Annual Report 2010

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NAVIAIR

Air Navigation Services

Contents

The photos in the annual report provide an insight into our day-to-day activities and show some of the equipment that we work with. We have also selected three photos of the Eyjafjallajökull volcano in Iceland.
The eruption of this volcano in the spring of 2010 created an extraordinary situation in which airspace across most of Europe was shut down for days due to ash clouds.

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 ATM Service Providers 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 Air Navigation Services (ANS) to the aviation industry. We have activities in three areas:

- En route services (technical/operational), comprising area control service in Danish airspace and ATM above 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 and the Flight Information Centre (FIC) in Kangarlussuaq. This area of activity also includes technical service and maintenance of radar installations on the Faroe Islands and navigation and communications systems on the Faroe Islands and in Greenland. In 2010, this area accounted for 72 per cent of our revenue.
- Local Air Traffic Services (ATS) (technical/operational), comprising aerodrome control service and approach control service at a number of airports and Aerodrome Flight Information Service (AFIS) on the Faroe Islands. In 2010, this area accounted for 26 per cent of our revenue.
- Technical services, comprising technical service and maintenance of CNS and airport equipment in Denmark. In 2010, 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)*	**2010**	**Opening balance sheet 01.01.2010**
Income statement		
Revenue	**917,246**	-
Profit from ordinary operating activities	**63,341**	-
Profit before net financials	**70,863**	-
Net financials	**(43,266)**	-
Profit for the year	**22,966**	-
Balance sheet		
Fixed assets	**1,178,038**	1,149,112
Current assets	**547,924**	1,027,293
Balance sheet total	**1,725,962**	2,176,405
Interest-bearing debt	**795,320**	1,334,290
- of which subordinated loan capital	**545,320**	536,600
Equity	**711,269**	688,303
Cash flow statement		
Cash flows from:		
- operating activities	**746,548**	-
- investing activities	**(119,317)**	-
- financing activities	**(588,971)**	-
Net increase (decrease) in cash and cash equivalents	**38,260**	-
Cash and cash equivalents at 31 December 2010	**38,758**	-
Average number of employees	**710**	
Financial ratios (%)		
Operating margin	**7.7**	-
Return on capital employed	**4.1**	-
Solvency ratio excl. subordinated loan capital	**41.2**	31.6
Solvency ratio incl. subordinated loan capital	**72.8**	56.3
Return on equity	**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.

Operating measures	**2010**	**2009***	**2008***	**2007***	**2006***
Safety					
Number of incidents 1)	**1.05**	1.20	1.77	1.55	2.62
Capacity					
Average delay in minutes per operation in ACC	**0.0**	0.0	2.2	0.1	0.3
Average delay in minutes per operation in Tower/Approach Copenhagen	**0.0**	0.0	0.9	0.1	0.4
Efficiency					
Disposition efficiency – en route 2)	**7,688**	7,268	6,392	7,218	7,142
Disposition efficiency – Tower/Approach Copenhagen 3)	**4,819**	4,708	4,360	4,327	4,568
Environment					
Noise inconvenience 4)	**2**	0	0	1	5

*) *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.*
2) *Disposition efficiency – en route is defined as the number of en route operations per air traffic controller FTE on duty (ATCO in OPS).*
3) *Disposition efficiency – Tower/Approach is defined as the number of Tower/Approach operations per air traffic controller FTE on duty (ATCO in OPS).*
4) *Noise inconvenience is the number of unauthorised violations of noise abatement procedures at airports directly or indirectly attributable to Naviair.*

Highlights in 2010

- **April/May:** Ash from volcanic eruption in Iceland shut down Danish, Faroese and Greenland airspace.
- **May:** The Danish Act on Naviair was adopted by the Danish Parliament (Folketinget).
- **October:** The last large group of civil servants in Naviair accepted the offer of changing to employment under collective agreement on terms similar to civil servants. This means that only nine employees have opted to continue being employed on civil servant terms.
- **October:** The Danish Act on Naviair came into effect and Naviair became a company owned by the Danish State.
- **December:** NUAC's organisation became operational. On 1 January 2011, responsibility for operational support to the three ATCCs in Copenhagen, Malmö and Stockholm was transferred to NUAC.

Management's review

Safe and efficient ATM

In 2010, Naviair handled 600,280 flights through Danish airspace and 349,300 commercial departures and arrivals from Danish airports. During the year, there were 1.05 safety incidents per 100,000 operations directly attributable to Naviair. As it is our target to keep the number of safety incidents as low as possible, and not exceeding 2.5 per 100,000 operations, the target was therefore met. 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 without any notable delays jointly attributable to Naviair.

In 2010, we handled en route traffic with an average delay per operation of only 1.2 seconds (0.02 minutes), significantly beating our target for 2010 of a maximum average delay per operation of 12 seconds (0.2 minutes).
At 0.6 seconds (0.01 minutes), the average delay per operation at Copenhagen Airport in 2010 was at a very low level compared with our 2010 target of a maximum average delay per operation of less than 12 seconds (0.2 minutes).

Even though these results were satisfactory in terms of our capacity utilisation, we will continue to focus tightly on minimising average delays.

Enhanced productivity in Air Traffic Control (ATC) led to an improvement in disposition efficiency in 2010. In 2010, the number of operations per ATCO in OPS was 7,688 compared with 7,268 in 2009. At Copenhagen Airport, the number of operations per ATCO in OPS was 4,819 compared with 4,708 in 2009. We will continue with our efforts to continually improve efficiency, partly through our subsidiary NUAC HB.

Ash cloud, financial crisis and growth in air traffic volumes

The ash cloud from the eruption of the Eyjafjallajökull volcano in Iceland in the spring of 2010 paralysed large parts of European airspace for six days, inflicting heavy losses on the entire aviation industry. The crisis cost Naviair alone a double-digit DKK million amount in revenue. The overall framework and international procedures for handling flights in areas with volcanic ash have subsequently been revised, so that Air Navigation Service Providers (ANSPs) will be better equipped to deal with any similar situations in future.

