Annual Report 2011

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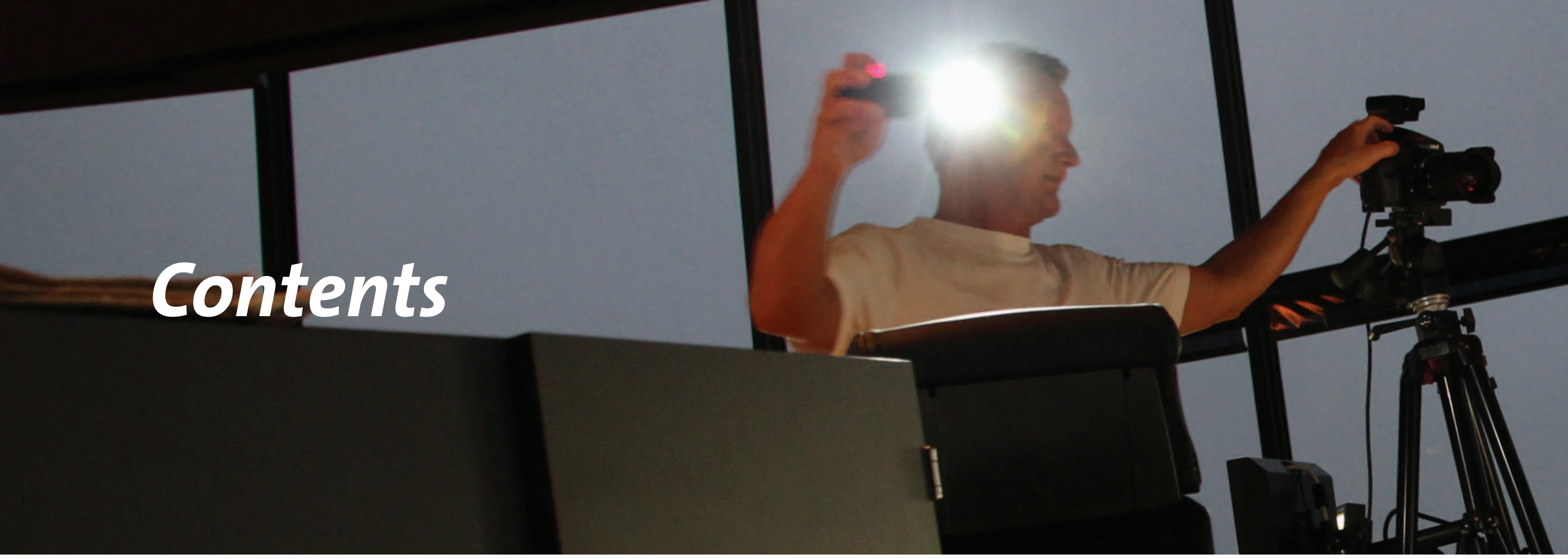
NAVIAIR

Air Navigation Services



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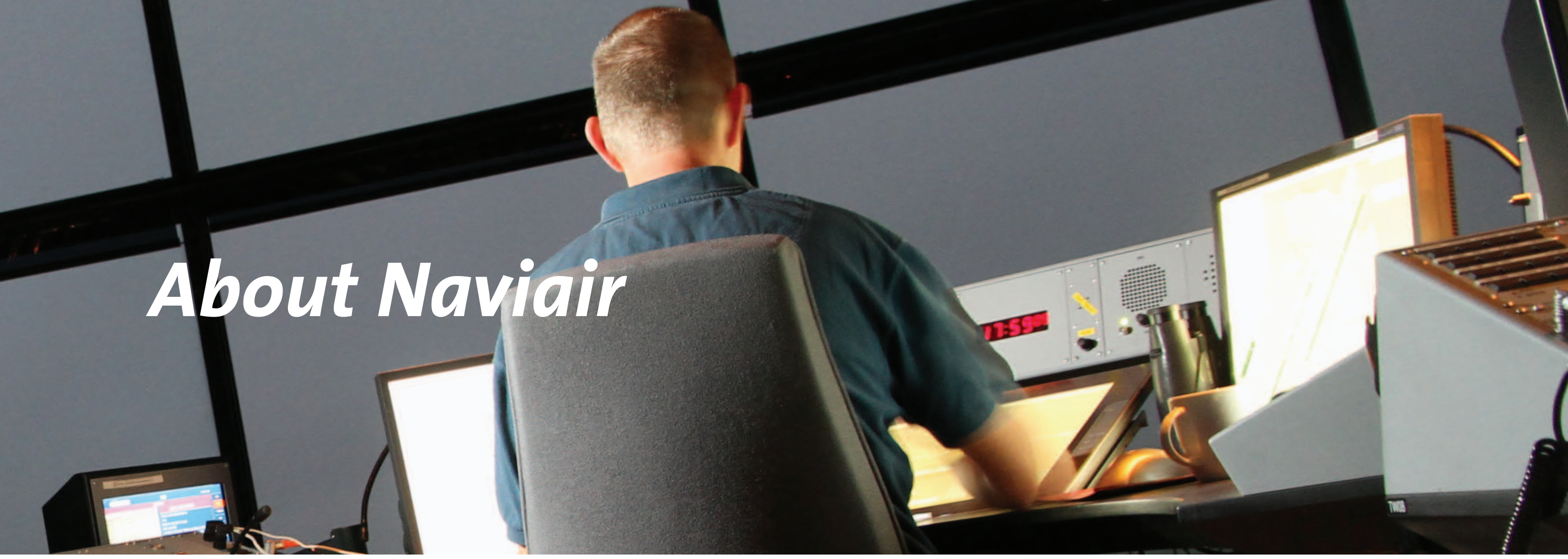
Front cover: Evening view of Copenhagen Airport from Naviair's control tower, 19 September 2011.

The photo above was taken on the same evening as Naviair hosted a photo shoot for the charity calendar in aid of 'Foreningen af Familier med kræftramte børn', an association for families with children with cancer. In 2012, the calendar featured photos from unique workplaces.



About Naviair

Naviair is a company owned by the Danish state represented by the Ministry of Transport.

Our mission and vision are:

Mission

Naviair contributes to the creation of value and welfare for society by developing and providing safe and efficient Air Traffic Management (ATM), fulfilling our role as a vital part of the aviation value chain.

Vision

We will always be among the best Air Navigation Service Providers (ANSPs) in Europe.

We will continually develop our company and secure a strong position with customers and partners by participating in international alliances.

We will achieve our ambitions through talented, motivated and committed employees who thrive on working in a demanding environment in which targeted employee development and involvement form the basis for maintaining an attractive workplace.

Services

We provide aviation infrastructure. We have activities within: En route – Denmark, En route – Greenland Local Air Traffic Services (ATS) and Services.

- En route – Denmark (technical-operational), comprising area control services in Danish airspace and over Danish airports. Our activities in this area also include briefing service and Flight Information Services (FIS) from the Air Traffic Control Centre (ATCC) in Copenhagen. This area of activity also includes technical service and maintenance of radar installations and CNS equipment in Denmark. In 2011, this area accounted for 68 per cent of our revenue.
- En route – Greenland (technical-operational), comprising briefing and FIS from the Flight Information Centre (FIC) in Kangerlussuaq. These activities also include technical service and maintenance of radar installations on the Faroe Islands and navigation and communications systems on the Faroe Islands and in Greenland. In 2011, this area accounted for 5 per cent of our revenue.
- Local Air Traffic Services (ATS), comprising aerodrome control service and approach control service at a number of airports and Aerodrome Flight Information Service (AFIS) on the Faroe Islands. In 2011, this area accounted for 25 per cent of our revenue.
- Services, comprising technical service and maintenance of ATM and CNS equipment in Denmark. In 2011, this area accounted for 2 per cent of our revenue.

Key figures and key performance indicators

Naviair's financial performance since 1 January 2010 can be described using the key figures and key performance indicators below:

Key figures and key performance indicators *(DKK 1,000)*	**2011**	**2010**	**Opening balance sheet 01.01.2010**
Income statement			
Revenue	937,616	917,246	-
Profit from ordinary operating activities	24,367	63,341	-
Profit before net financials	88,693	70,863	-
Net financials	-34,534	-43,266	-
Profit for the year	38,229	22,966	-
Balance sheet			
Fixed assets	1,193,893	1,178,038	1,149,112
Current assets	490,563	547,924	1,027,293
Balance sheet total	1,684,456	1,725,962	2,176,405
Interest-bearing debt	686,600	795,320	1,334,290
- of which subordinated loan capital	536,600	545,320	536,600
Equity	749,498	711,269	688,303
Cash flow statement			
Cash flows from:			
- operating activities	131,457	746,548	-
- investing activities	-93,501	-119,317	-
- financing activities	-50,000	-588,971	-
Net increase (decrease) in cash and cash equivalents	-12,044	38,260	-
Cash and cash equivalents at 31 December	26,714	38,758	-
Average number of employees	706	710	
Financial ratios (%)			
Operating margin	9.5	7.7	-
Return on capital employed	5.3	4.1	-
Solvency ratio excl. subordinated loan capital	44.5	41.2	31.6
Solvency ratio incl. subordinated loan capital	76.4	72.8	56.3
Return on equity	5.2	3.3	-

