 cases.

In March 5 RAF specialists in search and rescue from Great Britain visited LPS SR, š. p. as a part of their visit at Air Force of the Armed Forces SR (VzS OS SR). They appreciated an unexpected high level of providing SAR services at LPS SR, š. p.

Human Resources

Human resources development is one of company's priorities as it contributes to an overall development of the company and to meeting its aims. Special attention is permanently paid to the employment stability, education, social policy, remuneration as well as work safety and health protection at work.

Employment

2009 was a year of employment stabilization. The company restricted recruiting new employees and only necessary vacancies were filled, i.e. those ensuring safety and air traffic provision. As of December 31, 2009 the company had 476 employees, of whom 135 were women. In 2009 29 new employees were taken on, the equal number of employees, i.e. 29, terminated their employment.

Education

In 2009 the company focused on the support and development of professional and work potential of its employees. Special attention was paid to providing a professional training based on EUROCONTROL recommendations stated in ESARR 5 for operational and technical staff. Emphasis was also laid on further preparation and education of all employees in accordance with development needs of individual organizational units as well as with current labor-, tax- and pay-related legislation, as well as legislation laying down rules for work safety and prevention of health at work (BOZP) and fire prevention (PO).

Staff Welfare

Social welfare policy of the company was in line with public statutes, rules agreed upon in the Collective Labor Agreement and company's social policy provisions. Company's social policy focused on meeting social needs of the employees when performing their job duties, improving their social situation after they retire and at helping them in some exceptional life situations.

BOZP and PO

The area of work safety and prevention of health at work has changed in its quality. In the period under review the company performed demanding tasks by means of organized systems with the aim to create conditions for a healthy and safe work environment in line with the current legislation, mainly to ensure work safety, safety of technical equipment, appropriate work conditions and hygiene as well as fire protection.

Economic Situation

Evaluation of Economic Activities of LPS SR, š. p. in 2009

Tasks set in the financial plan for 2009 focused on continuing in the long-term trend of improving the efficiency of company's activities and providing the necessary volume of revenues in order to achieve positive economic results.

In 2009, having implemented 'Cost saving measures aimed at eliminating the impact of the crisis in air traffic evolution on the economic management of LPS SR, š. p. in 2009', the company made a profit of 2,434,476 EUR before taxation.

Costs set out in the 2009 financial plan amounted to 51,337,954 EUR; the height of actual costs spent in 2009 was 47,121,475 EUR which represents a saving of 4,216,479 EUR in comparison with the plan; i.e. 91.79 % of the planned costs were spent.

As of December 31, 2009 the total company revenues amounted to 48,909,764 EUR representing 93.04 % of the revenues set out in the 2009 plan, i.e. 52,568,521 EUR.

The financial plan foresaw a total profit of 1,230,567 EUR after taxation; the actual economic profit after taxation was 1,788,289 EUR.

Costs

When compared with the 2009 plan which, in order for the company to be able to provide a continuous and safe air traffic above the territory of the Slovak republic, counted with the total costs of 51,337,954 EUR; the actual costs amounted to 47,121,475 EUR; i.e. 91.79 % of the planned amount.

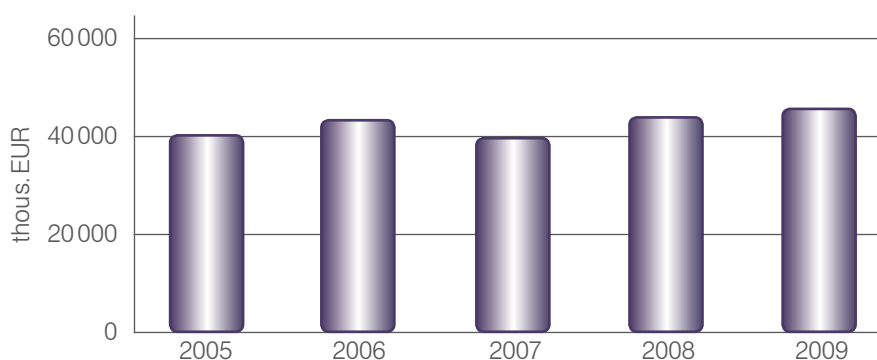
Broken down into individual cost groups, the actual costs spent in 2009, compared with the 2009 plan, were as follows:

- **Purchases** – 87.05 % of the 2009 plan.
- **Services** – 81.77 % of the 2009 plan.
- **Total staff costs** – 86.88 % of the 2009 plan. The amount of staff costs expended in 2009 was mainly affected by the saving measures introduced with the aim to eliminate the impact of the crisis in air traffic evolution on the economic management of the company. Comparing with the plan, the restriction in recruiting new employees had a significant impact on staff costs; only the necessary vacancies were filled, i.e. those ensuring safety and air traffic provision. Some staff costs savings resulted from a drop in overtime hours, and also a decision was taken that chief employees would not submit bonus pay requests. A year-on-year staff costs comparison shows that 2009 saw a slight increase by 4.90 % in comparison with 2008. In 2009 basic wage rates were changed following a collective bargaining among the employer and respective Labor Unions regarding the classification of employees into particular wage levels after they have finished their training and passed qualification exams. 'Other social insurance' costs were spent only up to 37.80 % of the 2009 plan; the low rate was a result of the saving measures introduced, namely a drop of employer's contribution to 'complementary pension saving' funds from 6 % to 2 %, which is analogically reflected also in the year-on-year comparison. Compared to 2008, 2009 saw a decrease of 55.41 %. Costs expended on the 'Statutory social costs' account saw a drop

by 67.16 % in comparison with 2008. The lower spending rate was caused mainly by the fact that a long-term business reserve calculated for 2009 was of a negative value, contrary to 2008, when the reserve calculation burdened the cost at the total height of 1,016,446 EUR. Another reason for a lower cost drawing on the account of 'Statutory social costs' were saving measures taken in the area of education.

- **Taxes and charges** – 86.31 % of the 2009 plan.
- **Other costs of economic activities** – 172.38 % of the 2009 plan. It was influenced by a disposal of company's assets in the amount of 818,425 EUR (including the sale of land in the amount of 814,506 EUR; revenue from sales was also included in revenues); receivables depreciation in the amount of 50,516 EUR on the basis of information on bankruptcy proceedings termination or a bankruptcy trustee report; creation and accounting of impairment losses of air companies in bankruptcy proceedings in the amount of 1,195,621 EUR (including Sky Europe Airlines, a. s. and Seagle Air in the amount of 1,117,678 EUR). Other operating costs of 3,134,876 EUR included Eurocontrol (including CEATS) membership fee, CANSO fee, CAA SR payments related to the provision of expert state supervision in the amount of 372,675 EUR in line with the Act No. 278/2009 Coll.
- **Depreciation and amortization costs** – 87.65 % of the 2009 plan.
- **Finance costs** – 84.15 % of the 2009 plan.

Chart 8: Total costs evolution in 2005 - 2009



Revenues

As of December 31, 2009 the total revenues of the company amounted to 48,909,764 EUR, i.e. 93.04 % of the 2009 plan. The major group of revenues was a group of 'revenues from the sale of services' which was higher by 30,572 EUR in comparison with 2008 constituting an increase of 0.06 %.

