Annual Report 2012

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NAVIAIR

Air Navigation Services

Indhold

About Naviair

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

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 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, committed and motivated employees who thrive on working in a demanding environment in which targeted employee development and involvement form the basis for maintaining an attractive workplace.

Areas of activity

We provide aviation infrastructure.

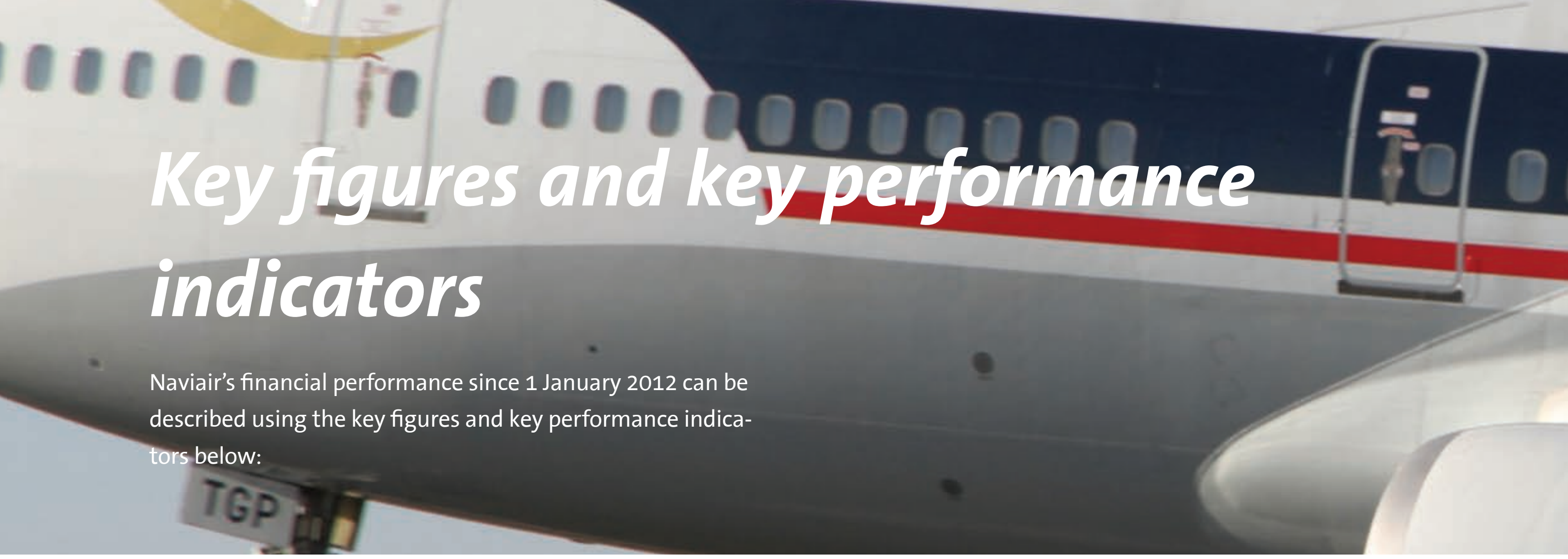
We have activities in the following areas:

- En route – Denmark, comprising area control services in Danish airspace and approach control service to Copenhagen Airport. 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 support and maintenance of radar installations and CNS equipment in Denmark.
  In 2012, this area accounted for 68 per cent of our revenue.

- En route – Greenland, comprising briefing and FIS from the Flight Information Centre (FIC) in Kangerlussuaq. These activities also include technical support and maintenance of radar installations on the Faroe Islands and navigation and communications equipment on the Faroe Islands and in Greenland as well as surveillance in Greenland.
  In 2012, 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 2012, this area accounted for 25 per cent of our revenue.

- Other areas of activity, comprising technical support and maintenance of ATM and CNS equipment in Denmark and sale of technical-operational knowhow.
  In 2012, this area accounted for 2 per cent of our revenue.



Key figures and key performance indicators

Naviair's financial performance since 1 January 2012 can be described using the key figures and key performance indicators below:

Key figures and key performance indicators *(DKK million)*	**2012**	**2011**	**2010**
Income statement			
Revenue	958.7	937.6	917.2
Profit before net financials	101.5	88.7	70.9
Net financials	-44.5	-34.5	-43.3
Profit for the year	42.7	38.2	23.0
Balance sheet			
Fixed assets	1,192.3	1,193.9	1,178.0
Current assets	531.7	490.6	547.9
Balance sheet total	1,724.0	1,684.5	1,726.0
Interest-bearing debt	636.6	686.6	795.3
- of which subordinated loan capital	536.6	536.6	545.3
Equity	792.2	749.5	711.3
Cash flow statement			
Cash flows from:			
- operating activities	215.7	131.5	746.5
- investing activities	-95.1	-93.5	-119.3
- financing activities	-50.0	-50.0	-589.0
Net increase (decrease) in cash and cash equivalents	70.6	-12.0	38.3
Cash and cash equivalents at 31 December	97.3	26.7	38.8
Average number of employees	688	706	710
Financial ratios (%)			
Operating margin	10.6	9.5	7.7
Return on capital employed	5.9	5.3	4.1
Solvency ratio excl. subordinated loan capital	46.0	44.5	41.2
Solvency ratio incl. subordinated loan capital	77.1	76.4	72.8
Return on equity	5.5	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	2012	2011	2010	2009 1)	2008 1)
Safety					
Number of category A and B incidents per 100,000 flight hours in the Danish-Swedish FAB	0.36	-	-	-	-
Number of category A, B and C incidents directly attributable to Naviair per 100,000 operations in Danish airspace	2.35	1.79	1.05	1.20	1.77
Capacity					
Average delay in minutes per operation in ACC in the Danish-Swedish FAB	0.06	-	-	-	-
Average delay in minutes per operation in ACC jointly attributable to Naviair	0.0	0.0	0.0	0.0	2.2
Average delay in minutes per operation in Tower/Approach jointly attributable to Naviair	0.0	0.0	0.0	0.0	0.9
Efficiency					
Disposition efficiency – En route 2)	7,293	8,216	7,688	7,268	6,392
Disposition efficiency – Tower/Approach Copenhagen 3)	4,787	5,076	4,819	4,708	4,360
Environment					
Noise inconvenience 4)	1	0	2	0	0

1) Comparative pre-2010 figures are based on Naviair's operations as a state enterprise.
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 2012

- January: New framework for en route ATM. Naviair and all other ANSPs in the EU must meet individually defined performance schemes.
- March: COOPANS implementation in the ATM systems in the Copenhagen ATCC and the towers in Billund and Roskilde. The roll-out was executed according to plan and without any delays to air traffic.
- July: NUAC took over the operation - on behalf of LFV and Naviair - of the ATCCs in Copenhagen, Malmö and Stockholm.
- October: Naviair's costs cut and a number of voluntary and compulsory redundancies implemented.
- November: First system upgrade using COOPANS implemented according to plan and without any negative impact on ATM.

Management's review

Development in aviation in 2012

2012 was a weak year for aviation in Northern Europe in terms of traffic. Based on Eurocontrol's forecasts, we had an optimistic expectation at the beginning of the year that air traffic would increase, but already in early February it was clear that the forecasts did not hold true. The traffic trend was negative and the number of en route operations in Danish airspace declined by 3.5 per cent in 2012 compared with 2011.

In 2012, 608,249 en route operations in Danish airspace were handled compared with 630,044 in 2011.

Domestic aviation in Denmark was hit hard by Cimber Sterling's bankruptcy. A number of domestic routes were closed down and the structure of aviation has probably suffered permanent change as it must be assumed that only the profitable routes and departures will be re-established. The bankruptcy had an adverse effect on Naviair's earnings from Copenhagen Airport.

At Copenhagen Airport the number of departures and arrivals declined by 4.2 per cent to 242,992 operations in 2012 compared with 253,762 in 2011.

The number of departures and arrivals at Billund Airport declined by 4.3 per cent to 42,697 operations in 2012 compared with 44,627 in 2011.

In 2012, Naviair's profit before tax was DKK 57.0 million compared with DKK 54.2 million in 2011. Profit after tax was DKK 42.7 million compared with DKK 38.2 million in 2011.

Naviair's outlook for 2012 was announced most recently in its interim financial report for the first half, when the outlook was a decline in income of approximately DKK 50 million due to a decline in traffic compared with the outlook at the beginning of the year. We managed to partly offset the decline in traffic through cost cuts in payroll and operations of approximately DKK 30 million. Viewed against this background, the profit of DKK 99.1 million before tax and adjustment of over-/under-recovery of charges was satisfactory.

Naviair's revenue in 2012 was DKK 958.7 million compared with DKK 937.6 million in 2011. The growth was evenly distributed across Naviair's areas of activity, except for aerodrome control service in Copenhagen, where revenue declined slightly.

Performance requirements

The EU performance schemes for Air Navigation Services (ANS) and network functions have been effective for the en route area since 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 (ATM) in Europe. The first reference period covers the period 2012-2014.

The overall performance targets are adopted by the European Commission and used to prepare a performance scheme for each national airspace (nationwide performance targets) and/or for the Functional Airspace Block (FAB) of which the national airspace is a part (FAB-wide performance targets).
Performance targets are set for safety, capacity and cost efficiency.

As a result of these schemes, unlike previously, European ANSPs will not necessarily have all their expenses covered through the service unit rates.