The international financial crisis has had serious implications for the entire aviation industry for several years now. Since 2008, Naviair has felt the effects of the crisis in the form of marked reductions in air traffic volumes of as much as 12 per cent. However, in 2010, there were signs of recovery. Traffic volumes started recovering after several years of decline, and the trend is once again positive. However, there is still some way to go before volumes will recover even to the level experienced in 2007.

In 2010, there were 600,280 en route operations in Danish airspace compared with 576,786 in 2009, up 4.1 per cent.

At Copenhagen Airport in Kastrup, the number of commercial departures and arrivals was up 4.0 per cent, from 236,172 in 2009 to 245,640 in 2010.

At Billund Airport, the number of commercial departures and arrivals was up 10.5 per cent, from 39,401 in 2009 to 43,537 in 2010.

In 2010, Naviair reported profit before tax of DKK 27.6 million, beating the outlook at the start of the year by more than DKK 100 million. The improvement reflected a DKK 27 million increase in revenue from charges; the discontinuation of irrecoverable VAT etc. to the Danish State, amounting to DKK 33 million; and lower operating expenses and finance costs.

Naviair's financial position has naturally benefited from the increase in traffic volumes. This, coupled with continued cost efficiencies, focus on efficiency improvements and the target of a highly flexible approach to tasks, can have a positive effect on our efforts to recover the accumulated loss (under-recovery) in relation to airspace users.

The Danish charging model for ATC for en route services was changed with effect from 2010 so that losses and profits are spread over five years instead of two as was the case previously. At the same time, it was decided that the charge may increase by 4 per cent annually plus inflation in the coming years. These changes will help to ensure that we can maintain a stable price level over a longer period of time. They also mean that inexpedient increases in charges due to sharp downturns in air traffic such as experienced most recently as a result of the international crisis can be avoided. The new model therefore benefits the aviation industry because Naviair's current accumulated loss in relation to airspace users is spread over several years. For Naviair, the new charging model for ANS means that we will accumulate a large loss (under-recovery) in relation to airspace users for a few years to come.

Based on the new model, the Danish en route service unit rate was increased by 5.5 per cent at 1 January 2011, from EUR 64.25 in 2010 to EUR 67.79. Despite the change, the Danish en route service unit rate is still less than the average en route rate for comparable countries in Europe.

The service unit rate for aerodrome control service at Copenhagen Airport in Kastrup was reduced by 3.8 per cent in 2010, to DKK 1,388, from DKK 1,443 in 2009. The main reasons for the price reduction were cost efficiencies being made in this area and the new charging model, under which over- and under-recoveries are spread over more years.

Customers

Naviair's largest en route customers in 2010 were SAS (20%), Ryanair (11%), KLM (9%), Norwegian Airshuttle (8%) and Lufthansa (6%). En route services accounted for 72 per cent of our total operating income in 2010.

In 2010, our largest customers at Copenhagen Airport in Kastrup were SAS (40%), Cimber Air Denmark (10%), Norwegian Airshuttle (9%), Easyjet Airline (2%) and Lufthansa (2%). Aerodrome control service at Copenhagen Airport in Kastrup represented 22 per cent of our operating income in 2010.

Through annual meetings with a number of our customers we keep up to date about our customers' requirements and expectations of us. We also use these meetings to brief our customers about relevant matters in Naviair and discuss possibilities for improvements to our services. Lastly, these meetings are an important source of mapping customer satisfaction with our services.

The latest customer consultations were held in the period between 7 October and 10 December 2010. Our general conclusion from these meetings was that all customers are highly satisfied both with our ANS and their day-to-day cooperation with Naviair. Customers also unanimously expressed great satisfaction both with our high level of safety, the efficiency of our ATM services and our very low average delays.

The new Naviair

On 27 October 2010, Naviair was converted into a company owned by the Danish State. Our new status means that our finances are no longer part of the Danish Finance Act. At the same time, it gives 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 in relation to our international partners, improving our possibilities for continuing to put our strategy into practice, one of the objectives of which is to develop Naviair through international alliances and partnerships. We are also well equipped to meet the requirements and challenges facing our industry, both in the form of customer requirements concerning safe, efficient and flexible capacity service at the lowest possible price and the political objectives concerning harmonisation of European ATM.

In connection with the conversion into a company owned by the Danish State, Naviair became financially independent. In future, we will need to be financed by our own bankers and be insured with an insurance company. Accordingly, we are no longer self-insured under the Danish State.

International strategic cooperation

Through 2010, we continued with our efforts to develop our subsidiary NUAC HB, which we own jointly with Swedish LFV. From 2012, NUAC will be taking over the operation of en route traffic in joint Danish-Swedish airspace. The Danish-Swedish Functional Airspace Block (FAB), which was declared by the Danish Minister for Transport and the Swedish Minister for Infrastructure in December 2009, is one of the first of its kind in Europe. In the coming years, NUAC – on behalf of its parent companies – will be taking over operation of ATM in the ATCCs in Stockholm, Malmö and Copenhagen. The first step was taken on 1 January 2010, when NUAC took over responsibility for operational support to these three ATCCs. The task comprises approximately 160 employees on secondment from Naviair and LFV respectively. When the company takes over operation of the ATCCs, more than 1,000 employees will be on secondment to NUAC from the parent companies.

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 these efficiencies to lead both to considerable cost reductions for the parent companies and indirect savings for the airlines in the form of both fewer flight hours, lower fuel consumption and a considerable reduction in CO_2 and NO_X emissions.