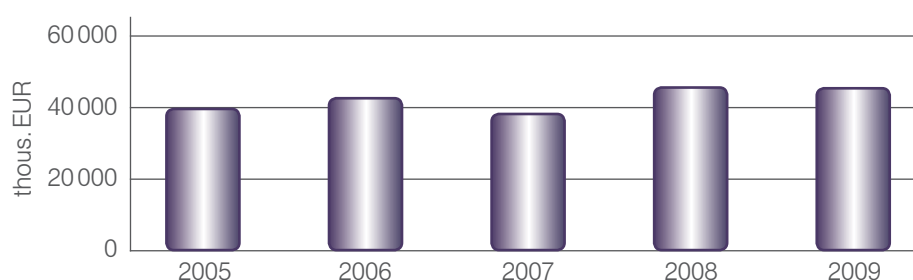
This result was significantly influenced by revenues from en-route charges in the sum of 40,629,543 EUR. Comparing to the same 2008 period, the revenues increased by 3.76 %, i.e. by 1,471,439 EUR.

Terminal charges dropped by 1,413,921 EUR in 2009 compared to 2008, i.e. by 19.93 %.

The structure of revenues, broken down into different kinds of services provided, shows how the 2009 plan was met as of December 31, 2009:

- **Terminal charges:** 72.13 % of the 2009 plan;
- **En-route charges:** 94.66 % of the 2009 plan;
- **Training flight charges:** 32.50 % of the 2009 plan;
- **Revenues from own products and goods:** the total of 91.08 % of the 2009 plan;
- **Other operating revenues:** 669.66 % of the 2009 plan; the higher rate is a result of a sale of a land owned by the company;
- **Financial revenues:** 20.57 % of the 2009 plan.

Chart 9: Total revenues evolution in 2005 - 2009

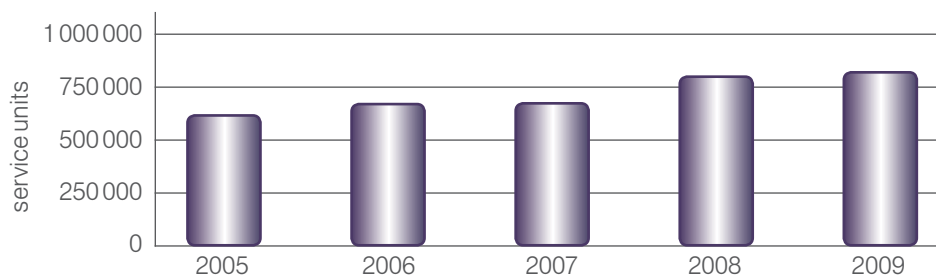


Revenues from the sale of services, namely en-route charges, have a crucial influence on the revenues in total. However, they depend on the number of controlled service units and on the unit rate height.

When determining the height of charges, prognoses of air traffic density made by EUROCONTROL based on previous periods were taken into account. In comparison with the actual situation in 2008, the 2009 plan counted with 803 000 service units which is an increase by 8.88 %. Calculation of the 2009 unit rate included all expected operating costs, administrative costs, costs of trainings, schooling, AIS services, METEO services and CAA SR expert state supervision costs in 2009.

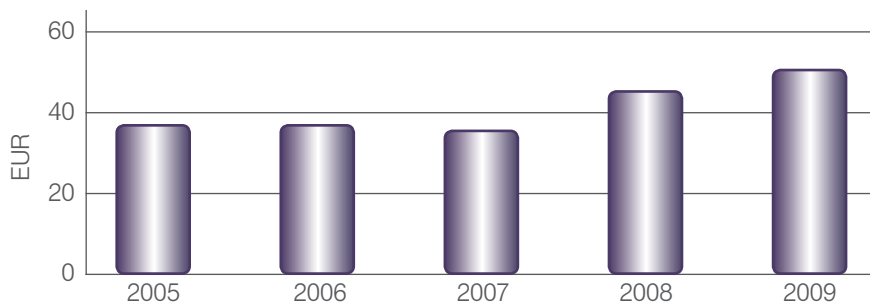
As of December 31, 2009 the number of controlled service units was 767 550, representing an increase by 5 289 units. Compared to 2008, when 762 261 units were controlled, it shows a rise by 1.00 %.

Chart 10: Evolution of the number of controlled service units in 2005 - 2009



The unit rate height was 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 2009 unit rate was determined in the amount of 53.79 EUR, representing an increase by 5.62 EUR when compared to 2008.

Chart 11: Evolution of the approved unit rate in 2005 - 2009

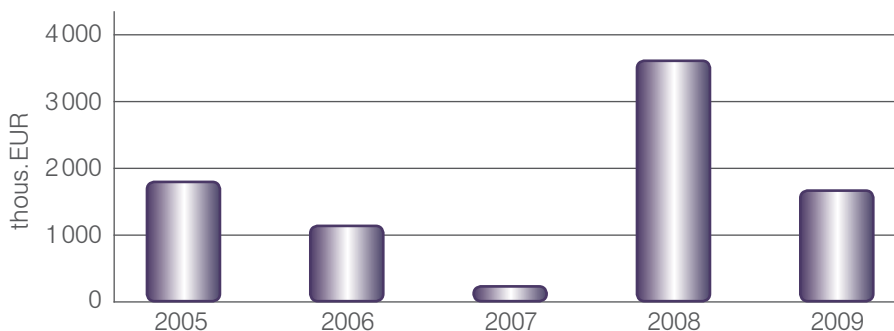


Profit/Loss

As of December 31, 2009 the after-taxation profit of the company amounted to 1,788,289 EUR.

The height of profit/loss after cost allocation between en-route and terminal services will also have an impact on the height of adjustment mechanism when determining en-route charges for the future period.

Chart 12: Profit / Loss in 2005 - 2009



Liquidity

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

- by a ratio of financial assets to short-term borrowed capital – liquidity level I – with the required value of 0.2 and an optimum value of 0.2 - 0.5; for 2009 this indicator was 2.78 for the company;
- by ratio of a sum of financial assets and short-term receivables to short-term borrowed capital – liquidity level II - with the required value of 1.5 and an optimum value of 1.0 – 1.5; for 2009 this indicator was 4.93 for the company;
- by ratio of current assets to short-term borrowed capital - liquidity level III - with the required value of 2.0 and an optimum value of 1.5 – 2.5; for 2009 this indicator was 5.4 for the company.

Other Indicators

Compared with 2008, the 2009 staff costs increased by 4.9 %. The increase was caused by a growth of basic wage rates resulting from the collective bargaining among the employer and respective Labor Unions, classifying the employees into particular wage classes after they have completed their training and passed qualification exams.

Average monthly earning per employee increased by 3.9 % in 2009 when compared to 2008.

Financial Ratio Indicators

Financial ratio indicators enable the most complex evaluation of conditions and development of the company economy to be made. They are expressed in financial values and are monitored in company's accounting. They are used as a basis for calculation of other related qualitative indicators.

Productivity indicators characterize the efficiency of human labor in the company. They represent a ratio of the production volume to the work done.

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

$$\text{Labor productivity from added value} = \frac{\text{Added value}}{\text{Staff number}} = 83,556 \text{ EUR}$$

This indicator shows the volume of added value falling on one employee. It is the most important indicator of economic efficiency.

$$\text{Labor productivity from revenues} = \frac{\text{Revenues}}{\text{Staff number}} = 103,842 \text{ EUR}$$

Labor productivity measured by revenues represents the volume of total company's gain per one employee.

$$\text{Financial labor productivity from added value} = \frac{\text{Added value}}{\text{Personnel costs}} = 1.66 \text{ EUR}$$

The indicator of the financial labor productivity from added value expresses the volume of production per one Euro of staff costs.

$$\text{Revenue profitability} = \frac{\text{Profit}}{\text{Revenues}} \times 100 = 4.98 \%$$

Revenue profitability, also called profitability, represents the proportion of profit in total revenues.