Safe and efficient ATM

Safety incidents are defined based on the 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 drive to continually improve our level of safety. These take the form of procedural adjustments, supplementary training of employees and upgrading of the technology we use. The overall requirement relating to safety incidents in the Danish-Swedish FAB is a maximum of 1.49 category A and B safety incidents per 100,000 flight hours.
In 2012, there were 0.36 category A and B safety incidents per 100,000 flight hours in the Danish-Swedish FAB, and the target for the Danish-Swedish FAB was consequently met. Safety incidents in Denmark are measured inclusive of safety incidents in category C.

Again in 2012, we maintained efficient ATM with virtually no delays. In the Danish-Swedish FAB, there were 26,957 minutes of delay in 2012, providing an average delay of 0.06 minutes per operation (3.6 seconds) and significantly beating the target of a maximum average delay of 0.2 minutes per operation (12 seconds).
In 2012, we handled both en route traffic and traffic at Copenhagen Airport without any delays for which Naviair was jointly responsible, significantly beating the target of a maximum average delay per operation of 0.2 minutes. Our ATM is highly efficient and the level of delays was at the lowest possible level compared with the target of keeping the average delay per operation below 0.2 minutes.

Our performance in terms of capacity utilisation was satisfactory, and we will continue to work intensively to keep average delays at the lowest possible level.

Naviair's service unit rate for en route in the first reference period has been set until 2014 through the performance scheme, based partly on the air traffic outlook in 2011, and partly on a binding outlook concerning Naviair's annual costs. In 2012, the en route service unit rate for Danish airspace was DKK 532. Of this amount, 84 per cent went to Naviair, while the balance went to the Danish Transport Authority and the Danish Meteorological Institute (DMI). The en route service unit rate for 2013 has been set at DKK 547.

The service unit rate for aerodrome control service at Copenhagen Airport was set at DKK 1,361 for 2012 and will be maintained at DKK 1,361 in 2013, as in 2011 and 2012.

In 2012, the number of operations per ATCO in OPS was 7,293 against 8,216 in 2011. At Copenhagen Airport, the number of Tower/Approach operations per ATCO in OPS was 4,787 against 5,076 in 2011.
The fall in disposition efficiency reflected the decline in air traffic coupled with the fact that there must be a specific number of ATCOs in OPS to meet capacity requirements in peak periods and because of safety requirements.

Traffic development

One of the reasons for the continued stagnation in air traffic in Danish airspace is that a considerable percentage of en route traffic is undertaken by low-cost airlines that are particularly flexible and have the ability to align and change their traffic plans to suit current market conditions.

At the beginning of the year, we forecast slight growth in the en route area, but en route traffic has been showing a downward trend since the beginning of 2013, and Eurocon-

trol's forecast from the end of February now anticipates a 2.1 per cent decrease in the number of service units in 2013.

We expect low growth in air traffic at Copenhagen Airport in 2013 compared with 2012.

Customers

Naviair's largest en route customers in 2012 were SAS (17.2 per cent), Norwegian Airshuttle (9.3 per cent), Ryanair (9.1 per cent), KLM (8.8 per cent) and Lufthansa (5.8 per cent). En route activities contributed 68 per cent of our total revenue in 2012.

The largest customers at Copenhagen Airport in 2012 were SAS (41.8 per cent), Norwegian Airshuttle (11.7 per cent), Easyjet Airline (3.1 per cent), Cimber Air Denmark (2.5 per cent) and Lufthansa (2.4 per cent). Cimber Air Denmark's activities comprise the first four months of the year only, until the time of the airline's bankruptcy. Aerodrome control service at Copenhagen Airport contributed 20 per cent of our revenue in 2012.

Billund Airport contributed 2 per cent of our revenue in 2012.

We strive to continuously improve the service we provide and consequently endeavour to be well-informed about our customers' requirements and expectations of us through close and ongoing contact. At the same time, we keep our customers informed of developments at Naviair. At annual customer meetings we map our customers' satisfaction with our service and products.

The latest customer consultations were held in November and December 2012. We held meetings with six airlines and airports. Our general conclusion from these meetings was that customers are very satisfied with their cooperation with Naviair and the service we provide.

NUAC

Naviair is particularly focused on continuous development, efficiency improvement and harmonisation in all areas of ATM – operationally, technologically and in terms of training. One of the ways in which we achieve our results is through international cooperation and alliances. Our objective is to constantly be in the lead among the European ANSPs and to always meet the requirements in the EU Single European Sky programme.

To achieve this objective we have, among other things, established the company NUAC together with LFV.
On 1 July 2012, NUAC took over the operation – on behalf of Naviair and LFV – of the three ATCCs in Copenhagen, Malmö and Stockholm. NUAC has a total of approximately 750 employees, who are on secondment from Naviair and LFV. The ATCCs and all other equipment have been made available to NUAC but remain Naviair's and LFV's property. NUAC is thus responsible for the day-to-day management of en route traffic in the joint Danish-Swedish airspace. To date, the jointly owned company is the only integrated company in Europe that handles the overall en route traffic in a FAB.