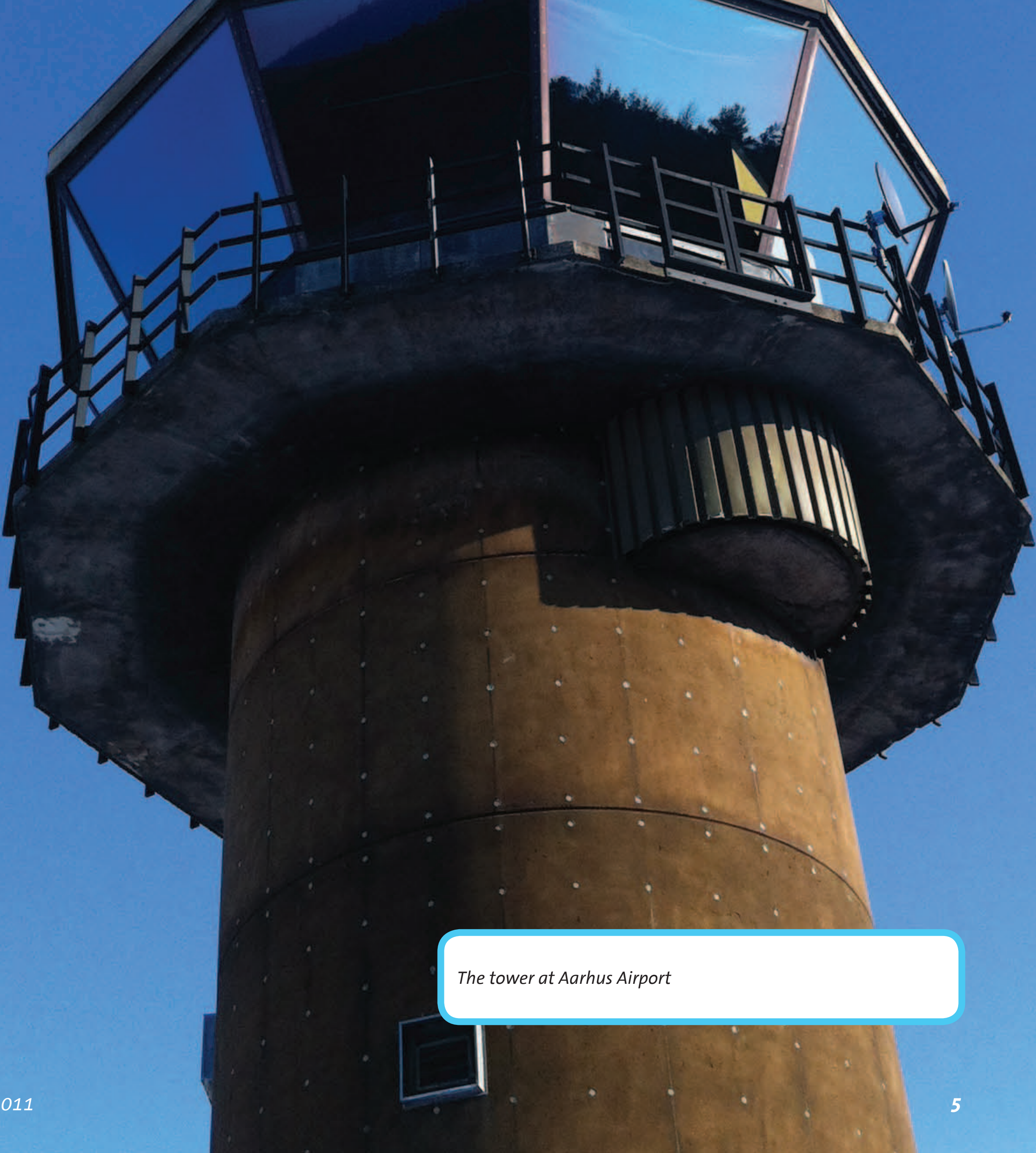
The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' recommendations and guidelines. Reference is made to definitions in the section on accounting policies.

Operational performance indicators 1)	**2011**	**2010**	**2009***	**2008***	**2007***
Safety					
Number of incidents 1)	**1.79**	1.05	1.20	1.77	1.55
Capacity					
Average delay in minutes per operation in ACC	**0.0**	0.0	0.0	2.2	0.1
Average delay in minutes per operation in Tower/Approach Copenhagen	**0.0**	0.0	0.0	0.9	0.1
Efficiency					
Disposition efficiency – En route 2)	**8,216**	7,688	7,268	6,392	7,218
Disposition efficiency – Tower/Approach Copenhagen 3)	**5,076**	4,819	4,708	4,360	4,327
Environment					
Noise inconvenience 4)	**0**	2	0	0	1

**) Comparative pre-2010 figures are based on Naviair's operations as a state enterprise.*
1) The number of incidents is defined as the number of incidents per 100,000 category A, B and C operations directly attributable to Naviair (see also section 2 on page 6).
2) Disposition efficiency – En route is defined as the number of en route operations per air traffic controller FTE on duty.
3) Disposition efficiency – Tower/Approach is defined as the number of Tower/Approach operations per air traffic controller FTE on duty.
4) Noise inconvenience is the number of unauthorised violations of noise abatement procedures at airports directly or indirectly attributable to Naviair.

Highlights in 2011

- January: NUAC HB took over responsibility for operational support to the three ATCCs in Copenhagen, Malmö and Stockholm
- April: Important milestone for COOPANS project with implementation of COOPANS Build 1 in Ireland according to plan
- May: Ash from Icelandic volcano led to the closure of parts of the airspace over Greenland. Flight traffic in Danish airspace was not affected
- November: Free Route Airspace introduced in joint Danish-Swedish airspace
- December: Amendment of framework for pricing of en route traffic. On 1 January 2012, all EU Air Navigation Service Providers (ANSPs) became subject to performance schemes.



The tower at Aarhus Airport

Management's review

Growth while maintaining safe and efficient Air Traffic Management

Despite the continued financial crisis in the EU, Naviair completed more operations, overall, in 2011 than in 2010. In 2011, Naviair handled 630,044 flights in Danish airspace and 360,509 commercial departures and arrivals from/to Danish airports in which Naviair provides aerodrome control service.

During the year, there were 1.79 safety incidents per 100,000 operations directly attributable to Naviair. It is our target to keep the number of safety incidents as low as possible, and not exceeding 2.5 per 100,000 operations. We therefore met our safety target. We define safety incidents based on ESARR2 Severity Classification Scheme, using three categories of safety incident - A, B and C. All safety incidents are analysed in depth, and the experience from each incident is incorporated into our efforts to continually improve our safety standards. We do this by adjusting our procedures, offering our employees supplementary training and updating our technology.

At the same time as maintaining high safety standards, we handled air traffic efficiently and largely without any delays jointly attributable to Naviair.

In 2011, we handled en route traffic with an average delay per operation of less than 0.2 seconds, significantly beating our target of a maximum average delay per operation of 12 seconds (0.2 minutes).

At Copenhagen Airport, Kastrup, the average delay jointly attributable to Naviair was 0.2 seconds per operation in 2011. This meant that Naviair achieved a very low level compared with our target of keeping the average delay per operation below 12 seconds (0.2 minutes).

Our performance in terms of capacity utilisation was satisfactory, but we will continue to work intensively to minimise average delays.

We improved our disposition efficiency in 2011 by enhancing productivity for en route in the ATCC in Copenhagen. In 2011, the number of operations per ATCO in OPS was 8,216 against 7,688 in 2010. At Copenhagen Airport, Kastrup, the number of Tower/Approach operations per ATCO in OPS was 5,076 against 4,819 in 2010.

Naviair delivered revenue of DKK 937.6 million in 2011 compared with DKK 917.2 million in 2010. Naviair's areas of activity made equal contributions to the growth.

Development in aviation in 2011

The international financial crisis had a severe impact on aviation again in 2011, although there were signs of a positive trend in traffic figures during the year. Naviair has experienced reductions in air traffic of up to 12 per cent since the crisis began in 2008. Growth in air traffic resumed in 2010 – and continued in 2011. The growth in air traffic in Danish airspace in 2011 thus exceeded the average growth rate in the rest of Europe. However, traffic has yet to recover to the level of 2007.

In 2011, there were 630,044 en route operations in Danish airspace compared with 600,280 in 2010, up 5.0 per cent.

At Copenhagen Airport, Kastrup, the number of departures and arrivals rose by 3.3 per cent in 2011, to 253,762, from 245,640 in 2010.

At Billund Airport, the number of departures and arrivals rose by 2.5 per cent in 2011, to 44,627, from 43,537 in 2010.

In 2011, Naviair's profit before tax was DKK 54.2 million versus DKK 27.6 million in 2010. Profit after tax was DKK 38.2 million compared with DKK 23.0 million in 2010. Naviair's latest profit outlook for 2011 was announced in its half-yearly report, in which profit for the year of at least the previously announced DKK 50.0 million, before tax and before regulation of over-/under-recovery of charges, was

Copenhagen Airport, Kastrup.

forecast. Profit for 2011 before tax and before over-/under-recovery of charges was DKK 91.9 million and thus somewhat better than expected.

Naviair's finances benefited from the increase in traffic volumes. Coupled with continued cost efficiencies, focus on efficiency improvements and the target of a highly flexible approach to tasks, continued growth in air traffic will underpin the expectation that, by the end of 2014, Naviair will succeed in recovering the loss (under-recovery) in relation to airspace users that it accumulated in the years up to and including 2010.

The EU performance schemes for Air Navigation Services (ANS) and network functions became effective for the en route area on 1 January 2012. The purpose of the performance schemes is to enhance efficiency and provide the basis for increasingly sustainable development of Air Traffic Management in Europe. For Naviair, one of the implications of the new framework is that Naviair's en route service unit rate is set until 2014 based on the air traffic outlook and a binding outlook concerning Naviair's annual costs respectively.