Profit Allocation

In line with the Article 19 (6) of the Act No. 111/1990 Coll. on State Enterprise as amended, the founder, Ministry of Transport, Posts and Telecommunications of the Slovak Republic, approved the profit allocation for 2009 in the amount of 1,788,289.34 EUR as follows:

a)	added to the reserve fund (5% of profit)	89,414.47 EUR
b)	added to the social fund	570,000.00 EUR
c)	allowance to the development fund	1,106,774.87 EUR
d)	bonus for the Director General	17,000.00 EUR
e)	bonus for the Supervisory Board members in total	5,100.00 EUR

Annual Bonus for the General Director and Supervisory Board Members

Having evaluated the economic results of the company for 2009, 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 17,000.00 EUR pursuant to the Act No. 111/1990 Coll., Article 19 (8).

Bonuses of 5,100.00 EUR were awarded to the Supervisory Board members pursuant to the Act No. 111/1990 Coll., Article 20 (10).

State Enterprise Property Transfer

In 2009, in line with the Act No. 111/1990 Coll., Article (21) (1) (j), the Supervisory Board approved a state enterprise property transfer based on a submitted proposal for concluding a 'Contract for a free-of-charge transfer of state property administration', concluded in accordance with the Article 51 of the Civil Code as amended. The subject is a land in Sliach, in the village of Baďin - movable assets: interior and exterior navigation signaling devices and a beacon aerial at the aerodrome of Sliach. The LPS SR, š. p. Supervisory Board also approved a sale of 12 motor vehicles and one trailer.

Capital expenditures, resources and their use in EUR for the period of 01 – 12 / 2009

Capital expenditures in EUR	01 - 12 / 2009
Total planned resources	9 394 000,00
- leasing/loan	0,00
- own resources	9 394 000,00
Investment plan for 2009	9 394 000,00
Out of this:	
- leasing/loan	0,00
- own resources	6 587 409,69
Including:	
- property, plant, equipment	6 139 689,39
- non-current intangible assets	447 720,30
- lands	0,00

In 2009 both property, plant and equipment as well as non-current intangible assets increased in accounting in the amount of 9,937,253 EUR.

OUTLOOK FOR 2010

The concept of development of LPS SR, š. p. is based on aims adopted by the management for the period of 2010 - 2014. Implementation of these aims is updated in annual financial plans and specified in individual items of the Financial Plan of Costs and Revenues. The development concept for 2010 was discussed by the Supervisory Board on November 21, 2009 in compliance with the Article 19 (6) of the Act No. 111/1990 Coll. on State Enterprise.

The 2010 Financial Plan of Costs and Revenues is drawn up on the basis of expected costs and revenues of the company when providing air traffic services in the airspace and at aerodromes of the Slovak Republic.

In comparison with the 2009 plan (51,338,000 EUR), the total 2010 cost base is higher by 2.28 %. The total costs amount to 52,510,200 EUR, representing an increase by 1,172,200 EUR when compared to the 2009 financial plan. Comparing the costs planned for 2010 with those for 2009, their height is lower than or approximately equal to the 2009 costs.

The costs incurred to the company for being provided an expert state supervision of air navigation services in line with the Act No. 278/2009 Coll. amending the Act No. 143/1998 Coll. on Civil Aviation ('Aviation Act') and on amendments and supplements to certain laws as amended, will amount to 995,800 EUR.

The 2010 plan counts with the total revenues of 52,642,200 EUR. Total revenues are comparable with the 2009 plan (52,568,500 EUR). A major part of revenues is made by 'Air navigation services revenues'; their total planned amount is 43,123,500 EUR; i.e. more than 82 % of total revenues.

The calculation of 2010 unit rate for en-route navigation services took into account all costs of air traffic management, communication services, radio-navigation services, surveillance services, search and rescue service, aeronautical information services, meteorological service and expert state supervision services expected in 2010, with the foreseen air traffic density of 803 000 chargeable service units. In comparison with the 2009 plan (785 000 chargeable service units) the number is higher by 2.3 %.

Following a recommendation of the founder and the Air Transport Association (IATA) not to increase the unit rate height but to maintain the 2009 level, the 2010 unit rate was determined at 53.78 EUR, representing a decrease by 0.01 EUR compared to 2009. The height of the 2010 unit rate for terminal navigation services at APP/TWR units was determined at 6.47 EUR for 1 terminal unit.

The 2010 plan counts with a total before-taxation profit of 163,000 EUR.



INDEPENDENT AUDITOR'S REPORT

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

We performed an audit of the attached Financial Statements of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik, having its registered office in Bratislava, identification number: 35 778 458, that comprise a Balance Sheet prepared as of December 31, 2009, a Profit and Loss Statement for the year ending as of the mentioned date and related 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 the preparation and an objective presentation of the Financial Statements in accordance with the Act on Accounting No. 431/2002 Coll. as amended. This responsibility includes suggesting, implementing and maintaining internal checks relevant for the preparation and objective presentation of the Financial Statements which have to be prepared without any major inaccuracies caused by a fraud or mistake; further it includes a selection and application of appropriate accounting principles and accounting methods, as well as performance of reasonable accounting estimates within the given circumstances.

Auditors' responsibility

It is our responsibility to express our opinion on these Financial Statements based on our audit. The audit was performed in accordance with the International Auditing Standards according to which we shall observe ethical requirements, plan and perform the audit in such a way that we obtain reasonable assurance that the Financial Statements do not include any major inaccuracies.

The audit comprises procedures for obtaining audit evidence about sums and data included in the Financial Statements. The procedures are selected on the basis of auditor's decision, including a risk assessment of occurrence of major inaccuracies in the Financial Statements caused by a fraud or mistake. When assessing the risk, an auditor takes into consideration internal checks relevant for the preparation and objective presentation of the Financial Statements within the accounting unit, in order to be able to propose such auditing procedures to be used that are suitable under the given circumstances; however, the purpose is not to express their opinion on the efficiency of accounting unit's internal checks. The audit also evaluates suitability of the accounting principles and accounting methods used, accuracy of estimations made by the management, as well as presentation of the Financial Statements as a whole.

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

Opinion

We are of the opinion that the Financial Statements provide a true and objective view of the financial situation of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik as of December 31, 2009, its economic results and its cash-flow for the year ending as of the specified date, in accordance with the Act on Accounting.

Banská Bystrica, March 1, 2010

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

Ing. Radovan Reguli
Auditor in Charge
SKAu Licence No. 968





VERIFICATION REPORT ON ANNUAL REPORT AND FINANCIAL STATEMENTS RECONCILIATION

pursuant to the Act No. 540/2007 Coll., Article 23 (5)

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

- I. We verified the Financial Statements of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik, having its office in Bratislava, identification number: 35 778 458, as of December 31, 2009, included in the Annual Report to which, on March 1, 2010 we expressed the following auditor's opinion:

We are of the opinion that the Financial Statements provide a true and objective view of the financial situation of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik as of December 31st, 2009, its economic results and its cash flow for the year ending as of the specified date, in accordance with the Act on Accounting.

- II. We also verified reconciliation of the Annual Report with the above-mentioned Financial Statements. The enterprise management held is responsible for correctness of the Annual Report. Based on the verification, our task is to express our opinion on the reconciliation of the Annual Report and the Financial Statements. The verification was made in accordance with the International Accounting Standards requiring the auditor to plan and verify all documents in such a way that they will be convinced that the information and data specified in the Annual Report correspond to the Financial Statements in their all important relations. The information stated in the Annual Report was verified in relation to the information specified in the proper Financial Statements as of December 31, 2009. Other data and information, such as accounting information obtained from the Financial Statements and books of accounts, was not verified. We are convinced that the verification provides an appropriate basis for expressing auditor's opinion.