Through NUAC, Naviair and LFV are in the process of implementing a number of efficiency initiatives that are to deliver total savings for Naviair and LFV of at least EUR 13 million annually by the end of 2016.
At the same time, NUAC is working purposefully to implement improvements in ATM to ensure that air traffic can be handled as efficiently as possible. One of the ways in which this is being achieved is by ensuring the shortest possible flight routes and flight times. Besides efficiencies and savings that will, in the longer term, reduce the airlines' ATM costs, NUAC thus also helps reduce the airlines' fuel costs, and these initiatives also contribute to a better environment and climate by reducing the airlines' CO_2 and NO_x emissions.

We have also initiated cooperation with the partners in the NEFAB project with a view to implementing Free Route Airspace – i.e. free choice of flight route – across the airspace covered by NEFAB and the Danish-Swedish FAB. Naviair and LFV rolled out Free Route Airspace in the Danish-Swedish FAB already in 2011. This initiative is generating substantial fuel reductions for the airlines using this option.

Entry Point North

Training is another area in which our strategy is focused on international cooperation. Together with Swedish LFV and Norwegian Avinor, we own the Entry Point North ATS training academy. The academy, which was established in 2006, offers both ATM training and training of technical personnel.

Entry Point North's customers comprise more than 40 companies in more than 20 countries. Training is tailored to customer requirements and held either at Entry Point North in Sturup near Malmö or on-site at the customer. The latest initiatives include a long-term cooperation agreement with Civil Aviation Management Institute of China. The first fruits of the agreement were a number of courses for just over 100 attendees.

Entry Point North has been running the Entry Point Central ATS training academy in Budapest since 2011 – in cooperation with Hungarian HungaroControl.

In parallel with Entry Point North's primary object of providing training to its owner companies, Entry Point North has ambitions to expand further internationally, partly through the option to establish solutions such as Entry Point Central for other ANSPs. In addition to the commercial aspect, through Entry Point North we are also realising the intention in the SES programme of increased cooperation and harmonisation in ATM in the European countries.

COOPANS

Our international partnerships also include technical development. This is carried out within the framework of COOPANS. Here, we upgrade and harmonise the partners' ATM systems into one joint ATM system that is based on joint software and harmonised maintenance processes and operational concepts. Besides Naviair, COOPANS comprises IAA, LFV, Austro Control, Croatia Control and Thales as partner and supplier. COOPANS is open to participation by new – paying – partners.

COOPANS enables the partners to reduce their development costs considerably. The alternative would be extensive, very costly individual system development. The cooperation is expected 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. To this should be added savings in operating expenses from joint work concepts.

Besides savings, COOPANS meets the EU objective of harmonising ATM systems in Europe.

The first system upgrade has been rolled out in the ATTCs in Dublin, Shannon, Malmö, Copenhagen and Stockholm and for approach operations in Copenhagen, Roskilde and

Billund. Accordingly, IAA, Naviair and LFV now use identical software and harmonised technical solutions. System upgrades at the two latest partners, Austro Control and Croatia Control, will follow in 2013 and 2014. All partners' systems will subsequently be upgraded on an ongoing basis to ensure that all ATM systems are updated and harmonised at all times.

Knowledge resources and organisation

The number of employees at Naviair at the end of 2012 was 684 FTEs. Employee turnover was 6 per cent in 2012.

We continuously ensure that our employees' skills are at a level that meets the requirements that arise through the development in ATM and its supporting activities. We therefore always endeavour to ensure that all employees' levels of training and education and skills satisfy the highest standards. That applies to both ATM, technology and administration. We have structured our supplementary training and skills development into an overall skills plan for the entire company. Together with our tactical plan, the skills plan underpins our overall business plan as a management tool for the continued development of Naviair. The skills plan is regularly updated.

Through Entry Point North and in-house training, we ensure that new ATCOs start out at the highest level. Through regular supplementary training, the skills of our ATCO group 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 aim 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 at Naviair. We measure the level of employee satisfaction every two years. The latest survey was conducted at the end of 2012. In this survey, 90 per cent of respondents expressed satisfaction with their workplace. This shows that the high level of employee satisfaction in the previous survey, in 2010, has been maintained.

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. 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 2012, our electricity consumption in Copenhagen was 6,794 MWh compared with 7,062 MWh in 2011. Our heat consumption in Copenhagen was 4,302 MWh in 2012 compared with 4,020 MWh in 2011. The main reason for the higher heat consumption was colder weather with more degree days.

To reduce our energy consumption and CO_2 footprint, we are establishing groundwater cooling to replace our existing cooling system, which is due to be upgraded on account of both its age and official requirements.