With the new framework, we must meet a number of requirements for performance development in safety, capacity and cost efficiency. The performance scheme is based, among other things, on financial incentives. Companies with positive results may have a limited financial bonus, whereas companies with negative results must cover them themselves. In addition to financial incentives, the performance scheme may mean requirements for action plans for Air Navigation Service Providers (ANSPs).

From 1 January 2012, the en route service unit rate for Danish airspace is set at DKK 532 compared with DKK 505 in 2011. Of this amount, approximately 84 per cent will go to Naviair, while the balance will go to the Danish Transport Authority and the Danish Meteorological Institute (DMI).

The service unit rate for aerodrome control service in Copenhagen Airport, Kastrup, is set at DKK 1,361 for 2012, equivalent to a decrease of 1.9 per cent on the 2010 rate.

Customers

Naviair's largest en route customers in 2011 were SAS (16.8 per cent), Ryanair (9.2 per cent), KLM (8.2 per cent), Norwegian Airshuttle (7.8 per cent) and Lufthansa (5.9 per cent). En route activities contributed 68 per cent of our total revenue in 2011.
In 2011, the largest customers at Copenhagen Airport, Kastrup, were SAS (40.3 per cent), Norwegian Airshuttle (9.1 per cent), Cimber Air Denmark (8.6 per cent), Easyjet Airline (2.6 per cent) and Lufthansa (2.0 per cent). Aerodrome control service at Copenhagen Airport in Kastrup represented 21 per cent of our revenue in 2011.

Billund Airport contributed 2 per cent of our revenue in 2011.

We keep in close contact with our customers so that we are well-informed of their requirements and expectations from us. We also keep our customers informed about conditions and developments in Naviair, and at our annual customer meetings we always give high priority to discussions on possible improvements to our service. We also use these meetings to gauge customer satisfaction with our service and products.

The latest customer consultations were held in the period from November 2011 to January 2012. During this period, we met with two airlines and five airports. All customers have expressed a high level of satisfaction with their day-to-day collaboration with Naviair.

The new Naviair

2011 was Naviair's first full calendar year as a company owned by the Danish state. Our new corporate status has given us the freedom to make long-term commitments on

commercial terms in a number of areas in which our commitments previously had to be approved by the Parliamentary Finance Committee and were subject to the one-year appropriation in the Danish Appropriations Act. One of the consequences of this is that we can now act and make decisions quickly, and within the framework of the company, in relation to our international partners. This allows us to continuously align the financial commitments we make to the market we operate in.

Naviair's first Board of Directors was appointed on 27 October 2010 as a direct consequence of our conversion into a company owned by the Danish state. The cooperation with Naviair's Board of Directors on Naviair's strategic development has led to a positive change in the form of an increasingly commercially driven approach for the company. The cooperation has also sharpened Naviair's focus on achieving its strategic objectives even further.

As a consequence of its new corporate status, Naviair now has its own insurance programme. In addition, our financing is now arranged in cooperation with a bank.

NUAC HB

In 2011, NUAC HB, which Naviair owns jointly with Swedish LFV, was given its first active ATM role in joint Danish-Swedish airspace. On 1 January 2011, NUAC took over responsibility for operational support to the three ATCCs in Copenhagen, Malmö and Stockholm. Accordingly, the first approximately 160 employees were seconded to NUAC by LFV and Naviair. According to the plan, in 2012, NUAC – on behalf of LFV and Naviair - will take over ATM of en route traffic in Danish-Swedish airspace in LFV and Naviair's three ATCCs. The ATCCs will remain LFV's and Naviair's property, but the infrastructure will be made available to NUAC and employees will be seconded to NUAC. When NUAC is fully operational, a total of approximately 750 employees and three ATCCs will have been seconded and made available to NUAC by LFV and Naviair. Naviair will then have two-thirds of its activities carried out via NUAC.

Income from en route traffic in Danish airspace will continue to accrue directly to Naviair, as Naviair has been appointed to take care of area control services in Danish airspace.

NUAC plays a major part in the consolidation of joint Danish-Swedish airspace. The basic idea is to implement as many operational and cost efficiencies as possible through NUAC while maintaining our high safety and service standards. We expect ATM efficiencies to lead to both considerable cost reductions for LFV and Naviair and consequent savings for airlines in the form of both fewer flight hours times and lower fuel consumption, including a reduction in airline CO_2 and NO_x emissions.

The NUAC project on Danish-Swedish collaboration on a joint Danish-Swedish airspace block was completed at the end of 2010. The project was supported by the EU's TEN-T pool. In 2011, the EU (TEN-T EA) project was highlighted as a model of successful implementation of projects with a positive local and regional impact and European mobility out of a total portfolio of approximately 350 European projects.

Other international strategic collaboration

Our international partnerships include technical development. This is carried out within the framework of the COOPANS alliance, in which we – together with Irish IAA, Swedish LFV, Austrian Austro Control and, most recently, Croatian Croatia Control, with French Thales as partner and supplier – have made good headway on the joint development and harmonisation of our ATM systems. The first joint upgrading of the partners' ATM systems will be implemented in the period from 2011 to 2012. In Ireland, the Irish ATCCs in Shannon and Dublin were upgraded to plan in 2011, and the ATCC in Malmö was upgraded at the beginning of January 2012. The ATCC in Copenhagen is scheduled for upgrading in March/April 2012. The ATCC in Stockholm will be upgraded later in 2012.

The tower at Copenhagen Airport, Roskilde.

The subsequent system upgrade, Build 2, comprises development and integration of changes that are required in order for the latest members to join the COOPANS cooperation, Austro Control and Croatia Control, to be commissioned in 2013 and 2014 respectively. At the same time, the upgrades meet a number of EU requirements. Build 2 will also be implemented at IAA, LFV and Naviair, so that the ATM system is continually updated and harmonised at all five ANSPs in the COOPANS cooperation.

The COOPANS cooperation continuously ensures that the development under the EU Single European Sky programme and SESAR is followed up on so that all new EU requirements are met. This means that Naviair is in the lead when it comes to ATM development in the EU.

Besides harmonising systems across national boundaries, the cooperation is expected to be able to cut system development costs by approximately 30 per cent compared with the costs each partner would incur if it had to develop the technology independently. The cooperation may also lead to savings in operating expenses due to joint work concepts.

Air Traffic Controller (ATCO) training is the third area in which our strategy involves international collaboration. Together with Swedish LFV and Norwegian Avinor, we own the Entry Point North (EPN) ATS training academy. In 2011, EPN and HungaroControl in Hungary set up a new ATS training academy, Entry Point Central (EPC), in Budapest. The new academy will initially be training new ATCOs for HungaroControl.

Naviair's extensive international activities play a big part in its success in realising the EU's objective of harmonisation and efficiency improvement in ANS in European airspace. Our activities are one of the key reasons why Denmark is in the lead among the countries that will be able to meet the political obligations under the EU Single European Sky programme by the date set.

Traffic volumes

In the last two months of 2011, en route traffic in Danish airspace again decreased. In its latest forecast from the end of February 2012, Eurocontrol significantly lowered its outlook so that it now expects en route traffic and thus the number of service units in Danish airspace to decline by 2.1 per cent compared with 2011 and by 7.4 per cent compared with the performance plan. The performance plan is based on Eurocontrol's more optimistic forecast from September 2011. The decline in the traffic volume is expected to depress Naviair's income for 2012 by approximately DKK 50 million.

One of the reasons why Danish airspace is particularly hard hit by the decline in the traffic volume is that a considerable proportion of en route traffic is operated by discount airlines that are particularly flexible and able to align and adapt their traffic plans to current market conditions.

At Copenhagen Airport, Kastrup, we still expect lower growth in the level of air traffic.

Knowledge resources and organisation

The number of employees in Naviair at the end of 2011 was 704 FTEs. Employee turnover was 6 per cent in 2011.

Through continuous awareness of the requirements that future challenges will make of our employees, we strive to ensure – at all times – that all employees' levels of training and education and skills satisfy the highest standards. That applies to both ATM, technology and administration. Since 2010, we have been working on structuring our supplementary training and skills development into an overall skills plan for the entire company. Together with our tactical plan, the skills plan now underpins our business plan as a management tool for the continued development of Naviair. The skills plan is regularly updated.

Through EPN and in-house training, we ensure that new ATCOs start out at the highest level. Through regular supplementary training, we ensure that the skills of all our ATCOs are continuously updated, so that everyone is proficient in the latest procedures at all times.

We also maintain a high level of knowledge and skills in the technical and administrative areas through continuous supplementary training and skills development.

We want to be an attractive employer for our employees and work purposefully to ensure that our employees have a good workplace and are able to meet the stringent requirements made by Naviair of its employees every single day.

We focus particularly on providing a good and safe working environment. A high level of employee satisfaction is also a priority target in Naviair. We measure the level of employee satisfaction every two years. In the latest survey, more than 90 per cent of employees responded that Naviair was a good workplace. Since the survey, we have been making a targeted effort to improve the level of employee satisfaction still further. The next survey will be conducted in 2012.

We also conduct leadership surveys every two years. The latest survey was carried out in 2011. The conclusion was that Naviair's managers were rated considerably higher than the average rating for managers in other Danish companies applying the same leadership assessment model. The personal reports for the individual managers are used to define areas in which to develop their leadership skills further. The next leadership survey will be conducted in 2013.