We are of the opinion that the accounting information stated in the Annual Report corresponds to the above-mentioned Financial Statements in its all important relations.

Banská Bystrica, June 7, 2010
 BDR, spol. s r.o. Banská Bystrica
 M. M. Hodžu 3, 974 01 Banská Bystrica
 SKAu Licence No. 6
 Company Register of the District Court of Banská Bystrica
 Section: Sro, Insert: 98/S, Identification No.: 00614556

Ing. Radovan Reguli
 Auditor in Charge
 SKAu Licence No. 968

A handwritten signature in blue ink, appearing to be 'R. Reguli'.



BALANCE SHEET AS AT 31 DECEMBER 2009 IN EUR

ASSETS		2009	2008
	Total assets	67 236 006	66 638 746
A	Non-current assets	37 143 830	38 169 824
A.I.	Non-current intangible assets	996 416	794 528
A.II.	Property, plant and equipment	36 147 414	37 375 296
A.III.	Non-current financial assets	0	0
B	Current assets	29 111 326	27 704 684
B.I.	Inventories - total	2 619 800	2 619 338
B.II.	Non-current receivables	0	0
B.III.	Current receivables	10 992 019	10 354 474
B.IV.	Financial accounts	15 499 507	14 730 872
C.	Accruals and deferrals	980 850	764 238

LIABILITIES		2009	2008
	Total equity and liabilities	67 236 006	66 638 746
A.	Equity	59 538 449	58 525 474
A.I.	Share capital	50 779 307	50 800 534
A.II.	Capital funds	0	0
A.III.	Funds created from profit	6 961 615	3 794 770
A.IV.	Net profit/loss of previous years	9 238	9 238
A.V.	Net profit/loss for the accounting period	1 788 289	3 920 932
B.	Liabilities	7 684 822	8 101 671
B.I.	Provisions	2 736 378	3 091 977
B.II.	Non-current liabilities	842 107	347 071
B.III.	Current liabilities	4 106 337	4 662 623
B.IV.	Financial assistance	0	0
B.V.	Bank loans and financial assistance	0	0
C.	Accruals and deferrals	12 735	11 601

PROFIT AND LOSS STATEMENT AS AT 31 DECEMBER 2009 IN EUR

mark	TEXT		2009	2008
I.	Revenues from sale of merchandise (604)	01	832	312
A.	Costs on merchandise sold (504)	02	670	250
+	Trade margin - lines 01 - 02	03	162	62
II.	Production - lines 05 + 06 + 07	04	47 394 882	47 368 404
II.1.	Revenues from the sale of own products and services (601,602)	05	47 387 180	47 358 911
2.	Change in internal inventory (+/- account group 61)	06	1 282	314
3.	Own work capitalized (account group 62)	07	6 420	9 179
B.	Production lines 09 +10	08	8 040 014	7 910 407
B.1.	Consumed raw materials, energy consumption and consumption of other non-inventory supplies (501,502,503)	09	1 247 799	1 491 102
2.	Services (account group 51)	10	6 792 215	6 419 305
+	Added value lines 03 + 04 - 08	11	39 355 030	39 458 059
C.	Personnel expenses (lines 13 to 16)	12	23 682 099	24 473 022
C.1.	Wages and salaries (521,522)	13	18 385 102	17 526 389
2.	Remuneration of board members of company or cooperative (523)	14	105 697	97 808
3.	Social security expenses (524,525,526)	15	4 508 222	4 768 964
4.	Social expenses (527,528)	16	683 078	2 079 861
D.	Taxes and fees (account group 53)	17	58 091	59 094
E.	Amortization of non-current intangible assets and depreciation of property, plant and equipment (551)	18	6 670 662	4 980 066
III.	Revenue from the sale of non-current assets and raw materials (641,642)	19	839 470	31 886
F.	Carrying value of non-current assets sold and raw materials sold (541,542)	20	818 425	3 505
G.	Creation and account the provisions related to receivables (+/-547)	21	1 195 621	16 170
IV.	Other operating income (644,645,646,648,655,657)	22	608 330	1 175 032
H.	Other operating expenses (543 to 546,548,549,555,557)	23	3 185 392	3 033 410
V.	Transfer of operating income (-) (697)	24	0	0
I.	Transfer of operating expenses (-) (597)	25	0	0
*	Profit/loss from operations lines 11-12-17-18+19-20+21-22-23-24+25	26	5 192 540	8 099 710
VI.	Revenue from the sale of securities and shares (661)	27	0	0
J.	Securities and shares sold (561)	28	0	0
VII.	Income from non-current financial assets (lines 29+30+31)	29	0	0
VII.1.	Income from securities and ownership interests in a subsidiary and in a company where significant influence is held (665A)	30	0	0
2.	Income from other long-terms securities and shares (665A)	31	0	0
3.	Income from other non-current financial assets (665A)	32	0	0
VIII.	Income from current financial assets (666)	33	0	0
K.	Expenses related to current financial assets (566)	34	0	0
IX.	Gains on revaluation of securities and income from derivative transactions (664,667)	35	0	0
L.	Loss on revaluation of securities and expenses related to derivative transactions (564,567)	36	0	0
M.	Creation and account the provisions related to financial assets (+/-565)	37	0	0
X.	Interest income (662)	38	62 184	207 884
N.	Interest expense (562)	39	6	0
XI.	Exchange - rate gains (663)	40	4 066	131 979
O.	Exchange - rate losses (563)	41	13 859	1 073 793
XII.	Other income from financial activities (668)	42	0	0
P.	Other expenses from financial activities (568, 569)	43	2 810 449	2 852 332
XIII.	Transfer of financial income (-) (698)	44	0	0
R.	Transfer of financial expenses (-) (598)	45	0	0
*	Profit/loss from financial activity lines 27-28+29+33-34+35-36-37+38-39+40-41+42-43+44-45	46	-2 758 064	-3 586 262
**	Profit/loss from ordinary activity before tax - lines 26+46	47	2 434 476	4 513 448
S.	Income tax on ordinary activity - line 49+ 50	48	646 187	592 516
S.1.	- current (591,595)	49	519 720	692 892
2.	- deferred (+/- 592)	50	126 467	-100 376
**	Profit/loss from ordinary activity after tax - lines 47-48	51	1 788 289	3 920 932
XIV.	Extraordinary income (account group 68)	52	0	0
T.	Extraordinary expenses (account group 58)	53	0	0
**	Profit/loss from extraordinary activity before tax - lines 52-53	54	0	0
U.	Income tax from extraordinary activity lines 53+54	55	0	0
U.1.	- current (593)	56	0	0
2.	- deferred (594)	57	0	0
*	Profit/loss from extraordinary activity after tax - lines 54-55	58	0	0
***	Profit/loss for the accounting period before tax (+/-) lines 47+54	59	2 434 476	4 513 448
V.	Transfer of net profit/net loss shares to partners (+/- 596)	60	0	0
***	Profit/loss for the accounting period after tax (+/-) - lines 51+58-60	61	1 788 289	3 920 932