We have carried out a preliminary investigation that has shown that we will be able to cut our energy costs by DKK 1-1.5 million annually and at the same time reduce the CO_2 produced by our heat and electricity consumption by approximately 275 tonnes per year. The savings will be made by using less electricity for cooling and through heat recovery. The result of a test drilling in 2012 has confirmed the findings of our preliminary investigation.

We are also reducing our energy consumption for lighting by replacing our light fittings with LED fittings on an ongoing basis. As well as energy savings this leads to lower light fitting consumption and lower man-hour consumption for replacing light fittings as the new fittings have a longer life.
We are energy aware in everything we do. That naturally also applies to our facilities outside Copenhagen that we use but do not own.

Besides our direct environmental impacts, our Air Traffic Control (ATC) provides us with an indirect opportunity to act in an environmentally conscious manner by cutting air emissions and noise inconvenience from air traffic.
We contribute to reductions in CO_2 and other polluting emissions by developing increasingly efficient procedures and infrastructure systems. One of the ways in which we do this is by ensuring that aircraft take the most direct route between destinations and fly at the level at which they consume the smallest amount of fuel.
We also ensure that aircraft depart, land and operate on the ground at the airports with the lowest possible fuel consumption.

Flight safety is naturally always given top priority in ATM. While maintaining the highest level of safety, we continuously strive to optimise our ATM and implement initiatives that are sustainable as regards the climate.

ATM is optimised by prioritising a service-minded culture, developing efficient traffic concepts and making flexible use of airspace. Against this background, we always use the most efficiency-improving and climate-friendly traffic concepts recommended by the European aviation organisations.

Naviair analyses and works with the development of climate-friendly traffic concepts both in Free Route Airspace, Continuous Climb Operations, Continuous Descent Operations and Required Navigation Performance.

In November 2011, jointly with LFV, we introduced Free Route Airspace in the joint Danish-Swedish airspace. This means that airlines can choose the shortest, most direct route through our joint airspace already at the planning stage. This enables airlines to reduce the volume of aircraft fuel used and to reduce the aircraft's take-off weight. Based on simulations performed by Eurocontrol for Naviair and LFV, it has been calculated that Free Route Airspace will cut CO_2 emissions in the airspace by approximately 40,000 tonnes per year, overall. Using Continuous Climb Operations for departures from Copenhagen Airport saves the environment from emissions of approximately 32,000 tonnes of CO_2 annually and the airlines' fuel consumption of approximately 10,000 tonnes annually. Naviair's climate-friendly Continuous Climb Operations action was documented by Eurocontrol in 2009. Our concept means that more than 95 per cent of departing flights are given

permission to deviate from the Standard Instrument Departure procedure. Instead, the aircraft use the Continuous Climb Operations procedure, where they are given permission to climb directly to their preferred cruising level and to head directly for their destination as soon as possible during the departure procedure.

Through NUAC we are now cooperating with the countries in NEFAB to expand Free Route Airspace across the whole of the Nordic area.

The Continuous Descent Operations concept enables pilots to plan the most fuel-efficient and climate-friendly approach to airports from the aircraft's cruising level to landing. This enables the pilot to optimise the use of engine power during the last part of the flight. At airports with a high traffic density, it may be difficult to implement Continuous Descent Operations and at the same time maintain high capacity with optimum density between departing and landing aircraft in order to avoid, among other things, unnecessary idling and fuel consumption on the ground. But during periods of low traffic intensity, it is possible to use the concept – without Continuous Descent Operations hampering the possibility of maintaining the high proportion of Continuous Climb Operations. In 2009, more lenient level restrictions for approaches to Copenhagen Airport were introduced, enabling airlines to implement approximated Continuous Descent Operations.

In the Danish-Swedish airspace at Copenhagen Airport, NUAC and the Danish and Swedish authorities are working together on establishing a more efficient, more expedient airspace structure in the form of an integrated terminal area in the Øresund region. One benefit of such a structure will be that arrivals and departures at the airport will become even more efficient, saving fuel and reducing the environmental and climate impacts.

We strive to align our climate efforts to customer wishes and requirements at the same time as participating in the environmental and climate work in SES, SESAR, NUAC, COOPANS and NORACON.

Based on Eurocontrol's and IATA's joint Flight Efficiency Plan, we will continue to develop and ensure flexible utilisation of airspace by means of:

- 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.
- Continuous Climb Operations wherever possible – with direct routes and climbs to cruising level.

Corporate social responsibility

A well-informed and positive approach to corporate responsibility is deeply engrained 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 recommendations of the Committee on Corporate Governance, 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-assessment procedure has been established for the Board. The Board of Directors' latest self-evaluation was in December 2012.

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 2012.

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

The Board of Directors and the Executive Board regularly review material risks and internal controls in connection with Naviair's activities and their potential impact on the financial reporting process.
The responsibility for maintaining adequate and effective internal controls and risk management in connection with the financial reporting lies with the Executive Board. The Executive Board monitors the financial position on a continuous basis, partly 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.