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 ACG and French Thales as supplier – have made good headway in 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. We expect to upgrade the ATCC in Copenhagen in March 2012. Besides harmonising systems across national borders, the cooperation cuts the respective alliance partners' costs by more than 30 per cent compared with the costs they would incur if they each had to develop their own systems.

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. From the start in 2005 and until 2008, the academy saw a marked increase in trainee numbers due to an international shortage of ATCOs during that period. However, the number of trainees has fallen in recent years, with a resulting decline in revenue for the academy. To make up for the decline in revenue, EPN reduced staff numbers and operating expenses in 2010. The academy is also working on expanding its activities in other countries.

With its extensive international activities, Naviair has made great strides towards achieving the EU objective of harmonisation and efficiency improvement of ATM in European airspace. Naviair's activities, among other things, help Denmark meet its political obligations under the EU Single European Sky Programme on time.

Traffic volumes

Following the economic downturn in the wake of the international financial crisis, air traffic saw a return to growth in 2010. Eurocontrol expects sustained growth in traffic volumes in the years ahead. According to Eurocontrol's forecasts from February 2011, the traffic volume in Danish airspace is expected to grow by 5.3 per cent in 2011. However, if these forecasts prove to be correct, the growth will not be reflected in a corresponding increase in revenue for Naviair. In recent years, many airlines have started using lighter aircraft. Besides fuel savings, the benefits to the airlines of using lighter aircraft include lower ANS costs. This is because the charge for ANS is calculated on the basis of the weight of the aircraft and the distance flown.

Based on Eurocontrol's forecasts, we expect sustained growth in traffic volumes in the longer term. For Naviair, gearing our systems and staffing levels to meet the requirements concerning safety, efficiency and capacity required to be among Europe's best ANSPs is therefore a top priority. Our activities in NUAC, COOPANS and EPN are instrumental in helping us achieve this.

Knowledge resources and organisation

The average number of employees in Naviair was 710 FTEs in 2010 and 707 FTEs at the end of the year. Employee turnover was 6 per cent in 2010.

Through continuous awareness of the requirements that future challenges will make of our employees, we strive to ensure that all employees' levels of training and education satisfy the highest standards at all times. Through EPN and in-house training, we ensure that new ATCOs start out at the highest level, and through continuous 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 in the technical and administrative areas through continuous supplementary training.

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 on providing a good working environment and good conditions in a number of areas, including cases of long-time absence. We also want to ensure a high level of employee satisfaction. In the latest survey, in 2010, more than 90 per cent of our employees responded that Naviair was a good workplace. 86 per cent responded that they were proud to be working for Naviair. The survey also showed that almost 40 per cent of employees want better information from their managers on important issues and changes in the company. A similar percentage expressed a wish for managers to be more open and clear about their expectations of employees. The individual departments in the company will work on these themes in 2011 to achieve improvements in the next survey, which will be conducted no later than 2012.

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 2010, our electricity consumption was 7,305 MWh, up from 6,900 MWh in 2009, mainly reflecting the start-up of the COOPANS project.

In recent years, we have been working on reducing our heat consumption, for example by installing new windows in some of our buildings. This led to savings in consumption from 2008 to 2009. However, in 2010, our consumption grew again, from 4,727 MWh in 2009 to 4,751 MWh in 2010, reflecting the particularly cold winter.

We continually strive to reduce our energy consumption still further. For example, we are looking into the possibility of establishing groundwater cooling in Naviair headquarters.

Our ANS provide us with an indirect opportunity to act in an environmentally friendly manner by reducing air emissions and noise inconvenience from air traffic.

Aviation accounts for approximately 2 per cent (IPCC) of global CO_2 emissions. By continuously developing increasingly efficient procedures and infrastructure systems, Naviair is contributing to a reduction in CO_2 and other polluting emissions from aircraft. One of our objectives is to ensure that aircraft fly as directly as possible, using the shortest route to their destination. Another objective is to ensure that aircraft fly at precisely the altitude at which they use the smallest volume of fuel.

We achieve our results through a service-minded culture, by developing efficient traffic concepts and by making flexible use of airspace. Against this background, we use the most efficiency-improving and climate-friendly traffic concepts recommended by the European aviation organisations.

Naviair's climate-friendly performance was documented in 2009, for example, when Eurocontrol carried out a survey of our concept for departures from Copenhagen Airport in Kastrup. With our concept, approximately 95 per cent of departing aircraft are given permission to deviate from the 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 altitude 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.

We are still working closely together with our customers and partners to develop new initiatives that can optimise our environmental and climate performance. We are aligning our efforts to customer wishes and needs and also participate in environmental and climate initiatives in a variety of different forums.

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

- short routes, direct routes to destinations and fuel-efficient cruising altitudes;
- the option of fuel-efficient approaches to Danish airports;
- minimal ground delays with engines idling through efficient ATM at airports;
- CCD wherever possible – with direct routes and climbs to cruising altitude

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 also work in a targeted manner to minimise Naviair's impact on the environment and climate. And we do not tolerate violations of human rights, corruption or violations of air 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 Danish State, Naviair is ultimately subject to the authority of the Danish State represented by the Ministry of Transport within the framework established by law. Naviair complies with the recommendations of the Danish Committee on Corporate Governance to the extent to which this makes sense based on Naviair's ownership structure.

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 – its 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 highly 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. This is 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 base.

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 taxes and duties – this will result in a risk of a reduction in air traffic, with consequent loss of revenue for Naviair.

Lastly, unforeseen situations and occurrences that have an adverse impact on air traffic may cause Naviair inconvenience. The latest example is the Icelandic ash cloud that shut down the whole of European airspace for several days in the spring of 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.

Financial review

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. From 2010, Naviair's financial statements are presented in accordance with the Danish Financial Statements Act's provisions, with adjustments as described under accounting policies.