CASH FLOW STATEMENT AS AT 31 DECEMBER 2009 IN EUR

mark	TEXT		2009
Z/s	Net profit (before interests, tax and extraordinary items)	001	2 434 476
A.1	Adjustments for non-monetary transactions	002	9 359 435
A.1.1	Depreciations to non-current assets	003	6 627 476
A.1.2	Depreciated price to non-current assets besides sales	004	43 186
A.1.4	Value adjustment to provisions	006	881 021
A.1.5	Value adjustment to adjusting entry	007	-1 053 724
A.1.6	Value adjustment to accrual and deferral of costs and revenues	008	-217 746
A.1.7.	Dividends and shares account to revenues	009	0
A.1.8	Interests account to expenses(+)	010	6
A.1.9	Interests account to revenues (-)	011	-62 184
A.1.10	Exchange - rate profit of cash as at 31 December 2006 (-)	012	-3
A.1.11	Exchange - rate loss of cash as at 31 December 2006 (+)	013	119
A.1.12	Proceeds from sale of non-current assets	014	21 044
A.1.13	Other items of non-monetary status, influenced profit/loss from ordinary activity	015	3 120 240
A.2	Changes in working capital	016	-1 596 824
A.2.1	Value adjustment to receivables	017	-1 541 201
A.2.2	Value adjustment to liabilities	018	-55 161
A.2.3	Value adjustment to inventory	019	-462
A.2.4	Value adjustment to financial accounts	020	0
—	Cash Flow from operating activities Z/s + A1 + A2	021	10 197 087
A.3	Interests received (besides interests received from investment activities)	022	62 184
A.4	Interests paid (besides interests including into the financial activities)	023	-6
A.5	Dividends and other shares income (besides incomes from investment activities)	024	0
A.6	Dividends and other shares paid (besides paid including to investments activities)	025	-26 467
—	Cash Flow from operating activities (+/-), (A1 - A6)	026	10 232 798
A.7	Income tax paid (besides paid including in financial and investment activities)	027	-752 188
A.8	Extraordinary income from operating activities	028	136
A.9	Extraordinary expenses from operating activities	029	0
A1-A9	Net Cash Flow from operating activities (A1 - A9 + Z/s)	030	9 480 746
—	Cash Flow from investment activities	031	0
B.1	Purchase of non-current intangible assets	032	-697 081
B.2	Purchase of non-current tangible assets	033	-5 987 514
B.3	Purchase of securities	034	0
B.4	Proceeds from sale of non-current intangible assets	035	0
B.5	Proceeds from sale of non-current tangible assets	036	839 470
B.6	Proceeds from sale of securities	037	0
B.7	Expenses of extend long-term loans	038	0
B.8	Incomes from long-term loans	039	0
B.11	Incomes from rent tangible assets that are depreciable by renter	042	0
B.12	Interest received (besides interests from operating activities)	043	0
B.13	Dividends and shares received	044	0
B.14	Derivates expenses to derivates	045	0
B.15	Derivates incomes from derivates	046	0
B.16	Income tax paid	047	0
B.17	Extraordinary incomes from investment activities	048	0
B.18	Extraordinary expenses from investment activities	049	0
B.19	Other investment incomes	050	0
B.20	Other investment expenses	051	0
B1-B20	Net Cash Flow from investment activities	052	-5 845 125
—	Cash Flow from financial activities	053	0
C.1	Cash Flow in equity (C1.1 - C1.8)	054	-56 421
C.1.1	Proceeds from issuance of share capital	055	0
C.1.2	Proceeds from other deposits	056	0
C.1.3	Received financial donations	057	0
C.1.6	Expenses relating to decrease of funds created by accounting entity	060	-35 194
C.1.8	Expenses relating to decrease of share capital	062	-21 227
C.2	Cash Flow from long-term and short-term financial activities (C.2.1 - C.2.10)	063	0
C.2.3	Proceeds from bank loans	064	0
C.2.4	Repayment of received bank loans	065	0
C.2.5	Proceeds from received loans	066	0
C.2.6	Repayment of received loans	067	0
C.2.7	Expenses of financial leasing	068	0
C.2.8	Expenses for rent tangible assets that are depreciable by renter	069	0
C.2.9	Incomes from other long-term and short-term liabilities from financial activities	070	0
C.2.10	Expenses from other long-term and short-term liabilities from financial activities	071	0
C.3	Interests paid (including to financial activities)	072	0
C.4	Dividends	073	0
C.5	Derivates	074	0
C.7	Income tax paid from financial activities	076	0
C.8	Extraordinary incomes relating to financial activities	077	0
C.9	Extraordinary expenses relating to financial activities	078	-2 810 449
C1-C9	Net Cash Flow from financial activities	079	-2 866 870
D	Net increase or decrease of cash money	080	768 751
E	Cash and cash equivalents as at 1 January 2006	081	14 730 872
F	Cash and cash equivalents as at 31 December 2006	082	15 499 623
G	Exchange-rate difference as at 31 December 2006	083	-116
H	Cash a cash equivalents with exchange-rate difference	084	15 499 507



INDEPENDENT AUDITOR'S REPORT

For the management of the state enterprise of Letové prevádzkové služby Slovenskej republiky.

We performed an audit of the attached Financial Statements of the state enterprise Letové prevádzkové služby Slovenskej republiky (hereinafter referred to as the "state enterprise"), comprising a Summary Profit/Loss Statement, a Statement of Changes in Equity and a Cash-flow Statement for the year ending as of December 31, 2009, as well as a summary of important accounting principles and accounting methods and other explanatory notes.

Responsibility of the statutory body of the state enterprise

The statutory body of the state enterprise of the company bears responsibility for the preparation and an objective presentation of the Financial Statements in accordance with the International Financial Reporting Standards. This responsibility includes suggesting, implementing and maintaining internal checks relevant for the preparation and objective presentation of the Financial Statements which have to be prepared without any major inaccuracies caused by a fraud or mistake; further it includes a selection and application of appropriate accounting principles and accounting methods, as well as performance of reasonable accounting estimates within the given circumstances.

Auditors' responsibility

It is our responsibility to express our opinion on these Financial Statements based on our audit. The audit was performed in accordance with the International Auditing Standards according to which we shall observe ethical requirements, plan and perform the audit in such a way that we obtain reasonable assurance that the Financial Statements do not include any major inaccuracies.

The audit comprises procedures for obtaining audit evidence about sums and data included in the Financial Statements. The procedures are selected on the basis of auditor's decision, including a risk assessment of occurrence of major inaccuracies in the Financial Statements caused by a fraud or mistake. When assessing the risk, an auditor takes into consideration internal checks relevant for the preparation and objective presentation of the Financial Statements within the accounting unit, in order to be able to propose such auditing procedures to be used that are suitable under the given circumstances; however, the purpose is not to express their opinion on the efficiency of accounting unit's internal checks. The audit also evaluates suitability of the accounting principles and accounting methods used, accuracy of estimations made by the management, as well as presentation of the Financial Statements as a whole.

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

Opinion

We are of the opinion that the Financial Statements provide a true and objective view of the financial situation of the state enterprise Letové prevádzkové služby Slovenskej republiky, štátny podnik as of December 31, 2009, its economic results and its cash-flow for the year ending as of the specified date, in accordance with the International Financial Reporting Standards.