The Board of Directors regularly monitors the financial reporting process, including that applicable legislation is being complied with and that the accounting policies are relevant. The full Board functions as Audit Committee.

Women and men are evenly represented on the Executive Board – as in the case of the members of the Board of Directors that have been appointed by the Danish Minister for Transport.

New legislation will come into effect on 1 April 2013 that puts into practice the Danish government's model for bringing more women onto boards and into senior management. The legislation requires the 1,100 largest companies as well as all state-owned companies and institutions to set targets for the number of the under-represented gender on boards of directors and prepare policies for the gender composition at other management levels. We are in the process of preparing a corporate policy on this subject in accordance with the guidelines set out in the legislation.

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. This means that airline bankruptcies or route closures have a serious impact on our financial situation, because, in a number of cases, the routes are not re-established by other airlines. 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 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 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 therefore 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 earnings.

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 bypasses Danish airspace and Danish airports, this will lead to a 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 a consequent loss of revenue for Naviair.

If the quality of ATM in Danish airspace deteriorates – or the level of the service unit price increases – compared with neighbouring airspaces, there is also a risk that airlines will bypass Danish airspace, which would lead to a loss of revenue for Naviair.

Lastly, unforeseen situations and events that have an adverse impact on air traffic may cause Naviair inconvenience. The latest serious 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.

Financial review

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

Profit for the year

Profit before tax for the year was DKK 57.0 million net of a DKK 42.1 million adjustment in respect of over-/under-recovery of charges compared with profit of DKK 54.2 million in 2011. Profit after tax for the year was DKK 42.7 million compared with DKK 38.2 million in 2011.

At the end of February 2012, Eurocontrol lowered its outlook for en route traffic in Danish airspace, corresponding to an expected reduction of Naviair's revenue outlook at the beginning of the year by approximately DKK 50 million. This outlook was confirmed in connection with the presentation of Naviair's interim financial report for the first half and corresponded to the actual revenue figure for the year. Costs for the year were cut by approximately DKK 30 million compared with the expectations at the beginning of the year through prompt action, sustained focus on cutting costs and a highly financially responsible approach on the part of all Naviair's employees.
Viewed against this background, a profit of DKK 99.1 million before tax and adjustment of over-/under-recovery of charges is highly satisfactory.

Operating income from ordinary activities
Naviair's operating income from ordinary activities was DKK 1,139.5 million compared with DKK 984.5 million in 2011.
Revenue was DKK 958.7 million compared with DKK 937.6 million in 2011. Together with other operating income of DKK 5.9 million (see note 3), revenue reflects the income generated by Naviair's four areas of activity.

Income from Naviair's four areas of activity was up DKK 18.0 million on 2011. The higher level – despite the decline in traffic – primarily reflected the adopted increases in rates.

Operating income from ordinary activities included DKK 196.5 million relating to services provided to NUAC under the supply contract, compared with DKK 55.3 million in 2011. The increase reflected the fact that NUAC – on behalf of Naviair and LFV – has taken over the operation of the ATCCs in Copenhagen, Malmö and Stockholm, increasing its level of activity.

Other external expenses
Other external expenses amounted to DKK 370.2 million compared with DKK 241.1 million in 2011. Services provided by NUAC under the supply contract amounted to DKK 203.1 million compared with DKK 54.8 million in 2011. This cost was largely offset by services provided to NUAC under the supply contract under Naviair's other operating income.

Other costs amounted to DKK 156.9 million, a decrease of DKK 18.6 million on 2011, reflecting continued tight focus on the cost trend and a timely response to the decline in traffic.

Staff costs
Staff costs were DKK 563.0 million, up DKK 6.6 million on 2011. Despite the small increase, the development reflected the fact that Naviair succeeded in making up for pay increases under current agreements as staff costs were also affected by non-recurring costs in connection with the alignment of resources.

Naviair had 684.0 FTEs at the end of the year compared with 704.3 at the beginning of the year.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses were DKK 104.8 million compared with DKK 98.3 million in 2011. Depreciation, amortisation and impairment losses for 2012 included impairment losses of DKK 4.6 million in respect of scrapped assets. The increase compared with 2011 was entirely as planned and in keeping with Naviair's investment plan.

Income tax expense
Income tax expense was DKK 14.3 million, which has been transferred to deferred tax.

Balance sheet

Naviair's balance sheet total stood at DKK 1,724.0 million at 31 December 2012 compared with DKK 1,684.5 million at 31 December 2011.

Assets
Fixed assets represented DKK 1,192.3 million, or 69.2 per cent, of total assets. Fixed assets decreased by DKK 1.6 million compared with the start of the year.