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, the 2010 financial statements are not directly comparable with those of previous years. Comparative figures have therefore been omitted, 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 27.6 million net of a DKK 24.5 million adjustment in respect of over-/under-recovery of charges. Profit after tax for the year was DKK 23.0 million.

Profit for the year was just under DKK 100 million ahead of the outlook at the start of the year. The positive deviation primarily reflected a DKK 27 million increase in revenue from charges, the discontinuation of irrecoverable VAT of DKK 33 million and a decrease in operating expenses, staff costs and finance costs.

Operating income from ordinary activities

Naviair's operating income from ordinary activities was DKK 970.0 million. Revenue was DKK 917.2 million and, together with other operating income of DKK 7.5 million, reflected Naviair's revenue from its three areas of activity.

Income from the three areas of activity was up DKK 65.0 million on 2009. The slightly higher level was primarily due to adopted increases in charges and an increase in traffic volume.

Other external expenses

Other external expenses were DKK 252.2 million, slightly higher than in 2009, mainly due to factors relating to the company's conversion.

Staff costs

Staff costs were DKK 556.5 million, slightly up on 2009, due exclusively to pay increases under employment contracts. Naviair had employees corresponding to 707.3 FTEs at the end of the year compared with 721.8 at the start of the year.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses for the year were DKK 90.4 million, a decrease of DKK 25.0 million on 2009, which, however, was extraordinarily affected by non-recurring impairment losses.

Income tax expense

Following its conversion into a company owned by the Danish State, Naviair is fully taxable under Danish income tax legislation. Income tax expense was DKK 4.6 million, which has been transferred to deferred tax.

Balance sheet

Naviair's balance sheet total stood at DKK 1,726.0 million at 31 December 2010 compared with DKK 2,176.4 million at 1 January 2010. The DKK 450.4 million decrease was primarily due to refinancing of debt following Naviair's conversion into a company owned by the Danish State.

Assets

Fixed assets represented DKK 1,178.0 million, or 68 per cent, of total assets. Fixed assets increased by DKK 38.2 million compared with 1 January 2010, mainly reflecting the fact that investments for the year, DKK 119.4 million, exceeded depreciation, amortisation and impairment losses for the year of DKK 90.4 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 547.9 million, of which DKK 260.7 million consisted of under-recovery of charges, primarily relating to en route services.

Equity

Naviair's equity at 31 December 2010 was DKK 711.3 million and was made up of contributed capital of DKK 600.0 million and retained earnings of DKK 111.3 million.

Besides contributed capital, the Danish State has provided Naviair with subordinated loan capital, which stood at DKK 545.3 million at 31 December 2010. 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.

Provisions

Provisions totalled DKK 21.0 million and were made up of deferred tax of DKK 4.6 million and DKK 16.4 million in respect of over-recovery of charges, primarily relating to aerodrome and approach control services in Copenhagen.

Liabilities other than provisions

Total liabilities other than provisions, DKK 993.7 million, included interest-bearing debt of DKK 795.3 million.

Cash flow statement

Cash flows for the year reflected the change from the Danish State as lender to a private bank. Cash and cash equivalents increased by DKK 38.3 million. Long-term debt to private bank was increased by DKK 200.0 million following the repayment of all debt to the Danish State totalling DKK 797.7 million.

Outlook for 2011

Naviair's budget features profit before tax and before adjustment of over-/under-recovery of charges in the DKK 50.0 million region in 2011. The basis for the budget is Eurocontrol's service unit forecast from September 2010, which anticipates a 6.3 per cent increase in service units in Danish airspace. However, Eurocontrol adjusted its service unit outlook for Danish airspace downwards at the end of February 2011 and now anticipates a 4.8 per cent increase. All other things being equal, Eurocontrol's revised traffic forecast means an approximately DKK 20 million reduction in revenue and profit from en route services.
However, Naviair expects to be able to make up for this reduction.

Costs are expected to develop in line with the plans that Naviair is following and has described in its business plan.

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 2010.

Profit broken down by area of activity
(cost base)

A substantial portion of Naviair's areas of activity are subject to the principle of full cost recovery. The two largest areas, en route services and tower and approach control services 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 cost base by direct allocation of costs to cost bases, partly through time recording on tasks or using sharing keys.

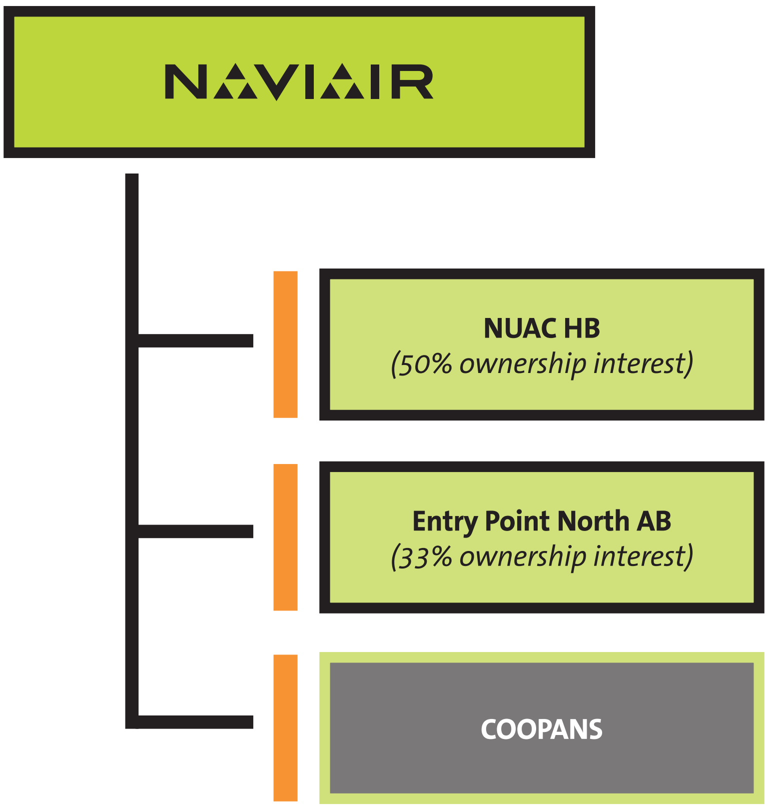
The cost breakdown is shown below.