May 14, 2010

Bratislava, Slovak Republic

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

Auditor in Charge:
Ing. Ľuboš Vančo
SKAU Licence No. 745

Letové prevádzkové služby Slovenskej republiky, štátny podnik

Statement of financial position as at 31 December 2009

(In thousands of euro)

	Note	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	2	35 204	36 563
Intangible assets	3	991	791
Deferred tax assets	4	112	-
Total non-current assets		<u>36 307</u>	<u>37 354</u>
Current assets			
Inventories	5	975	1 079
Trade and other receivables	6	10 387	8 970
Corporate income tax		151	-
Cash and cash equivalents		15 500	14 731
Total current assets		<u>27 013</u>	<u>24 780</u>
Total assets		<u><u>63 320</u></u>	<u><u>62 134</u></u>
EQUITY AND LIABILITIES			
Equity			
Issued capital		50 780	50 801
Legal reserve and other capital funds		6 961	3 795
Retained earnings / (Accumulated losses)		(1 984)	225
Total equity	7	<u>55 757</u>	<u>54 821</u>
Non-current liabilities			
Provision for employee benefits	8	1 608	1 740
Deferred tax liability		-	193
Other non-current liabilities	4	170	160
Total non-current liabilities		<u>1 778</u>	<u>2 093</u>
Current liabilities			
Trade and other payables	9	5 239	4 414
Corporate income tax		-	602
Short term part of provision for employee benefits	8	546	204
Total current liabilities		<u>5 785</u>	<u>5 220</u>
Total equity and liabilities		<u><u>63 320</u></u>	<u><u>62 134</u></u>

The financial statements, which include the notes on pages 28 to 37, were signed on behalf of the Enterprise on 14 May 2010 by:



Roman Bíro, PhD.
Director General

Letové prevádzkové služby Slovenskej republiky, štátny podnik
Statement of comprehensive income for the year ended 31 December 2009

(In thousands of euro)

	Note	2009	2008
Revenues			
Air traffic control services		47 387	47 359
Other operating income		608	1 174
Total revenues		47 995	48 533
Expenses			
Personnel expenses	10	(24 735)	(23 671)
Depreciation and amortization	2,3	(6 890)	(4 996)
Other operating expenses	11	(15 235)	(15 451)
Total operating expenses		(46 860)	(44 118)
Profit from operations		1 135	4 415
Net financing costs	12	37	(752)
Profit before tax		1 172	3 663
Income tax expense	13	(214)	(1 667)
Profit for the year		958	1 996
Other comprehensive income		-	-
Comprehensive income for the year		958	1 996

The notes on pages 28 to 37 form part of these financial statements.

Letové prevádzkové služby Slovenskej republiky, štátny podnik
Statement of changes in equity for the year ended 31 December 2009

(In thousands of euro)

	Issued capital	Legal reserve fund	Other capital funds	Retained earnings / (Acc. losses)	Total
At 1 January 2008	38 607	1 388	16 133	(3 303)	52 825
Transfer to/use of other capital funds	12 194	-	(13 738)	1 544	-
Transfer to legal reserve fund	-	12	-	(12)	-
Profit for the year	-	-	-	1 996	1 996
At 31 December 2008	50 801	1 400	2 395	225	54 821
At 1 January 2009	50 801	1 400	2 395	225	54 821
Transfer to/use of other capital funds	-	-	2 971	(2 971)	-
Transfer to legal reserve fund	-	196	-	(196)	-
Decrease of issued capital	(21)	-	-	-	(21)
Euroconversion (rounding)	-	(1)	-	-	(1)
Profit for the year	-	-	-	958	958
At 31 December 2009	50 780	1 595	5 366	(1 984)	55 757

The notes on pages 28 to 37 form part of these financial statements.

Letové prevádzkové služby Slovenskej republiky, štátny podnik

Cash flow statement for the year ended 31 December 2009

(In thousands of euro)

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from customers	47 510	46 069
Cash paid to suppliers	(14 595)	(16 417)
Cash paid to employees	(24 948)	(23 671)
Cash generated from operations	7 967	5 981
Income tax paid	(1 262)	57
Cash flows from operating activities	6 705	6 038
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5 550)	(4 783)
Acquisition of intangible assets	(448)	(631)
Interest received	62	208
Cash flows used in investing activities	(5 936)	(5 206)
FINANCING ACTIVITIES		
Loan repayments	-	-
Interest paid	-	-
Cash flows used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	769	832
Cash and cash equivalents at beginning of year	14 731	13 899
Cash and cash equivalents at end of year	15 500	14 731

The notes on pages 28 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

GENERAL INFORMATION

Letové prevádzkové služby Slovenskej republiky, štátny podnik (hereinafter “the Enterprise”) is a state owned enterprise 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 enterprise 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 enterprise. The assets used for the Enterprise's operations and administrated by the Enterprise are owned by the State and they are disclosed in the Enterprise's accounts.

The main activity of the Enterprise 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 Enterprise applies the “Principles for establishing the cost-base for route facility charges and the calculation of the unit rates”, dated November 2004. The Enterprise 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 Enterprise, which have been prepared separately in accordance with the Slovak Act on Accounting. The financial statements were approved by the Directors on 14 May 2010.

The financial statements are presented in thousands of euro. Slovak Republic adopted on 1 January 2009 the euro. Balances as at 31 December 2008 were converted with the conversion rate of 30,126.

Financial statements were prepared under the going concern assumption.

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

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

New standards and interpretations not yet adopted

The following recently issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) – the scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:
- All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
- Subsequent change in contingent consideration will be recognized in profit or loss.
- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.

The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3 is not relevant to the Enterprise'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.

Revised IAS 27 is not relevant to the Enterprise's financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for the annual period beginning on or after 1 February 2010) - the amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Enterprise's financial statements as the Enterprise has not issued such instruments at any time in the past.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (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 Enterprise is currently in the process of evaluating the potential effect of this amendment.

- IFRIC 12 Service Concession Arrangements (effective for first annual reporting period beginning on or after 1 April 2009) – the Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

IFRIC 12 is not relevant to the Enterprise's operations as the Enterprise has not entered into any service concession arrangements.

- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010). IFRIC 15 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 the following cases:

1. the agreement meets the definition of a construction contract in accordance with IAS 11.3;
2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials);
and
3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

In all other cases, revenue is recognised when all of revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

IFRIC 15 is not relevant to the Enterprise's financial statements.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009) – the Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

IFRIC 16 is not relevant to the Enterprise's financial statements.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 1 November 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.

The Enterprise is currently in the process of evaluating the potential effect of this amendment. Since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

- IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual period beginning on or after 1 November 2009) - the Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, Property, Plant and Equipment. The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement.

IFRS 18 is not relevant to the Enterprise's financial statements as the Enterprise does not normally receive contributions from customers.

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 Enterprise'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 is amortized using the straight-line method over a period from two to five years.

Provision for employee benefits

The Enterprise creates provision for retirement benefits (other long-term employee benefits). The Enterprise'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 the risk-free interest 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

Balances presented in the financial statements and related notes are expressed in the currency used in the economic environment of the Enterprise (functional currency). Financial statements are presented in thousands of euro which is the functional and presentational currency of the Enterprise.

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

Non-monetary assets and liabilities in foreign currency valued in acquisition cost are translated to euro at the exchange rate on the transaction

date. Non-monetary assets and liabilities in foreign currency valued at fair value are translated to euro using the exchange rate of the fair value recalculation date.

Due to the euro conversion, assets and liabilities as of 31 December 2008 denominated in Slovak crowns (except for advances paid and received) were translated from the Slovak currency to the euro by the conversion exchange rate according to stipulations of the related legal regulations. The conversion exchange rate was 1 EUR = 30.1260 SKK.

Till 31 December 2008 the Slovak Crown ("SKK") was the functional and presentational currency. This was changed as at 1 January 2009 when the euro became the functional and presentational currency.