Environment

Naviair's activities are carried out 24/7, 365 days a year. Our energy consumption, including for cooling and electronic equipment, is therefore relatively high. In 2011, our electricity consumption in Copenhagen was 7,062 MWh versus 7,305 MWh in 2010. The reduction in electricity consumption was the result of, among other things, our energy-saving initiatives in 2011, when we replaced light sources in several locations with LED lighting. Our heat consumption in Copenhagen was 4,020 MWh in 2011 compared with 4,751 MWh in 2010. The main reasons for the lower heat consumption were warmer weather and lower heating requirements in 2011 than in 2010.

We are energy aware in everything we do. That also applies to the facilities outside Copenhagen that we use but do not own.

Our Air Traffic Control (ATC) provides us with an indirect opportunity to act in an environmentally friendly manner by cutting air emissions and noise inconvenience from air traffic.

Aviation accounts for approximately 2 per cent of global CO_2 emissions. By developing increasingly efficient procedures and infrastructure systems, Naviair is contributing to a cut in CO_2 and other polluting emissions from aircraft. We endeavour to make the most flexible and efficient use possible of airspace. One of the ways in which we do this is by ensuring that aircraft fly as directly as possible, using the shortest route to their destination. We also endeavour to allocate aircraft precisely the altitude at which they consume the smallest amount of fuel.

In 2011, we introduced the so-called Free Route Airspace (FRA) concept in joint Danish-Swedish airspace. This concept makes it easier for airlines and pilots to plan the aircraft's route through Danish-Swedish airspace. Naviair's and LFV's calculations show that the concept provides the basis for an average saving equivalent to 1.3 per cent (fuel and flight times) for the airlines that transit Danish and Swedish airspace.

In reality, efficient ATM meant that most aircraft had permission to fly the shortest distance over Denmark and

ATM Projects & Engineering

Sweden whenever possible already before the introduction of FRA. However, previously, the airlines had to plan flights so that their flight plans adhered to the published, fixed routes in airspace. Aircraft therefore had to carry extra fuel. With the new concept, aircraft can take off with less fuel onboard, and the lower weight means that they consume less fuel during flights. Even though the saving on each flight is marginal, with approximately 950,000 flights annually this adds up to considerable savings and consequent positive environmental impacts. Using Eurocontrol's standard models, calculations show that the concept will cut CO_2 emissions by approximately 40,000 tonnes annually. The calculations also show that airlines will save almost 7,500 flying hours annually compared with flight plan flight times. Besides the environmental benefits, the savings in flight times will enable airlines to make more efficient use of aircraft and thereby cut their costs.

Naviair's efforts to reduce the climate impact of aviation were documented in 2009, when Eurocontrol carried out an analysis of our concept for departures from Copenhagen Airport, Kastrup. The concept means that approximately 95 per cent of departing flights are given permission to deviate from the so-called Standard Instrument Departure (SID) procedure. Instead, they use Naviair's unique Continuous Climb Departure (CCD) procedure, where aircraft are given permission to climb directly to their preferred cruising level and head directly towards their destination as quickly as possible during the departure procedure. Eurocontrol's calculations show that Naviair's flexible ATM saves airlines 10,000 tonnes of fuel annually during departures alone. It also saves the environment from emissions of approximately 32,000 tonnes of CO_2 and thousands of tonnes of other polluting gases annually. Again in 2011, we ensured that more than 95 per cent of all flights departing from Copenhagen Airport were given permission to use CCD. We work closely together with our customers and partners to develop new initiatives that can optimise our environmental and climate performance still further. We align our efforts to customer wishes and requirements and also participate in environmental and climate initiatives in SES, SESAR, NUAC, NEAP, COOPANS and NORACON.

We work continually to develop our environmental and climate activities through:

- Short routes, direct routes to destinations and fuel-efficient altitudes.
- The option of fuel-efficient approaches to Danish airports.
- Minimal ground delays with engines idling through efficient ATM at airports.
- CCDs wherever possible – with direct routes and climbs to cruising level.
- The option of Continuous Descent Approaches (CDA) during periods of low traffic intensity.

Corporate responsibility

A well-informed and positive approach to corporate responsibility is deeply embedded in Naviair's culture.

We work in a targeted manner to ensure employee well-being and development. We work in a targeted manner to minimise Naviair's impact on the climate and environment, and we do not tolerate any violations of human rights, corruption or any violations of any form of traffic legislation.

Corporate governance

The framework for Naviair's activities is set out in the Danish Act on Naviair. As a company owned by the state, Naviair is ultimately subject to the authority of the Danish state represented by the Danish Ministry of Transport within the framework established by law. We plan our corporate governance so that it is adapted both to the nature of our company and legislation. Other than these considerations, our corporate governance is primarily informed by the Committee on Corporate Governance' Recommendations of August 2011, see www.corporategovernance.dk.

The Board of Directors takes care of Naviair's overall and strategic management, and supervises the Executive

Board. The general duties and responsibilities of the Board of Directors are set out in rules of procedure for the Board of Directors. The Executive Board is responsible for the day-to-day management of Naviair and must therefore comply with the guidelines and instructions provided by the Board of Directors.

The members of the Board of Directors that have been appointed by the Danish Minister for Transport include equal numbers of women and men. The members of the Board of Directors collectively possess general business and leadership skills and insight into the aviation sector and society in general.

An annual self-evaluation procedure for the Board of Directors has been established. The Board of Directors' latest self-evaluation was in December 2011.

The Board of Directors meets at least once a quarter, in accordance with Naviair's Articles of Association. The Board of Directors met six times in 2011.

Accounting and control systems are designed to ensure that internal and external financial reporting gives a true and fair view without material misstatement and to ensure that appropriate accounting policies are identified and applied.

The Board of Directors and the Executive Board continuously assess material risks and internal controls in connection with Naviair's activities and their potential impact on the financial reporting process.

It is part of the Executive Board's remit to maintain adequate and efficient internal controls and risk management in connection with the financial reporting. The Executive Board monitors the company's financial position via monthly reporting. Furthermore, the Executive Board regularly reports on the company's financial position to the Board of Directors ahead of each meeting of the Board of Directors. Procedures, accounting instructions etc. are described in Naviair's Management System (NMS).

The Board of Directors regularly monitors the financial reporting process, including compliance with applicable laws, and that the accounting policies are relevant. The full Board of Directors acts as Audit Committee.

Risks

As Naviair's principal revenue is directly dependent on the volume of en route traffic in Danish airspace - and traffic to and from the airports that we serve – Naviair's largest commercial risk is an unexpected drop in the volume of traffic. Because we need to be able to meet our customers' capacity requirements at all times, we cannot implement cost reductions overnight in response to situations in which we experience a sharp decline in revenue. This is partly because we rely on specialised employees on our staff. Training ATCOs so that they can be issued with the certificate required to work in accordance with Danish rules and procedures is costly and takes up to three years on average. And partly because our investments in ATM systems are both very cost-intensive and long-term. Developing and introducing new technical systems is time-consuming and normally takes many years. If we make fast cuts to staff or investments, we run the risk of subsequently not being able to meet capacity requirements in the event of a sharp decline in the volume of traffic being followed by a speedy recovery.

Losing aerodrome control service activities to competitors could also erode our revenue.

The possibility of airlines opting to switch air traffic – especially international routes – to airports further south in Europe in future constitutes a commercial risk for Naviair. If part of the air traffic circumvents Danish airspace and Danish airports, this will lead to loss of revenue for Naviair.

If a decision is made, locally or internationally, to replace air traffic with other modes of transport – or if aviation is constrained through the introduction of new local or international direct and indirect taxes – this will result in a risk of a reduction in air traffic, with consequent loss of revenue for Naviair.

Lastly, unforeseen situations and events that have an adverse impact on air traffic may cause Naviair inconvenience. One example is the Icelandic ash cloud that closed the whole of European airspace for several days in spring 2010.

We have protected ourselves against the risk of technical failures by establishing sound back-up systems in all areas and we therefore do not consider technical failure to be a serious risk.

Naviair has established an insurance programme under which we insure significant risks by taking out relevant insurance. We have insured insurable risks so that any claims and actions giving rise to liability will not constitute a financial risk to our company. Besides statutory insurance, we have taken out insurance against consequential loss, product liability and special aviation liability.

Approach and departure control, Billund ATC

Financial review

Naviair's financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act with adjustments as described under accounting policies.

On 27 October 2010, Naviair was converted into a company owned by the Danish state. From an accounting point of view, the conversion took effect on 1 January 2010. Until 31 December 2009, Naviair was a state enterprise and its financial statements were presented in accordance with the general rules and provisions of the Danish state. Because of the change of format following the conversion, comparison of the financial statements with those of 2009 and previous years is not possible. Therefore, only comparative figures for 2010 have been included, but the balance sheet has been supplemented by the opening balance sheet at 1 January 2010.

Profit for the year

Profit before tax for the year was DKK 54.2 million net of a DKK 37.8 million adjustment in respect of over-/under-recovery of charges compared with profit of DKK 27.6 million in 2010. Profit after tax for the year was DKK 38.2 million compared with DKK 23.0 million in 2010.
At DKK 91.9 million before tax and before adjustment of over-/under-recovery of charges, profit for the year was somewhat better than expected at the time of presentation of the half-yearly report. The outlook in the half-yearly report was profit before tax and before adjustment of over-/under-recovery of charges of at least the DKK 50.0 million announced at the beginning of the year.

The positive deviation primarily reflected a lower cost level than anticipated, reflecting continued focus on cost-cutting and a high level of financial responsibility on the part of all employees. For example, staff costs, operating expenses and depreciation and amortisation all decreased.

Operating income from ordinary activities

Naviair's operating income from ordinary activities was DKK 984.5 million compared with DKK 970.0 million in 2010.