Cost base statement *(DKK 1,000)*	En route	TNC CPH	Billund	Aalborg	Greenland	Contracts etc.	Total
Total operating income	**623,402**	**201,136**	**15,182**	**13,337**	**20,857**	**50,855**	**924,769**
Operating expenses	183,264	28,106	1,786	1,078	14,177	23,791	252,202
Staff costs	374,874	112,214	13,354	11,138	4,265	19,978	535,823
EBITDA	**65,264**	**60,816**	**42**	**1,121**	**2,415**	**7,086**	**136,744**
Depreciation and amortisation	73,113	14,638	288	632	539	1,182	90,392
EBIT	**(7,849)**	**46,178**	**(246)**	**489**	**1,876**	**5,904**	**46,352**
Net financials	43,485	11,899	32	27	182	(12,358)	43,267
Profit (loss)*	**(51,334)**	**34,279**	**(278)**	**462**	**1,694**	**18,262**	**3,085**

**) Profit (loss) for the year before adjustment of over-/under-recovery of charges of DKK 24.5 million and tax.*


ACC East/ACC West NAT
Maestro
10:50 03
SAMSUNG

The Naviair family



Associates

International alliance
(Naviair, IAA, LFV, AustroControl and Thales)

Management

Board of Directors

Chairman
Anne Birgitte Lundholt
Managing Director, Danish Association of the Veterinary Pharmaceutical Industry. Chairman of the Boards of Directors of Bornholms Erhvervsfond and FOF Danmark. Member of the Boards of Directors of Posten Nord AB, Svaneke Bryghus A/S and scf technologies A/S.

Karsten Baagø *
Senior ATCO

Helge Mortensen
Former government minister

Vice Chairman
Michael Fleischer
Colonel

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

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, Domestic ATS

Peter Majgård Nørbjerg
Director, Copenhagen TWR


LMCO
HOLMCO

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 2010.

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, 28 March 2011

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 Deputy 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 owner

Report on the financial statements

We have audited the financial statements of Naviair for the financial year 1 January – 31 December 2010 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 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 Financial Statements Act and Danish Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; 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 and basis of opinion

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Danish Auditing Standards and 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Naviair's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

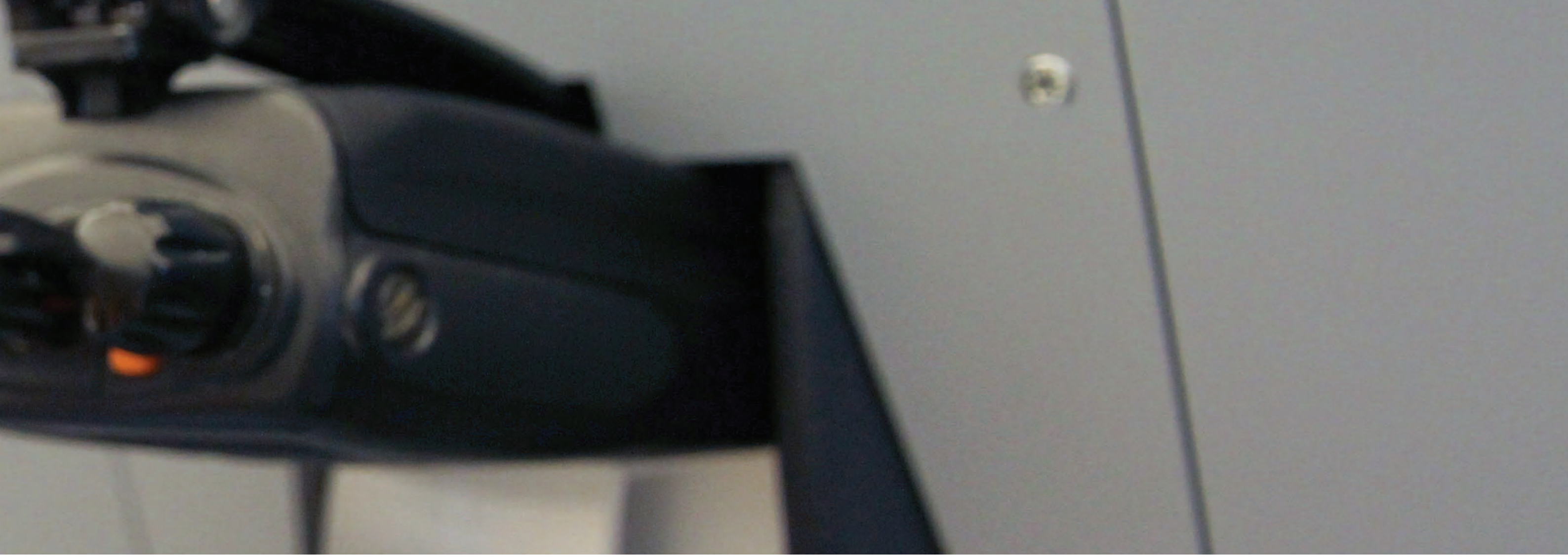
Furthermore, an audit comprises an assessment of whether procedures and internal controls have been established that help to ensure that the transactions comprised by the financial statements comply with legislation and other regulations as well as agreements concluded and normal practice.

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 2010 and of the results of Naviair's operations and cash flows for the financial year 1 January - 31 December 2010 in accordance with 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

Management is responsible for preparing a Management's review that gives a fair review in accordance with the Danish Financial Statements Act.

In addition to our audit, 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.