Revenue recognition

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

Operating lease payments

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

Net financing costs

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

Income taxes

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

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

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

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

2. PROPERTY, PLANT AND EQUIPMENT

In thousands of euro	Land and buildings	Plant and equipment	Assets under construction	Total
Cost				
At 1 January 2008	22 675	62 656	7 259	92 590
Additions	1 074	1 734	2 011	4 819
Disposals	(7)	(1 948)	-	(1 955)
Transfers	271	2 167	(2 438)	-
At 31 December 2008	24 013	64 609	6 832	95 454
Accumulated depreciation and impairment losses				
At 1 January 2008	5 463	50 461	-	55 924
Charge for the year	664	4 226	-	4 890
Disposals	(4)	(1 919)	-	(1 923)
At 31 December 2008	6 123	52 768	-	58 891
Net book value				
At 1 January 2008	17 212	12 195	7 259	36 666
At 31 December 2008	17 890	11 841	6 832	36 563

In thousands of euro

	Land and buildings	Plant and equipment	Assets under construction	Total
Cost				
At 1 January 2009	24 013	64 609	6 832	95 454
Additions	655	2 263	3 201	6 119
Disposals	(924)	(5 857)	-	(6 781)
Transfers	983	5 614	(6 597)	-
At 31 December 2009	24 727	66 629	3 436	94 792
Accumulated depreciation and impairment losses				
At 1 January 2009	6 123	52 768	-	58 891
Charge for the year	739	5 903	-	6 642
Disposals	(88)	(5 857)	-	(5 945)
At 31 December 2009	6 774	52 814	-	59 588
Net book value				
At 1 January 2009	17 890	11 841	6 832	36 563
At 31 December 2009	17 953	13 815	3 436	35 204

The Enterprise is insured against natural disasters, thefts, damages and general damages on equipment. Total value insured in case of natural disasters is 97 387 thousands of euro. Value insured against general damage on equipment is 59 292 thousand of euro.

The Enterprise did not identify any unused assets as at 31 December 2009 and 2008.

3. INTANGIBLE ASSETS

In thousands of euro	Software	In thousands of euro	Software	Software
Cost		Cost		
At 1 January 2009	5 200	At 1 January 2008	4 680	135 630
Additions	448	Additions	631	1 808
Disposals	(1 497)	Disposals	(111)	(2 772)
At 31 December 2009	4 151	At 31 December 2008	5 200	134 666
Accumulated depreciation		Accumulated depreciation		
At 1 January 2009	4 409	At 1 January 2008	4 414	131 478
Charge for the year	248	Charge for the year	106	3 798
Disposals	(1 497)	Disposals	(111)	(2 772)
At 31 December 2009	3 160	At 31 December 2008	4 409	132 504
Net book value		Net book value		
At 1 January 2009	791	At 1 January 2008	266	4 152
At 31 December 2009	991	At 31 December 2008	791	2 162

4. DEFERRED TAX LIABILITY AND ASSET

Deferred tax assets and liabilities as at 31 December 2009 and 2008 are attributable to the items detailed in the table below:

In thousands of euro	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-	-	(981)	(1 161)	(981)	(1 161)
Inventories	298	293	-	-	298	293
Receivables	386	294	-	-	386	294
Provision for employee benefits	409	381	-	-	409	381
Deferred tax assets / (liabilities)	1 093	968	(981)	(1 161)	112	(193)
Set off of tax	-	-	-	-	-	-
Net deferred tax	1 093	968	(981)	(1 161)	112	(193)

The deferred tax liability/asset as at 31 December 2009 has been calculated using a tax rate of 19 % (2008: 19 %).

5. INVENTORIES

In thousands of euro	2009	2008
Spare parts and supplies	2 546	2 547
Provision for slow-moving items	(1 571)	(1 468)
	975	1 079

6. TRADE AND OTHER RECEIVABLES

In thousands of euro	2009	2008
Trade accounts receivable	12 606	11 392
Provision for bad and doubtful debt	(3 016)	(2 765)
Advances to suppliers	113	85
Value added tax receivable	421	121
Other receivables and prepaid expenses	263	137
	10 387	8 970

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 8 579 thousand euro (TSKK 258,454) and made subsequent cash contributions of 7 347 thousand euro (TSKK 221,330). With the transformation of the Enterprise from a budget contributory organization to a state owned enterprise on 1 January 2000, statutory funds amounting to 17 615 thousand euro (TSKK 530,673) were capitalized, thereby increasing the issued capital to 33 541 thousand euro (TSKK 1,010,457).

Issued capital was increased in 2002 by the transfer of 5 066 thousand euro (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 12 193 thousand euro (TSKK 367,334) from other capital funds as approved by the Supervisory Board on 29 April 2008. As at 31 December 2008, the Issued capital was 50 801 thousand euro (TSKK 1,530,417).

The Enterprise transferred land close to Sliáč to Ministry of Defence reward-free. As this land was a non-monetary contribution to share capital, this transfer in amount of 21 thousand euro represents decrease of share capital. The Enterprise has proposed a change of share capital to Commercial register. As at 31 December 2009, the issued capital amounts to 50 780 thousand euro.

Other capital funds

Other capital funds consist of Fund for expansion and Statutory fund. The Minister of Transportation, Post Offices and Telecommunications decided on 15 June 2009 to transfer to fund for expansion an amount of 2 973 thousand euro from 2008 profit. The remuneration of the

Supervisory Board represented the amount of 26 thousand euro. The remuneration was paid during 2009. Transfer to social fund out of profit for the year ended 2008 was 726 thousand euro. Movements in other capital funds represent movements in statutory funds based on Slovak accounting framework. As at 31 December 2009, other capital funds were 4 195 thousand euro.

Legal reserve fund

The increase in legal reserve fund in amount of 196 thousand euro was approved by the Minister of Transportation, Post Offices and Telecommunications on 15 June 2009. As at 31 December 2009, the legal reserve fund amounted to 1 595 thousand euro. This reserve fund is not available for distribution and should only be used as a reserve against future losses arising from business activities.

8. PROVISION FOR EMPLOYEE BENEFITS

In thousands of euro	2009	2008
Present value of retirement benefits	2 154	1 944
out of that short-term part	546	204
out of that long-term part	1 608	1 740

The Enterprise did introduce new benefit for the first time in Collective agreement valid for 2005. It is understood by the Enterprise 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 Enterprise. 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:

In thousands of euro	2009	2008
At 1 January	1 944	1 457
Interest costs	35	63
Current service costs	628	194
Actuarial (gains) / losses	(249)	333
Benefits paid	(204)	(103)
At 31 December	2 154	1 944

Actuarial profit (249 thousand of euro) is caused mainly by a change of discount rates (1.3 % - 6.1 % in 2009 derived from interests of AAA state bonds increased by a spread; 2.01 % - 5 % in 2008) and by a change of estimated future payroll growth (in connection to predicted inflation according to National Bank of Slovakia in range of 0.9 % - 2.5 % in 2009; 4.9 % in 2008).

Under collective agreements with employees, the Enterprise pays to employees certain retirement benefits. Each employee, who has been employed with the Enterprise 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 ATCO card this benefit is increased to 24 times of the monthly salary.

9. TRADE AND OTHER PAYABLES

In thousands of euro	2009	2008
Trade accounts payable	1 457	974
Salaries, wages and social security payable	1 588	1 981
Employee income taxes	357	422
Social fund	550	187
Other payables and accrued expenses	1 287	850
	5 239	4 414

Based on collective agreements with employees, the Enterprise operates a defined contribution plan for endowment insurance of employees from the social fund. It was agreed with the insurance enterprise that the minimum amount contributed by the Enterprise should not be lower than 100 euro per annum per employee. In 2009, the Enterprise contributed to the employees' endowment insurance an amount of 347 thousand euro (2008: 345 thousand euro). In 2009, the Enterprise also contributed from the social fund to the employees' supplementary pension insurance an amount of 15 thousand euro (2008: 17 thousand euro).