Revenue was DKK 937.6 million compared with DKK 917.2 million in 2010. Coupled with operating income of DKK 9.0 million, revenue reflected Naviair's income from its four areas of activity.

Income from Naviair's four areas of activity was DKK 24.1 million ahead of 2010. Up to and including 2010, Naviair was responsible for collecting and settling Denmark's fee to Eurocontrol, which amounted to DKK 53.8 million in 2010. Excluding this fee, income in 2011 was DKK 77.9 million ahead of 2010. The higher level was mainly due to adopted increases in rates and a higher traffic volume.

Other external expenses

Other external expenses amounted to DKK 241.1 million compared with DKK 252.2 million in 2010. The latter amount included DKK 53.8 million to cover Denmark's fee to Eurocontrol, and the fact that NUAC HB costs in 2011 were DKK 54.8 million compared with DKK 4.8 million in 2010. NUAC HB costs represent the consideration paid by Naviair to NUAC HB for services provided in 2011, primarily in the form of operational support. These costs were offset by income from NUAC HB under Naviair's other operating income.

Other costs amounted to DKK 175.5 million, a decrease of DKK 9.1 million on 2010, reflecting continued tight focus on the cost trend.

Staff costs

Staff costs were DKK 556.4 million, in line with 2010. Naviair thus succeeded in making up for pay increases under current agreements by cutting the number of FTEs and optimising its utilisation of resources. Naviair had 704.3 FTEs at the end of the year compared with 707.3 at the beginning of the year.

Depreciation, amortisation and impairment losses
Depreciation and amortisation and impairment losses were DKK 98.3 million in 2011 compared with DKK 90.4 million in 2010. Depreciation, amortisation and impair-

Naviair's Technical Management Center

ment losses for 2011 included impairment losses of DKK 4.0 million in respect of scrapped assets.

Depreciation, amortisation and impairment losses

Depreciation and amortisation and impairment losses were DKK 98.3 million in 2011 compared with DKK 90.4 million in 2010. Depreciation, amortisation and impairment losses for 2011 included impairment losses of DKK 4.0 million in respect of scrapped assets.

Income tax expense

Income tax expense was DKK 15.9 million, which has been transferred to deferred tax.

Balance sheet

Naviair's balance sheet total stood at DKK 1,684.5 million at 31 December 2011 compared with DKK 1,726.0 million at 31 December 2010.

Assets

Fixed assets represented DKK 1,193.9 million, or 70.9 per cent, of total assets. Fixed assets increased by DKK 15.9 million, mainly reflecting the fact that investments for the year, DKK 114.1 million, exceeded depreciation, amortisation and impairment losses for the year of DKK 98.3 million. A significant portion of the year's investments related to the COOPANS project, which is still under construction and on which depreciation has therefore yet to commence.

Current assets amounted to DKK 490.6 million, of which DKK 224.8 million related to under-recovery of charges, equivalent to a decline of DKK 35.9 million on 31 December 2010.

Equity

Naviair's equity at 31 December 2011 was DKK 749.5 million and was made up of contributed capital of DKK 600.0 million and retained earnings of DKK 149.5 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital, which stood at DKK 536.6 million at 31 December 2011. The contributed capital was provided on terms that mean that the loan can be accounted for as equity or capital ranking as equity at all times.

Liabilities other than provisions

Of the total liabilities other than provisions, DKK 896.2 million, interest-bearing debt represented DKK 686.6 million.

Cash flow statement

Cash flows from operating activities before net financials were an inflow of DKK 195.3 million, which included an inflow of DKK 131.5 million relating to ordinary operating activities. There was a decrease of DKK 50.0 million in long-term bank loans.

Outlook for 2012

In its latest forecast from the end of February 2012, Eurocontrol significantly lowered its outlook so that it now expects en route traffic and thus the number of service units in Danish airspace to decline by 2.1 per cent compared with 2011 and by 7.4 per cent compared with the performance plan. Naviair's 2012 budget is based on the same assumptions as the performance plan.

On that basis, the lower revenue outlook for 2012 is approximately DKK 50.0 million compared with Naviair's outlook at the beginning of the year. For the period 2012-2014, the consequence of the lower figures in the latest traffic forecast is a total revenue reduction of approximately DKK 140 million at the end of 2014 compared with the assumptions on which the performance plan is based.

Despite the lower revenue outlook, Naviair still expects to fully recover its accumulated under-recovery of DKK 224.8 million at 31 December 2011 by the end of 2014, as previously announced. We also expect to be able to do this within the en route rate set in the performance plan.

We will achieve this partly by cutting costs and partly through the option of generating income by applying any surplus resources towards other revenue-generating activities.

For Naviair, it is important that our organisation and resources continually match current needs, the growth outlook and long-term capacity requirements.
Our resource planning will therefore take account of, among other things, the fact that it takes approximately three years to train a new ATCO. The option to adjust resources will therefore always be analysed based on our possible future capacity requirements – and will only be exercised taking these factors into account.

Events after the reporting period

No events have occurred after the end of the financial year that affect the true and fair view of profit for the year and the balance sheet at 31 December 2011.

Profit broken down by area of activity (cost base)

The earnings of a substantial portion of Naviair's areas of activity are subject to the principle of full cost recovery. The two largest areas - en route and aerodrome and approach control service to Copenhagen airports at Kastrup and Roskilde - are regulated by EU Commission Regulation No. 1794/2006 as amended by Commission Regulation No. 1191/2010.

Under the regulation referred to above, Naviair is under obligation to break its income and costs down by area of activity (cost base). Costs are broken down by direct allocation of costs to cost bases, partly through time recording on tasks or using sharing keys.

The cost breakdown is shown below.

Cost base statement (DKK 1.000) [1]	En route Denmark	TNC Copenhagen	Billund	Aalborg	En route Greenland	En route North Atlantic	Contracts etc.	Total
Income [1]	**639,233**	**201,679**	**15,436**	**13,335**	**20,755**	**29,624**	**26,576**	**946,637**
NUAC HB income	41,113	11,276	1,040	830	398	393	254	55,304
NUAC HB costs	-40,768	-11,180	-1,031	-822	-395	-389	-252	-54,837
NUAC HB net profit	**344**	**97**	**9**	**7**	**3**	**3**	**2**	**466**
Other operating expenses [2]	-110,954	-29,707	-2,110	-1,785	-14,467	-22,226	-5,040	-186,288
Staff costs [3]	-363,956	-118,702	-14,475	-12,066	-4,895	-5,322	-16,691	-536,107
EBITDA	**164,667**	**53,366**	**-1,140**	**-509**	**1,396**	**2,079**	**4,848**	**224,708**
Depreciation & amortisation	-78,549	-16,586	-361	-336	-614	-1,449	-368	-98,263
EBIT	**86,118**	**36,780**	**-1,501**	**-844**	**782**	**631**	**4,479**	**126,445**
Net financials	-49,858	-31,133	-49	-66	-248	-578	47,398	-34,534
Profit (loss) [4]	**36,260**	**5,648**	**-1,551**	**-910**	**534**	**53**	**51,877**	**91,911**

1) Ordinary operating income stated excluding the following items: adjustment of over-/under-recovery, work carried out for own account and capitalised as well as income from NUAC HB
2) Other external expenses excluding NUAC HB costs
3) Staff costs less work performed for own account and capitalised
4) Profit for the year before adjustment of over-/under-recovery of charges amounting to a loss of DKK 37.8 million and tax amounting to an expense of DKK 15.9 million.

Approach and departure control, ATCC in Copenhagen

The Naviair family

NAVIAIR

- **NUAC HB** *(50 % ownership interest)*
- **Entry Point North AB** *(33 % ownership interest)*
  - **Entry Point Central** *(51 % ownership interest)*
- **COOPANS**

Associates

International alliance (Naviair, IAA, LFV, Austro Control, Croatia Control & Thales)

Management

Board of Directors

Chairman
Anne Birgitte Lundholt
Ambassador-at-Large Chairman of the Boards of Directors of Bornholms Erhvervsfond and FOF Danmark. Member of the Boards of Directors of Posten Norden AB and Svaneke Bryghus A/S

Karsten Baagø *
Senior ATCO

Helge Mortensen
Former government minister

Vice Chairman
Michael Fleischer
Former colonel and pilot in the Danish Air Force

Søren Beck *
Senior ATCO
Director, 3sixty5 ApS,
Director, Encore-Invest ApS

Johan Ohrt *
Senior ATCO

Charlotte Antonsen
Manager, CACommunications, MSc (Economics and Management)

Birthe Høegh Rask
Executive Vice President & CFO, Terma A/S

Kurt Thyregod
Managing Director, Pingvino ApS. MBA. Chairman of the Board of Directors of Slice Fruit A/S. Deputy Chairman of the Board of Directors of F.E. Bording. Member of the Boards of Directors of Novia Scandinavia A/S and Danes Worldwide

**) Employee representatives*

Executive Board

Morten Dambæk
CEO

Lars Bech Madsen
COO

Hanne Lund
CFO

Other senior executives

John G. Hansen
Director, HR

Mikael Ericsson
Director, ATM Projects & Engineering

Bo Pedersen
Director, Communications, Public Affairs & CSR

Bent Fog
Director, Technical Maintenance

Preben Lauridsen
Director, ATCC

Birger Grevy
Director, Towers

Copenhagen Information, ATCC in Copenhagen

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Naviair for the financial year 1 January - 31 December 2011.

The annual report is presented in accordance with the Danish Financial Statements Act (reporting class D) and Danish accounting standards.