Current assets amounted to DKK 531.7 million. Under-recovery of charges amounted to DKK 182.6 million, of which DKK 147.5 million related to the period before 1 January 2012. Under-recovery of charges amounted to DKK 224.8 million at 31 December 2011. The total adjustment for the year was DKK 42.1 million.

Equity
Naviair's equity at 31 December 2012 was DKK 792.2 million and was made up of contributed capital of DKK 600.0 million and retained earnings of DKK 192.2 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital, which stood at DKK 536.6 million at 31 December 2012. 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 878.9 million, interest-bearing debt represented DKK 636.6 million.

Cash flow statement

Cash flows from operating activities before net financials were an inflow of DKK 268.3 million, which included an inflow of DKK 215.7 million relating to ordinary operating activities. There was a decrease of DKK 150.0 million in long-term bank loans, of which DKK 100.0 million was reclassified as short-term debt.

Outlook for 2013

The outlook for 2013 was some growth in traffic. However, traffic has been showing a sustained downward trend since the beginning of 2013, and in its latest forecast from the end of February, Eurocontrol is now anticipating a 2.1 per cent decline in the number of service units in Danish airspace in 2013 compared with 2012, equivalent to 11.0 per cent compared with the performance scheme target for 2013.

The forecast decline in traffic will mean that the level of income will be approximately DKK 35 million lower than anticipated by Naviair at the beginning of the year. For the entire first reference period of the performance scheme, 2012-2014, this means that income is expected to be down approximately DKK 215 million overall compared with the assumptions on which the performance scheme 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 due to the alignment of resources and cost cuts implemented in 2012. We also expect to be able to do this within the en route rate set in the performance 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 2012.

Profit broken down by area of activity

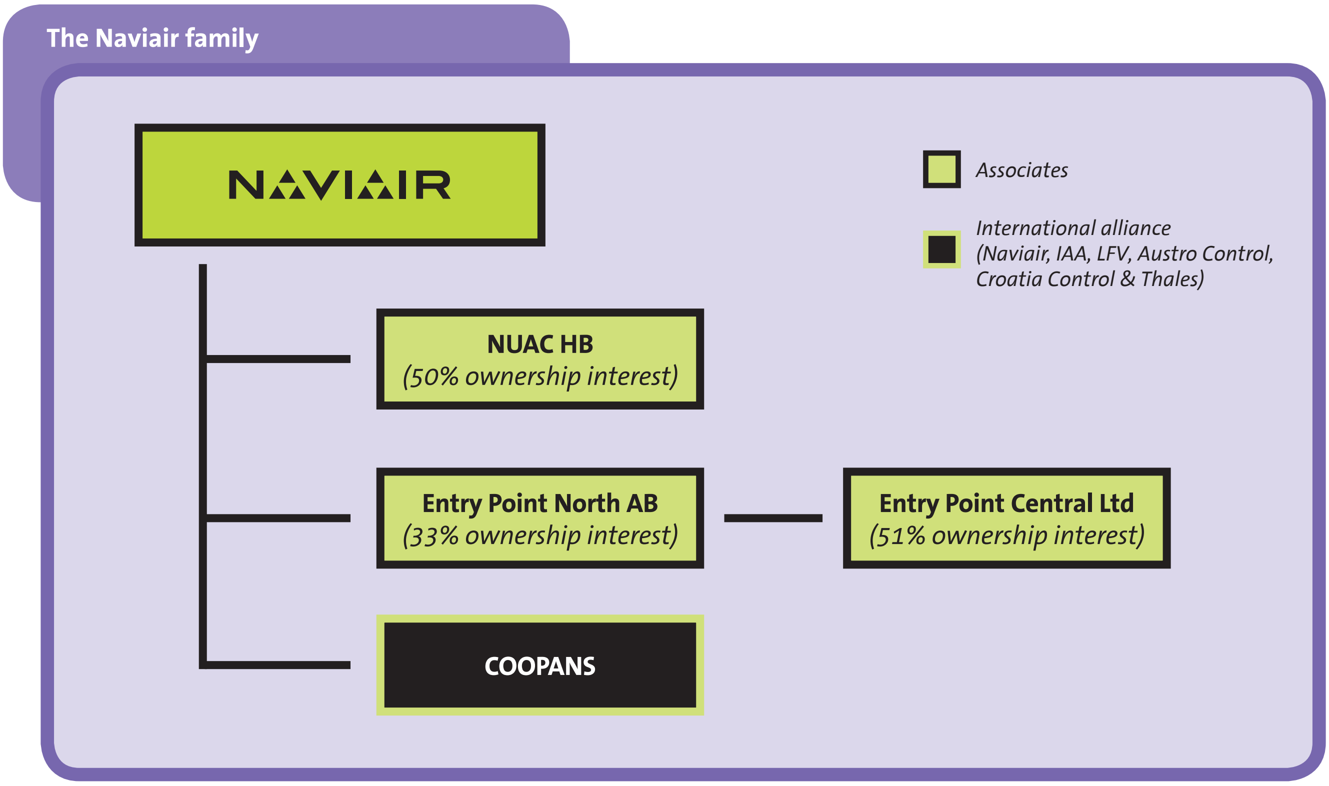
The two largest areas of activity – en route and aerodrome and approach control service – are regulated by European Commission Regulation No. 1794/2006 as amended by Commission Regulation No. 1191/2010.