Statement on performance audit

In connection with the financial audit of Naviair's financial statements and Management's review for the financial year 1 January - 31 December 2010 we have carried out an assessment of whether due financial considerations have been taken into account, in selected areas, in the management of Naviair, and whether the information in the financial statements and Management's review on objectives and performance is documented and adequately describes Naviair's activities in 2010.

Management's responsibility

Naviair's Management is responsible for ensuring that guidelines and procedures are established that ensure that due financial considerations are taken into account in the management of Naviair, and that the information in the financial statements and Management's review on objectives and performance is documented and adequately describes Naviair's activities in 2010.

Auditors' responsibility and basis of opinion on performance audit

In accordance with generally accepted government auditing standards, see the Danish Audit of State Accounts etc. Act, we have examined, for selected areas of management, whether Naviair has established procedures which support a financially expedient administration. We have also carried out random checks of Naviair's reporting on objectives and performance in the financial statements and Management's review. We conducted our audit to obtain limited assurance that proper account has been taken of financial considerations in the management of the selected areas, and that the information on objectives and performance in the financial statements and Management's review is documented and adequately describes Naviair's activities in 2010.

Opinion

During our performance audit, we have not become aware of any issues that give us reason to conclude that the administration in the financial year 1 January – 31 December 2010, of the areas examined was not handled in a financially expedient way or that the information on objectives and performance in the financial statements and Management's review is not documented or does not adequately describe Naviair's activities in 2010.

Copenhagen, 28 March 2011

National Audit Office of Denmark	**Deloitte**
Henrik Otbo 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 2010 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 opening balance sheet for 2010.

The annual report for 2010 has been presented in DKK 1,000.

Naviair was a state enterprise up to and including 31 December 2009, but became a company owned by the Danish State under the name Naviair on 1 January 2010 pursuant to the Danish Act on Naviair (Act No. 529 dated 26/05/2010).

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 provisions 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 ANS industry.

Adjustment for the year of over-/under-recoveries affected profit for the year by DKK 24.5 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.

In connection with the determination of the opening balance sheet at 1 January 2010 the view was taken that the values in the opening balance sheet matched the carrying amounts in the state accounts at 31 December 2009, as these corresponded to the recoverable amounts of the assets. This was based on the fact that only actual expenses can be collected from users and that the discount rate to be used in determining the recoverable amount will correspond to the return that can be incorporated in the amounts collected in future.

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.

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.

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 services and terminal activities are recognised as revenue.

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.

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. 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.

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 services 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.

The portion of the losses for the 2008 and 2009 financial years that can be deducted in connection with the determination of taxable income for 2010 has been recognised in connection with the determination of taxable income, and thus the value of tax loss carryforwards, in accordance with Section 21 of the Danish Act on Naviair.

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 start 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.

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

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

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

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

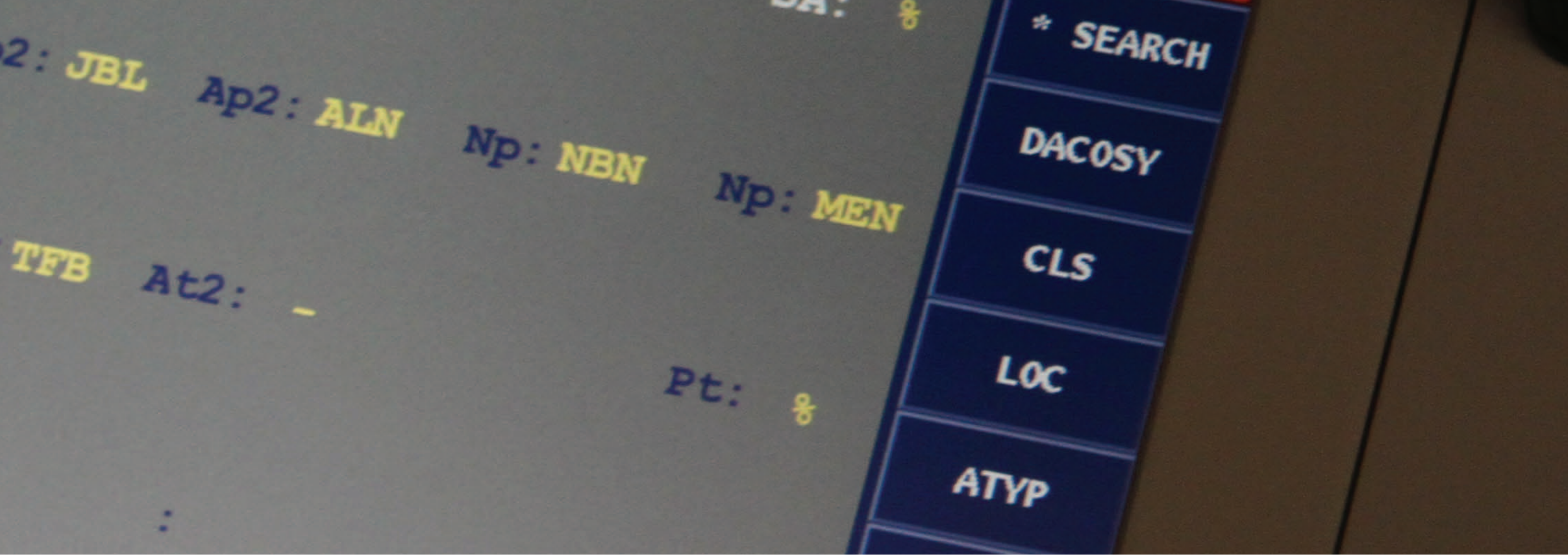
Income statement

Income statement for the year ended 31 December (DKK 1,000)	Note	2010
Revenue	1	917,246
Adjustment of over-/under-recoveries charges	13	24,512
Work performed for own account and capitalised	2	20,675
Other operating income	3	7,522
Total operating income from ordinary activities		**969,955**
Other external expenses	4	(252,202)
Staff costs	5	(556,498)
Depreciation, amortisation and impairment losses	6	(90,392)
Profit before net financials		**70,863**
Financial income	7	742
Financial expenses	8	(44,008)
Profit before tax		**27,597**
Income tax expense	9	(4,631)
Profit for the year		**22,966**