We consider the accounting policies applied to be appropriate and, in our opinion, the financial statements give a true and fair view of the company's financial position and of the results of the company's operations and cash flows. Furthermore, in our opinion, Management's review gives a fair review of the development described in it.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 29 March 2012

On the Executive Board

Morten Dambæk CEO	Lars Bech Madsen COO	Hanne Lund CFO

On the Board of Directors

Anne Birgitte Lundholt Chairman	Karsten Baagø *	Helge Mortensen
Michael Fleischer Vice Chairman	Søren Beck *	Johan Ohrt *
Charlotte Antonsen	Birthe Høegh Rask	Kurt Thyregod

**) Employee representatives*

Independent auditors' report

To the Board of Directors of Naviair and the Danish Ministry of Transport

Report on the financial statements

We have audited the financial statements of Naviair for the period 1 January – 31 December 2011 comprising accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are presented in accordance with the Danish Act on Naviair, the Danish Financial Statements Act and Danish accounting standards.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the Danish Act on Naviair, the Danish Financial Statements Act and Danish accounting standards. Management is also responsible for the internal control that management deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Furthermore, management is responsible for ensuring that the transactions comprised by the financial statements are in accordance with appropriations made, legislation and other regulations as well as agreements concluded and normal practice.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with international auditing standards and additional requirements under Danish auditing legislation, generally accepted government auditing standards; see the Danish Audit of State Accounts etc. Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Furthermore, an audit comprises an assessment of whether procedures and internal controls have been established that help to ensure that the transactions comprised by the financial statements comply with legislation and other regulations as well as agreements concluded and normal practice.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of Naviair's financial position at 31 December 2011 and of the results of Naviair's operations and cash flows for the financial year 1 January – 31 December 2011 in accordance with the Danish Act on Naviair, the Danish Financial Statements Act and Danish accounting standards. Furthermore, in our opinion, procedures and internal controls have been established that help to ensure that the transactions comprised by the financial statements comply with legislation and other regulations as well as agreements concluded and normal practice.

Statement on Management's review

We have read Management's review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit performed of the financial statements.

On this basis, in our opinion, the information provided in Management's review is in accordance with the financial statements.

Copenhagen, 29 March 2012

National Audit Office of Denmark	**Deloitte**
Annie Nørskov Auditor General	Lynge Skovgaard State Authorised Public Accountant
/Katja Cecilia Mattfolk Director	/Ulrik Vassing State Authorised Public Accountant

Accounting policies

The annual report of the company owned by the Danish state, Naviair, for 2011 is presented in accordance with the provisions of the Danish Financial Statements Act for reporting class D.

The accounting policies remain unchanged compared with the previous financial year.

The annual report for 2011 has been presented in DKK 1,000.

Deviation from accounting provisions with reference to the requirement concerning a true and fair view

Naviair has elected to deviate from the Danish Financial Statements Act's general provisions on recognition of receivables and payables as far as concerns recognition of over-/under-recoveries from en route and terminal activities. In Naviair's opinion, this is necessary in order for the financial statements to truly reflect the company's operating activities. The reason for this is that Naviair's en route and terminal activities are based on the principle of full cost recovery, which means that the operating profit or loss for each year must be returned to/collected from users in subsequent years.

Management has therefore found that recognising losses under full cost recovery schemes as receivables and profits as liabilities gives the truest and fairest view of Naviair's activities, as management is of the opinion that earnings depend on expenses incurred and that each year's operating income must match recoverable expenses under the individual full cost recovery scheme. Management is also of the opinion that this accounting method corresponds to normal practice in the Air Traffic Services (ATS) industry.

The adjustment for the year of over-/under-recoveries reduced profit for the year in 2011 by DKK 37.8 million.

Recognition and measurement in general

Income is recognised in the income statement as earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised. All expenses incurred to generate the earnings for the year are also recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company as a result of a past event and the asset has a value that can be measured reliably.

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits and the liability has a value that can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequent to initial measurement, assets and liabilities are recognised as described for each item below.

On recognition and measurement, account is taken of foreseeable risks and losses arising before the time at which the annual report is presented that confirm or disprove circumstances existing at the balance sheet date.

The measurement currency used is Danish kroner (DKK). All other currencies are accounted for as foreign currencies.

Foreign currency translation

On initial recognition, transactions in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange gains and losses arising between the transaction and settlement dates are recognised in the income statement as net financials.

Receivables, liabilities other than provisions and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Items of property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of goods and services is recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

Accumulated over-/under-recoveries for the year from en route and terminal activities are recognised as ordinary operating income.

Revenue is recognised net of VAT, duties and trade discounts and is measured at the fair value of the agreed consideration.

Other operating income and operating expenses

Other operating income and operating expenses comprise income and expenses of a secondary nature in relation to Naviair's principal activities.

Other external expenses

Other external expenses comprise expenses for administration, premises, operation of operational systems and equipment, fees to authorities and others, training and education, bad debts etc.

Expenses related to development projects that do not meet the criteria for recognition in the balance sheet are also recognised as other external expenses.

Staff costs

Staff costs comprise wages and salaries, pensions and other social security costs etc. for the company's employees.

Net financials

Net financials comprise interest income and income expense; realised and unrealised foreign exchange gains and losses on securities, liabilities other than provisions and transactions denominated in foreign currencies; amortisation premiums and allowances relating to mortgage loans etc. as well as surcharges and repayments under the Danish on-account tax scheme.

Income tax

Income tax expense, consisting of current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to profit for the year, and directly in equity with the portion attributable to entries directly to equity. The portion of tax recognised in the income statement that relates to extraordinary profit for the year is taken to this item while the balance is taken to profit for the year from ordinary activities.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives of 3-8 years.

Intangible assets relate primarily to customisation of the company's ERP system, which is amortised over 5 years.

A small portion of intangible assets relates to other software, which is amortised over 8 years. This software is upgraded, and this is estimated to extend the life of the software.

The cost of intangible assets under construction comprises expenses, including salaries and amortisation, that are directly or indirectly attributable to the development projects.

Interest expense on loans to finance the construction of intangible assets is recognised in cost if it relates to the construction period.

No amortisation is charged on intangible assets under construction.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Land and buildings, plant and equipment, transport equipment, fixtures and fittings and IT equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Items of property, plant and equipment under construction are measured at cost. Value-adding modifications and improvements to items of property, plant and equipment are recognised as assets. No depreciation is charged on property, plant and equipment under construction.

Cost includes purchase price, expenses directly attributable to the acquisition and expenses attributable to bringing the asset to a working condition until the date on which the asset is ready to be taken into use. The cost of self-constructed assets includes the direct and indirect cost of materials, components, subcontractors and wages and salaries.

Interest expense on loans to finance the construction of items of property, plant and equipment is recognised in cost if it relates to the construction period.

The basis of depreciation is the cost less the estimated residual value at the end of the asset's useful life. The residual value of fixed assets has been estimated at nil, as they are user-specific to such an extent that it is expected that they will not have any saleable value at the end of their useful lives. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings and installations 10-50 years
Plant and machinery 6-20 years
Fixtures and fittings, tools and equipment 3-8 years

The estimated useful lives of items of property, plant and equipment are broken down into significant components.

Items of property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Investments in associates

Investments in associates are recognised and measured at cost. Distributions from associates are recognised in the income statement at the declaration date.

In order for investments in associates to be measured at cost, the associate must be a supplier to Naviair's core activity. If that is the case, recognition of such investments at cost is deemed to give a fairer view than recognising them using the equity method.

Investments in associates are written down to the recoverable amount if this is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less provisions for bad and doubtful debts.

Over-/under-recoveries charges

Naviair is entitled to recognise the difference between expenses incurred for en route and terminal activities (three terminals are subject to fixed-price agreements) and charges collected from users. The difference between charges collected and recoverable expenses is recognised as an adjustment to previously collected charges in the following year N+(2-5). The consequence of this is that excessive charges equate to prepayments (provisions), while charges that are too low result in an increase in the amount that may be recovered (receivable).

Over-/under-recoveries are measured at amortised cost, which usually corresponds to the nominal value. If management estimates that it is not probable that the full receivable can be recovered from users, the receivable is written down to the lower estimated value of the receivable.

Prepayments

Prepayments comprise expenses incurred that are attributable to subsequent financial years. Prepayments are measured at cost.

Provisions

Provisions are recognised and measured as the best estimate of the expenses required to settle the obligations at the balance sheet date. Provisions with an estimated term of more than one year from the balance sheet date are measured at the discounted value.

Pensions and availability pay

Following its conversion to a company owned by the Danish state, Naviair is still paying pension contributions to the Danish state in respect of civil servants and employees employed under collective agreement on special terms (former civil servants), and the Danish state has therefore taken over the pension obligations in respect of these employees. The pension obligation in respect of other employees is covered under defined contribution pension plans. Naviair is responsible for obligations pursuant to the Danish Civil Servants Act's Section 32 on availability pay. These obligations are disclosed as contingent liabilities.

Liabilities other than provisions

Long-term liabilities other than provisions are measured at cost on inception of the loan, equivalent to the proceeds received net of transaction costs. Mortgage loans are subsequently measured at amortised cost.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which normally corresponds to the nominal value.

Deferred income

Deferred income comprises invoiced income to be recognised in the income statement in subsequent financial years. Deferred income is measured at cost.

Taxation

Current tax payable or receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for taxes paid on account.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts and the tax base of assets and liabilities. The tax base of the assets is determined on the basis of the intended use of the individual asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either by set-off against deferred tax liabilities or as net tax assets.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are determined as operating profit adjusted for non-cash operating items, change in working capital and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and disposal of companies, activities and investments as well as purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the company's capital and associated costs as well as inception of loans, conclusion of finance leases, repayments on interest-bearing debt and payment of dividends.