10. PERSONNEL EXPENSES

In thousands of euro	2009	2008
Wages and salaries	18 385	17 526
Legal social insurance	4 116	3 805
Supplementary pension insurance	457	1 026
Provision for retirement benefits	211	490
Social fund expense	237	581
Remuneration of the Supervisory Board and Directors	345	113
Retirement benefits	96	113
Additional contribution to social fund	725	17
Other personnel expenses	163	-
	<u>24 735</u>	<u>23 671</u>

The average number of employees during 2009 was 471 (2008: 469) including 3 directors (2008: 3).

There was an additional contribution to the social fund from profit 2008 in the amount of 726 thousand euro based on the decision of Ministry of transport, post and telecommunications dated 15 June 2009.

11. OTHER OPERATING EXPENSES

In thousands of euro	2009	2008
EUROCONTROL membership fees (see below)	2 723	2 922
Insurance	2 795	2 835
Other services	1 794	1 314
Telecommunications costs	1 208	1 260
Meteorological services	1 492	1 046
Provisions and write-offs of bad and doubtful debts	444	1 022
Repairs and maintenance	984	965
Spare parts and supplies	577	786
Travel	462	578
Rent of premises	517	518
Training	330	472
THALES (service)	244	233
Maintenance fees for technical software	383	415
State air traffic inspection	464	302
Provision for spare parts	103	136
Civil Aviation Authority of the Slovak Republic	373	-
Other operating expenses	342	647
	<u>15 235</u>	<u>15 451</u>

Membership fees paid to EUROCONTROL are calculated in advance and are based on certain factors such as expected number of flights and cost-base for route facility charges.

Other services include also audit fees under IFRS done by KPMG Slovensko in the amount 30 thousand euro (2008: 28 thousand euro). The Enterprise is subject to statutory audit which is done by BDR (2009: 29 thousand euro; 2008: 30 thousand euro). KPMG Slovensko provides also audit of the Cost allocation system in the amount 30 thousand euro (2008: 20 thousand euro).

12. NET FINANCING COSTS

In thousands of euro	2009	2008
Interest income	62	208
Interest expenses	(15)	(18)
Net foreign exchange losses	(10)	(942)
Total financing expenses	(25)	(960)
Net financing costs	37	(752)

13. INCOME TAX EXPENSE

In thousands of euro	2009	2008
Current year tax expense	(520)	(693)
Deferred tax income / (expense)	306	(974)
Total income tax expense in income statement	(214)	(1667)

Income taxes have been provided for at a rate of 19 % (2008: 19 %) of taxable income based on Slovak accounting and tax regulations and deferred tax at a rate of 19 % (2008: 19 %). The difference between the Enterprise'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 euro		2009		2008
Profit before tax		1 172		3 662
Income tax using the prevailing corporation tax rate	19%	(223)	19%	(696)
Non-deductible expenses	135%	(1 582)	32%	(1 177)
Non-taxable income	-109%	1 281	-56%	2 043
Temporary differences	-26%	310	50%	(1 837)
	18%	(214)	46%	(1 667)

14. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, the Directors of the Enterprise and members of the Supervisory Board received wages and salaries amounting to 961 thousand euro (2008: 883 thousand euro) and 319 thousand euro (2008: 316 thousand euro), respectively.

15. COMMITMENTS**Capital commitments**

As at 31 December 2009, the Enterprise has entered into purchase agreements for property, plant and equipment totalling approximately 35 480 thousand euro (2008: 33 030 thousand euro).

Lease obligations

The Enterprise leases for office and warehouses spaces based on the noncancellable contracts. The minimum annual lease payments are 530 thousand euro (2008: 518 thousand euro).

Endowment insurance for employees

Based on a frame agreement for capital life insurance, the minimum obligation of the Enterprise as an employer is to contribute from the social fund 99.58 euro for each employee per annum.

16. FINANCIAL INSTRUMENTS

Exposure to credit and foreign currency risks arises in the normal course of the Enterprise's business.

Credit risk

The Enterprise 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 Enterprise'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

The Enterprise is not exposed to foreign currency risk as majority of transactions are in euro, the functional currency.

Liquidity risk

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

In thousands of euro	2009			Total
	1 year or less	1-5 years	More than 5 years	
Assets				
Trade and other receivables	10 387	-	-	10 387
Corporate income tax	151	-	-	151
Cash and cash equivalents	15 500	-	-	15 500
Equity and liabilities				
Provision for employee benefits	(546)	(412)	(1 196)	(2 154)
Other non-current liabilities		(170)	-	(170)
Trade and other payables	(5 239)	-	-	(5 239)
Net position	20 253	(582)	(1 196)	18 475

In thousands of euro	2008			Total
	1 year or less	1-5 years	More than 5 years	
Assets				
Trade and other receivables	8 970	-	-	8 970
Cash and cash equivalents	14 731	-	-	14 731
Equity and liabilities				
Provision for employee benefits	(204)	(326)	(1 414)	(1 944)
Other non-current liabilities	-	(160)	-	(160)
Corporate income tax	(602)			(602)
Trade and other payables	(4 414)	-	-	(4 414)
Net position	18 481	(486)	(1 414)	16 581

Fair values

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

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

European airline industry was hit in the middle of April 2010 by the eruption of volcano in Iceland. This eruption caused disruption of flights across Europe. Expected losses for LPS SR, š. p. are app. 500 thousand euro.

Following occurrences – information on occurrences that happened after the date on which the Financial Statement was drawn up and the LPS SR, š. p. Annual Report was made.

Air traffic in Europe was affected by an Icelandic volcano eruption which occurred in April 2010, resulting in air traffic restrictions in Europe, including the Slovak Republic. In this period LPS SR, š. p. saw a drop in the number of flights, which was also reflected in a drop of provided services.

LPS SR, š. p. Annual Report compilation

The 2009 LPS SR, š. p. Annual Report was compiled on May 31, 2010.

Acronyms and Abbreviations

ACC	Area Control Centre or Area Control
AIM	Aeronautical Informatical Management Unit
AIS	Aeronautical Information Service
ALERFA	Alert Phase
AMM	Assistant Message Management
APP	Approach Control Unit
ASMT	Automatic Safety Monitoring Tool
ATM	Air Traffic Management
ATS	Air Traffic Services
CANSO	Civil Air Navigation Services Organization
CNS	Communication, Navigation Surveillance
DB	Database
DETRESFA	Distress phase
DMT	Digital terrain model
DTZL	Division of Technical Provision of ATS
ELT	Emergency Locator Transmitter
EUR	European Currency
EUROCONTROL	European Organisation of the Safety of Air Navigation
FAB CE	Functional Airspace Block Central Europe
FDO	Flight Data Operator
FIC	Flight Information Centre
IBAF	Integrated Briefing Automated Facility
ICAO	International Civil Aviation Organization
IFR	Instrument Flight Rules
ILS	Instrument Landing System
INCERFA	Uncertainty Phase
ISC	Intersuite Coordination
JAR	Joint Aviation Requirements
MDPT SR	Ministry of Transport, Posts and Telecommunications
OJT	On-the-job training
OS SR	Armed Forces SR
RCC	Rescue Coordination Centre
SAF	Safety
SAR	Search and Rescue
Sarsat	Search and Rescue Satellite Aided Tracking
SATM	ATM – specific occurrences
TAR	Terminal Area Surveillance Radar
TOD WG	Terrain and Obstacle Database Working Group
TOPU	Topographic Institute
TZL	Technical Provision of Air Traffic Services
TWR	Aerodrome Tower
VCS	Voice Communication System
VFR	Visual Flight Rules

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