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

Balance sheet

Assets *(DKK 1,000)*	**Note**	**31.12.2010**	**Opening balance sheet 01.01.2010**
Software		15,802	25,803
Intangible assets under construction		4,613	3,906
Intangible assets	10	**20,415**	**29,709**
Land and buildings		259,008	257,332
Plant and equipment		617,027	626,050
Fixtures and fittings and IT equipment		7,502	9,838
Transport equipment		1,807	2,674
Property, plant and equipment under construction		272,200	223,430
Property, plant and equipment	11	**1,157,544**	**1,119,324**
Investments in associates	12	79	79
Investments		**79**	**79**
Fixed assets		***1,178,038***	***1,149,112***
Under-recovery charges	13	260,721	219,849
Trade receivables	14	192,791	162,554
Receivables from associates		2,135	927
Other receivables	15	16,282	609,492
Prepayments	16	37,237	33,973
Receivables		**509,166**	**1,026,795**
Cash		**38,758**	**498**
Current assets		***547,924***	***1,027,293***
Assets		***1,725,962***	***2,176,405***



Equity and liabilities *(DKK 1,000)*	Note	31.12.2010	Opening balance sheet 01.01.2010
Contributed capital		600,000	600,000
Retained earnings		111,269	88,303
Equity		***711,269***	***688,303***
Deferred tax	17	4,631	0
Over-recovery charges	13	16,360	0
Provisions		***20,991***	***0***
Subordinated loan capital	18	545,320	536,600
Payables to the Danish State		0	797,690
Bank loans	19	200,000	0
Long-term liabilities other than provisions		**745,320**	**1,334,290**
Bank loans	19	50,000	0
Trade payables		33,933	29,031
Payables to associates		2,020	1,196
Other payables	20	138,003	119,021
Deferred income		24,426	4,564
Short-term liabilities other than provisions		**248,382**	**153,812**
Liabilities other than provisions		***993,702***	***1,488,102***
Equity and liabilities		***1,725,962***	***2,176,405***
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 2010	600,000	88,303	688,303
Profit for the year	0	22,966	22,966
Equity at 31 December 2010	***600,000***	***111,269***	***711,269***

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

Cash flow statement for the year ended 31 December *(DKK 1,000)*	**Note**	**2010**
Profit for the year		22,966
Adjustments	25	138,289
Change in working capital *)	26	619,134
Cash flows from operating activities before net financials		**780,389**
Interest income and similar items		742
Interest expense and similar items		(34,583)
Cash flows from operations (ordinary activities)		**746,548**
Income tax paid		0
Cash flows from operating activities		**746,548**
Purchase and sale of intangible assets and property, plant and equipment		(119,317)
Cash flows from investing activities		**(119,317)**
Increase in subordinated loan capital		8,719
Increase in long-term payables		200,000
Decrease in payables to the Danish State		(797,690)
Cash flows from financing activities		**588,971**
Net increase (decrease) in cash and cash equivalents		**38,260**
Cash and cash equivalents at 1 January 2010		498
Cash and cash equivalents at 31 December 2010		**38,758**

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

Notes

Notes 1-4

1	**Revenue** *(DKK 1,000)*	**2010**
	En route Denmark	601,240
	TNC Copenhagen	200,689
	Local airports	40,458
	North Atlantic	27,483
	Areas covered by the Danish Appropriations Act	26,000
	Other trade receivables	21,376
		917,246

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

3	**Other operating income** *(DKK 1,000)*	**2010**
	Services provided to NUAC HB	2,238
	Other operating income	5,284
		7,522

4	**Other external expenses** *(DKK 1,000)*	**2010**
	NUAC HB operating expenses	4,801
	Eurocontrol fee	53,773
	Danish Transport Authority supervision fee	8,989
	Other expenses	184,639
		252,202

Notes 5-9

5	**Staff costs** *(DKK 1,000)*	**2010**
	Wages and salaries	469,648
	Pensions	82,907
	Other social security costs	3,943
		556,498
	Of which remuneration to the Executive Board and the Board of Directors:*	
	Salaries to the Executive Board	516
	Pensions to the Executive Board	97
	Remuneration to the Board of Directors	162
		775
	Average number of employees	**710**
	**) The remuneration disclosed related 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)*	**2010**
	Software	11,394
	Land and buildings	12,874
	Plant and equipment	60,515
	Fixtures and fittings and IT equipment	4,742
	Transport equipment	867
		90,392

7	**Financial income** *(DKK 1,000)*	**2010**
	Foreign exchange gains	387
	Interest income	355
		742

8	**Financial expenses** *(DKK 1,000)*	**2010**
	Foreign exchange losses	422
	Interest expense	55,118
	Capitalisation of interim interest	(11,532)
		44.008

9	**Income tax expense** *(DKK 1,000)*	**2010**
	Current tax for the year	0
	Change in deferred tax	4,631
		4,631

Notes 10-11

10	**Intangible assets** *(DKK 1,000)*	**Software**	**Intangible assets under construction**	**Total**
	Cost at 1 January	62,210	3,906	66,116
	Additions	433	4,613	5,046
	Disposals	(1,610)	0	(1,610)
	Transfers	961	(3,906)	(2,945)
	Cost at 31 December	**61,994**	**4,613**	**66,607**
	Amortisation and impairment losses 1 January	36,408	0	36,408
	Amortisation charge	11,346	0	11,346
	Amortisation on scrapped assets	48	0	48
	Disposals	(1,610)	0	(1,610)
	Amortisation and impairment losses, 31 Dec	**46,192**	**0**	**46,192**
	Carrying amount at 31 December	**15,802**	**4,613**	**20,415**