Cash and cash equivalents comprise cash and short-term securities that are subject to an insignificant risk of changes in value and are readily convertible to cash.

The cash flow statement cannot be derived from the published accounting records alone.

Key figures and key performance indicators

Key figures and key performance indicators are defined or calculated in accordance with the guidelines of the Danish Society of Financial Analysts.

$$\text{Operating margin} = \frac{\text{Profit before net financials x 100}}{\text{Revenue}}$$

$$\text{Return on capital employed} = \frac{\text{Profit before net financials x 100}}{\text{Total assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

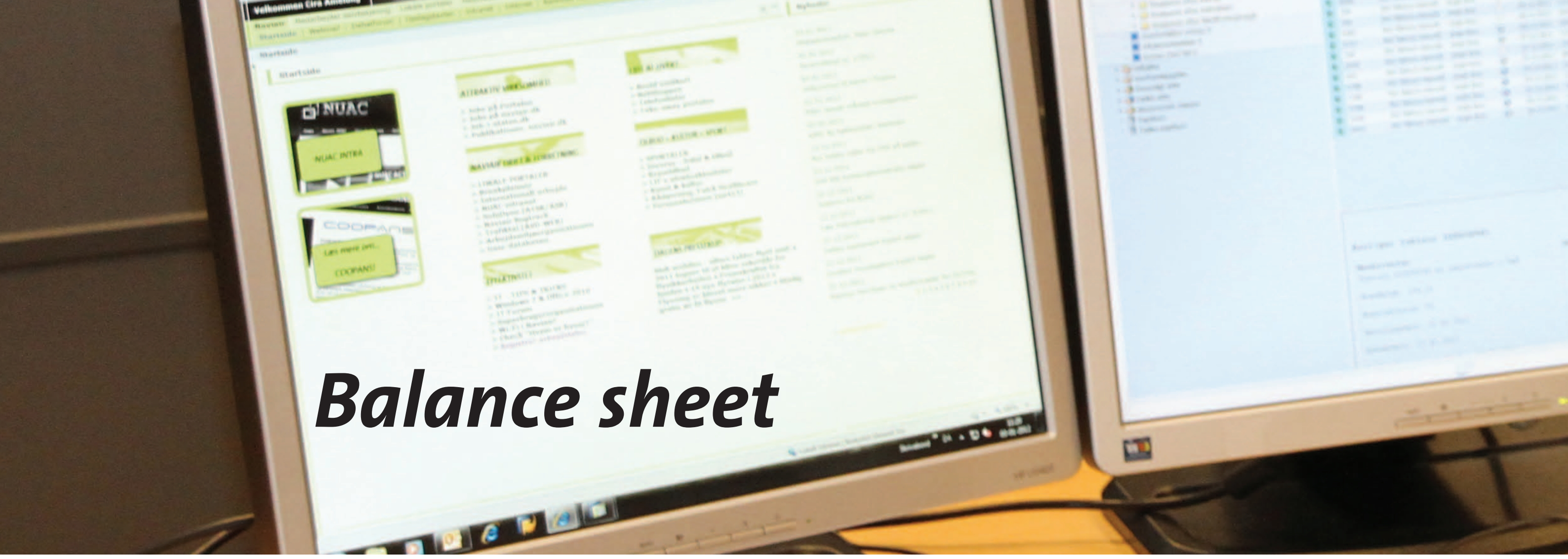
$$\text{Return on equity} = \frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

ATCC Copenhagen, COOPANS Build 1 test

Income statement

Income statement for the year ended 31 December (DKK 1,000)	Note	2011	2010
Revenue	1	937,616	917,246
Adjustment of over-/under-recoveries charges	13	-37,753	24,512
Work performed for own account and capitalised	2	20,291	20,675
Other operating income	3	64,326	7,522
Total operating income from ordinary activities		**984,480**	**969,955**
Other external expenses	4	-241,126	-252,202
Staff costs	5	-556,398	-556,498
Depreciation, amortisation and impairment losses	6	-98,263	-90,392
Profit before net financials		**88,693**	**70,863**
Financial income	7	2,187	742
Financial expenses	8	-36,721	-44,008
Profit before tax		**54,159**	**27,597**
Income tax expense	9	-15,930	-4,631
Profit for the year		**38,229**	**22,966**

Proposed distribution of profit (DKK 1,000)		
Retained earnings	38,229	22,966
	38,229	**22,966**



Balance sheet

Assets *(DKK 1,000)*	**Note**	**31.12.2011**	**31.12.2010**
Software		9,689	15,802
Intangible assets under construction		1,822	4,613
Intangible assets	10	**11,511**	**20,415**
Land and buildings		261,013	259,008
Plant and equipment		601,925	617,027
Fixtures and fittings and IT equipment		7,867	7,502
Transport equipment		1,839	1,807
Property, plant and equipment under construction		309,659	272,200
Property, plant and equipment	11	**1,182,303**	**1,157,544**
Investments in associates	12	79	79
Investments		**79**	**79**
Fixed assets		***1,193,893***	***1,178,038***
Under-recovery charges	13	224,810	260,721
Trade receivables	14	186,546	192,791
Receivables from associates		2,512	2,135
Other receivables	15	14,627	16,282
Prepayments	16	35,354	37,237
Receivables		**463,849**	**509,166**
Cash		**26,714**	**38,758**
Current assets		***490,563***	***547,924***
Assets		***1,684,456***	***1,725,962***

Finance

Equity and liabilities (DKK 1,000)	Note	31.12.2011	31.12.2010
Contributed capital		600,000	600,000
Retained earnings		149,498	111,269
Equity		***749,498***	***711,269***
Deferred tax	17	20,561	4,631
Over-recovery charges	13	18,202	16,360
Provisions		***38,763***	***20,991***
Subordinated loan capital	18	536,600	545,320
Bank loans	19	150,000	200,000
Long-term liabilities other than provisions		**686,600**	**745,320**
Bank loans	19	0	50,000
Trade payables		49,237	33,933
Payables to associates		11,823	2,020
Other payables	20	125,677	138,003
Deferred income		22,858	24,426
Short-term liabilities other than provisions		**209,595**	**248,382**
Liabilities other than provisions		***896,195***	***993,702***
Equity and liabilities		***1,684,456***	***1,725,962***
Fees to auditors	21		
Contingent liabilities	22		
Contractual obligations	23		
Related parties and ownership	24		

Statement of changes in equity (DKK 1,000)	Contributed capital	Retained earnings	Total
Equity at 1 January 2011	600.000	111.269	711.269
Profit for the year	0	38.229	38.229
Equity at 31 December 2011	***600.000***	***149.498***	***749.498***

There have been no changes to contributed capital since 1 January 2010.

Flight Information Centre in Kangerlussuaq, Greenland

Cash flow statement

Cash flow statement for the year ended 31 December (DKK 1.000)	Note	2011	2010
Profit for the year		38,229	22,966
Adjustments	25	148,727	138,289
Change in working capital *)	26	8,373	619,134
Cash flows from operating activities before net financials		**195,329**	**780,389**
Interest income and similar items		2,187	742
Interest expense and similar items		-66,059	-34,583
Cash flows from operations (ordinary activities)		**131,457**	**746,548**
Income tax paid		0	0
Cash flows from operating activities		**131,457**	**746,548**
Purchase of intangible assets and property, plant and equipment		-93,501	-119,317
Cash flows from investing activities		**-93,501**	**-119,317**
Increase in subordinated loan capital		0	8,719
Decrease in long-term bank loans		-50,000	
Increase in bank loans		0	200,000
Decrease in payables to the Danish state		0	-797,690
Cash flows from financing activities		**-50,000**	**-588,971**
Net increase (decrease) in cash and cash equivalents		**-12,044**	**38,260**
Cash and cash equivalents at 1 January		38,758	498
Cash and cash equivalents at 31 December		**26,714**	**38,758**

**) The change in working capital in 2010 includes payment of receivable from the founder, which amounted to DKK 605,000 thousand at 1 January 2010.*

Notes

Note 1-4

1	**Revenue** *(DKK 1,000)*	**2011**	**2010**
	En route Denmark	613,578	601,240
	TNC Copenhagen	201,266	200,689
	Local airports	41,655	40,458
	North Atlantic	29,366	27,483
	Areas covered by the Danish Appropriations Act	32,600	26,000
	Other trade receivables	19,151	21,376
		937,616	**917,246**

2	**Work performed for own account and capitalised** *(DKK 1,000)*	**2011**	**2010**
	Capitalised direct payroll	18,759	19,004
	Capitalised indirect production costs	1,532	1,671
		20,291	**20,675**

3	**Other operating income** *(DKK 1,000)*	**2011**	**2010**
	Services provided to NUAC HB in respect of operational support	55,304	2,238
	Other operating income	9,022	5,284
		64,326	**7,522**

4	**Other external expenses** *(DKK 1,000)*	**2011**	**2010**
	NUAC HB operating expenses	54,838	4,801
	Eurocontrol fee	0	53,773
	Danish Transport Authority supervision fee	10,821	8,989
	Other expenses	175,467	184,639
		241,126	**252,202**

Note 5-9

Naviair's Helpdesk

5	**Staff costs** *(DKK 1,000)*	**2011**	**2010**
	Wages and salaries	468,459	469,648
	Pensions	83,415	82,907
	Other social security costs	4,524	3,943
			556,498
	Of which remuneration to the Executive Board and the Board of Directors:*		
	Salaries to the Executive Board	3,675	516
	Pensions to the Executive Board	594	97
	Remuneration to the Board of Directors	1,150	162
		5.419	**775**
	Average number of employees	**706**	**710**

**) The remuneration disclosed in respect of 2010 relates to the period from the date of formation of the company owned by the Danish state on 27 October 2010 until the end of the year.*

6	**Depreciation, amortisation and impairment losses** *(DKK 1,000)*	**2011**	**2010**
	Software	10,513	11,394
	Land and buildings	14,092	12,874
	Plant and equipment	68,476	60,515
	Fixtures and fittings and IT equipment	4,327	4,742
	Transport equipment	855	867
		98,263	**90,392**

7	**Financial income** *(DKK 1,000)*	**2011**	**2010**
	Foreign exchange gains	1,674	387
	Interest income	513	355
		2,187	**742**

8	**Financial expenses** *(DKK 1,000)*	**2011**	**2010**
	Foreign exchange losses	2,427	422
	Interest expense	54,912	55,118
	Capitalisation of interim interest	-20,618	-11,532
		36,721	**44,008**

9	**Income tax expense** *(DKK 1,000)*	**2011**	**2010**
	Change in deferred tax	13,596	4,631
	Adjustment of tax in respect of previous years	2,334	0
		15,930	**4,631**

Note 10-11

10	Intangible assets *(DKK 1,000)*	Software	Intangible assets under construction	Total
	Cost at 1 January	61,994	4,613	66,607
	Additions	0	1,609	1,609
	Disposals	0	0	0
	Transfers	4,400	-4,400	0
	Cost at 31 December	**66,394**	**1,822**	**68,216**
	Amortisation and impairment losses at 1 January	46,192	0	46,192
	Amortisation charge	10,513	0	10,513
	Amortisation on scrapped assets	0	0	0
	Disposals	0	0	0
	Amortisation and impairment losses at 31 December	**56,705**	**0**	**56,705**
	Carrying amount at 31 December	**9,689**	**1,822**	**11,511**

11	Property, plant and equipment *(DKK 1,000)*	Land and buildings	Plant and equipment	Fixtures and fittings & IT equipment	Transport equipment	Property, plant & equipment under con-struction	Total
	Cost at 1 January	511,050	1,033,460	13,373	6,519	272,200	1,836,602
	Additions	5,115	18,976	127	887	87,404	112,509
	Disposals	-3,945	-22,007	-1,711	-985	0	-28,648
	Transfers	10,982	34,398	4,565	0	-49,945	0
	Cost at 31 December	**523,202**	**1,064,827**	**16,354**	**6,421**	**309,659**	**1,920,463**
	Depreciation and impairment losses at 1 January	252,042	416,433	5,871	4,712	0	679,058
	Depreciation charge	13,354	65,359	4,227	855	0	83,795
	Depreciation on scrapped assets	738	3,117	100	0	0	3,955
	Disposals	-3,945	-22,007	-1,711	-985	0	-28,648
	Depreciation and impairment losses at 31 December	**262,189**	**462,902**	**8,487**	**4,582**	**0**	**738,160**
	Carrying amount at 31 December	**261,013**	**601,925**	**7,867**	**1,839**	**309,659**	**1,182,303**
	Of which capitalised finance costs	61	3,823	0	0	27,899	31,783

Except for a few buildings with a total carrying amount of DKK 2.7 million at 31 December 2011, primarily constructed for navigation equipment at various locations across Denmark, Naviair's total building stock with a total carrying amount of DKK 158.6 million at 31 December 2011 consists of buildings on leased land. These include the entire Naviair headquarters with ATCC, simulator buildings and offices situated in Maglebylille, and the Tower at Copenhagen Airport in Kastrup. These buildings all sit on land owned by Copenhagen Airports A/S.

Note 12-15

12	**Investments in associates** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Cost at 1 January	79	79
	Cost at 31 December	**79**	**79**

	Investments in associates can be broken down as follows: *(SEK 1.000)*	**Result 2011**	**Opening balance sheet 31.12.2011**
	Entry Point North AB, Malmö-Sturup, ownership interest 33 %	-4,458	24,589
	NUAC HB, Malmö, ownership interest 50 %	-85	481
		-4,543	**25,070**

13	**Over-/under-recoveries charges** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Under-recovery charges at 1 January	260,721	219,849
	Adjustment for the year	-35,911	40,872
	Under-recovery charges at 31 December	**224,810**	**260,721**
	Of which short-term receivable expected to be recovered within 1 year	74,324	52,347
	Of which long-term receivable expected to be recovered after 1 year	150,486	208,374
	Over-recovery charges at 1 January	16,360	0
	Adjustment for the year	1,842	16,360
	Over-recovery charges at 31 December	**18,202**	**16,360**
	The adjustment for the year of over-/under-recoveries can be broken wn as follows:		
	Adjustment of under-recovery	-35,911	40,872
	Adjustment of over-recovery	-1,842	-16,360
		-37,753	**24,512**

14	**Trade receivables** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Trade receivables, gross	195,006	203,744
	Provision for bad and doubtful debts	-8,460	-10,953
		186,546	**192,791**

15	**Other receivables** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	VAT and duties	1,543	2,037
	Other receivables	13,084	14,245
		14,627	**16,282**

Note 16-20

16	**Prepayments** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Prepaid payroll	29,804	30,616
	Other prepayments	5,550	6,621
		35,354	**37,237**

17	**Deferred tax** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Deferred tax relates to the following items:		
	Intangible assets	0	-1,877
	Property, plant and equipment	41,723	26,012
	Limitation of deductibility carried forward, interest etc.	-8,800	0
	Over-/under-recoveries charges	51,652	61,090
	Tax loss carryforwards	-64,014	-80,594
		20,561	**4,631**

Provision for deferred tax at 31 December 2011 has been made with 25 per cent, corresponding to the current tax rate.

18 Subordinated loan capital

Subordinated loan capital covers a bullet loan with the Danish state. No instalments are expected to be payable for ten years. Interest is fixed at 9 per cent p.a., and the loan ranks after Naviair's other interest-bearing debt. According to the loan agreement, the loan, with added and accrued interest, meets the criteria for recognition as equity or capital ranking as equity.

19	**Bank loans** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Bank loans fall due in the following order:		
	Within one year	0	50.000
	Between one and five years	150,000	200,000
	After five years	0	0
		150,000	**250,000**

20	**Other payables** *(DKK 1,000)*	**31.12.2011**	**31.12.2010**
	Holiday pay liability	84,167	86,715
	Payroll, A-tax, social security contributions etc. payable	33,580	32,540
	Other payables	7,930	18,748
		125,677	**138,003**

Note 21-23

Technical installations under the ATCC in Copenhagen

21	**Fees to auditors** *(DKK 1,000)*	**2011**	**2010**
	Deloitte, audit fees	397	455
	Deloitte, consultancy fees	307	224
	National Audit Office of Denmark, audit fees	349	415
		1,053	**1,094**

22 Contingent liabilities

Naviair has a liability of up to DKK 1.3 billion under the Danish Act on Civil Servant Pension's Section 32 on availability pay for civil servants and employees employed under collective agreement on special terms. The obligation consists of three months' salary during the termination period plus three years' pay, including pension.

Together with its Swedish sister organisation, LFV, Naviair has set up a jointly controlled partnership, NUAC HB. The partnership is owned on a 50-50 basis by Naviair and LFV. The partners are jointly, severally and directly liable for the partnership's obligations.

23 Contractual obligations

Naviair is a party to a number of contracts under which Naviair is under obligation to render a contractual performance.

Naviair is under obligation to provide ANS under the Danish Transport Authority's designation of Naviair dated 25 October 2010 and under agreements with Danish airports. Furthermore, Naviair has entered into contracts on operation and maintenance of air navigation-related systems and equipment with Danish airports and other Danish ANSPs.

Within the area of property, plant and equipment under construction, Naviair has entered into contracts to a value of approximately DKK 270 million on upgrading of Naviair's ATM system (COOPANS) and acquisition of air navigation-related equipment and systems. The remaining payment obligation under these contracts is approximately DKK 35 million.

In addition, Naviair has entered into long-term contracts to a value of approximately DKK 25 million on operation and maintenance of Naviair's building installations, ATM systems and other systems (operations).

Note 24-26

24	Related parties and ownership	Basis
	Control	
	Danish Ministry of Transport	Owner, 100 %
	Other related parties	
	Danish Transport Authority	Supervisory authority
	NUAC HB	Associate
	Entry Point North AB	Associate
	Danish Defence	> Contract for aerodrome and approach control services at Aalborg Airport > Collaboration agreement on joint ANS and ATM provision.
	Board of Directors and Executive Board	Managerial control
	For information on Naviair's transactions with the Board of Directors and the Executive Board, reference is made to note 5.	

25	**Cash flow statement - adjustments** *(DKK 1,000)*	**2011**	**2010**
	Financial income	-2,187	-742
	Financial expenses	36,721	44,008
	Depreciation, amortisation and impairment losses	98,263	90,392
	Income tax expense	15,930	4,631
		148,727	**138,289**

26	**Cash flow statements – change in working capital** *(DKK 1,000)*	**2011**	**2010**
	Change in receivables	45,318	517,629
	Change in provisions	1,842	16,360
	Change in short-term liabilities other than provisions	-38,787	85,145
		8,373	**619,134**

Mobility Cup, Danish Ministry of Transport's football tournament

Copenhagen Airport, Kastrup

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