11	**Property, plant and equipment** *(DKK 1,000)*	**Land and buildings**	**Plant and equipment**	**Fixtures and fittings and IT equipment**	**Transport equipment**	**Property, plant and equipment u/ construction**	**Total**
	Cost at 1 January	507,649	983,147	15,687	6,729	223,430	1,736,642
	Additions	3,924	26,991	114	0	83,242	114,271
	Disposals	(11,148)	(1,179)	(4,720)	(210)	0	(17,257)
	Transfers	10,625	24,501	2,292	0	(34,472)	2,946
	Cost at 31 December	**511,050**	**1,033,460**	**13,373**	**6,519**	**272,200**	**1,836,602**
	Depreciation and impairment losses, 1 Jan	250,316	357,097	5,849	4,055	0	617,317
	Depreciation charge	12,468	60,515	4,714	867	0	78,564
	Depreciation on scrapped assets	406	0	28	0	0	434
	Disposals	(11,148)	(1,179)	(4,720)	(210)	0	(17,257)
	Depreciation and impairment losses, 31 Dec	**252,042**	**416,433**	**5,871**	**4,712**	**0**	**679,058**
	Carrying amount at 31 December	**259,008**	**617,027**	**7,502**	**1,807**	**272,200**	**1,157,544**
	Of which capitalised finance costs	0	291	0	0	11,241	11,532

Except for a few buildings with a total carrying amount of DKK 2.8 million at 31 December 2010, primarily constructed for navigation equipment at various locations across Denmark, Naviair's total building stock with a total carrying amount of DKK 158 million at 31 December 2010 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.

Notes 12-15

12	Investments in associates *(DKK 1,000)*	2010	Opening balance sheet 01.01.2010
	Cost at 1 January	79	79
	Cost at 31 December	**79**	**-**
	Investments in associates comprise: *Entry Point North AB, Malmö-Sturup, 33%* *NUAC HB, Malmö, 50%*		

13	Over-/under-recoveries charges *(DKK 1,000)*	31.12.2010	Opening balance sheet 01.01.2010
	Under-recovery charges start of year	219,849	219,849
	Adjustment for the year	40,872	0
	Under-recovery charges end of year	**260,721**	**219,849**
	Of which short-term receivable expected to be recovered within 1 year	52,347	19,375
	Of which long-term receivable expected to be recovered within 1 year	208,374	200,474
	Over-recovery charges start of year	0	0
	Adjustment for the year	16,360	0
	Over-recovery charges end of year	**16,360**	**0**
	The adjustment for the year of over-/under-recoveries can be broken down as follows:		
	Adjustment of under-recovery	40,872	0
	Adjustment of over-recovery	(16,360)	0
		24,512	**0**

14	Trade receivables *(DKK 1,000)*	31.12.2010	Opening balance sheet 01.01.2010
	Trade receivables, gross	203,744	171,672
	Provision for bad and doubtful debts	(10,953)	(9,118)
		192,791	**162,554**

15	Other receivables *(DKK 1,000)*	31.12.2010	Opening balance sheet 01.01.2010
	Receivable from founder	0	605,000
	VAT and duties	2,037	0
	Other receivables	14,245	4,492
		16,282	**609,492**

Notes 16-20

16	**Prepayments** *(DKK 1,000)*	**31.12.2010**	**Opening balance sheet 01.01.2010**
	Prepaid payroll	30,616	29,868
	Other prepayments	6,621	4,105
		37,237	**33,973**

17	**Deferred tax** *(DKK 1,000)*	**31.12.2010**	**Opening balance sheet 01.01.2010**
	Deferred tax relates to the following items:		
	Intangible assets	(1,877)	0
	Property, plant and equipment	26,012	0
	Over-/under-recoveries charges	61,090	0
	Tax loss carryforwards	(80,594)	0
		4,631	**0**
	Provision for deferred tax at 31 December 2010 had been made with 25%, 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)*	**31.12.2010**	**Opening balance sheet 01.01.2010**
	Bank loans fall due in the following order:		
	Within one year	50,000	0
	Between one and five years	200,000	0
	After five years	0	0
		250,000	**0**

20	**Other payables** *(DKK 1,000)*	**31.12.2010**	**Opening balance sheet 01.01.2010**
	Holiday pay liability	86,715	77,200
	Payroll, A-tax, social security contributions etc. payable	32,540	40,873
	VAT and duties	0	948
	Other payables	18,748	0
		138,003	**119,021**

Notes 21-23

21	**Fees to auditors** *(DKK 1,000)*	**2010**
	Deloitte, audit fees	455
	Deloitte, consultancy fees	224
	National Audit Office of Denmark, audit fees	415
		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 and 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 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 around approximately DKK 250 million on upgrading of Naviair's ATM systems and acquisition of air navigation-related equipment and systems. The remaining payment obligation under these contracts is approximately DKK 20 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).

Notes 24-26

24	Related parties and ownership	Basis
	Control	
	Ministry of Transport, 1220 Copenhagen K, Denmark	Owner, 100%
	Other related parties	
	Danish Transport Authority, 1117 Copenhagen	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 ATC 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)*	**2010**
	Financial income	(742)
	Financial expenses	44,008
	Depreciation, amortisation and impairment losses	90,392
	Income tax expense	4,631
		138,289

26	**Cash flow statement – change in working capital** *(DKK 1,000)*	**2010**
	Change in receivables	517,629
	Change in provisions	16,360
	Change in short-term liabilities other than provisions	85,145
		619,134

Air Navigation Services

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The annual report can be downloaded at www.naviair.dk

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