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

Cost base statement *(DKK 1,000)*	**En route Denmark**	**En route Greenland**	**En route North Atlantic**	**TNC Copenhagen**	**Billund**	**Other**	**Total**
Income 1)	**658,679**	**20,687**	**31,169**	**195,755**	**17,214**	**41,096**	**964,600**
NUAC HB income	182,830	657	641	10,429	964	1,011	196,532
NUAC HB costs	-187,584	-743	-725	-11,795	-1,090	-1,147	-203,084
NUAC HB net profit (loss)	**-4,754**	**-86**	**-84**	**-1,366**	**-126**	**-136**	**-6,552**
Other operating expenses 2)	-96,724	-13,720	-21,941	-25,924	-2,455	-6,382	-167,146
Staff costs 3)	-369,777	-5,771	-5,681	-118,472	-14,715	-28,102	-542,518
EBITDA	**187,424**	**1,110**	**3,463**	**49,993**	**-82**	**6,476**	**248,384**
Depreciation & amortisation	-85,286	-632	-1,787	-16,042	-354	-661	-104,762
EBIT	**102,138**	**478**	**1,676**	**33,951**	**-436**	**5,815**	**143,622**
Net financials	-59,548	-285	-853	-33,612	-94	49,862	-44,530
Profit 4)	**42,590**	**193**	**823**	**339**	**-530**	**55,677**	**99,092**

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 42.1 million and tax amounting to an expense of DKK 14.3 million.

The Naviair family



Naviair's management

Board of Directors

Chairman
Anne Birgitte Lundholt
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.
CEO, ABL ApS

Karsten Baagø *
Senior ATCO

Helge Mortensen
Former government minister

Deputy 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, CACommunication
Member of the Danish National Income Tax Tribunal
MSc (Economics and Management)

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

Kurt Thyregod
Managing Director, Pingvino ApS. 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 Nosca A/S, Aivon Partners A/S, Aivon Invest A/S and Danes Worldwide. MBA

**) Employee representatives*

Executive Board

Morten Dambæk
CEO

Hanne Lund
CFO

Other senior executives

Mikael Ericsson
Director, ATM Projects & Engineering

Bent Fog
Director, Technical Maintenance

Birger Grevy
Director, Towers

John G. Hansen
Director, HR

Bo Pedersen
Director, Communications, Public Affairs & CSR

Claus Skjærbæk
COO

Statement by the Executive Board and the Board of Directors

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 2012.

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, 20 March 2013

On the Executive Board

Morten Dambæk CEO	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 Danish Ministry of Transport

Report on the financial statements

We have audited the financial statements of Naviair for the period 1 January – 31 December 2012 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the 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 has not resulted in any qualification.

Opinion
In our opinion, the financial statements give a true and fair view of Naviair's financial position at 31 December 2012 and of the results of Naviair's operations and cash flows for the financial year 1 January – 31 December 2012 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
Pursuant to the Danish Financial Statements Act, we have read Management's review. 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, 20 March 2013

National Audit Office of Denmark	**Deloitte**
Lone Strøm Auditor General	Lynge Skovgaard State Authorised Public Accountant
/Tina Mollerup Laigaard Director	/Ulrik Vassing State Authorised Public Accountant

Accounting policies

The annual report of the company owned by the Danish state, Naviair, for 2012 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 2012 has been presented in DKK 1,000.

The adjustment for the year of over-/under-recoveries reduced profit for the year in 2012 by DKK 42.1 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 assets 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 other operating expenses
Other operating income and other operating expenses comprise income and expenses of a secondary nature in relation to Naviair's core activity.

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 for 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).

Since 1 January 2012, Naviair has been entitled to carry forward over-/under-recoveries in respect of en route acti-

vities in accordance with the provisions under the EU regulation on performance schemes for ANSPs, including the provisions on risk-sharing relating to the development in traffic.

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.

Other provisions
Other 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
Naviair pays 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.

Income tax
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 carry-forwards, 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.

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

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

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

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

Income statement

Income statement for the year ended 31 December (DKK 1,000)	Note	2012	2011
Revenue	1	958,719	937,616
Adjustment of over-/under-recoveries charges	13	-42,081	-37,753
Work performed for own account and capitalised	2	20,465	20,291
Other operating income	3	202,413	64,326
Total operating income from ordinary activities		**1,139,516**	**984,480**
Other external expenses	4	-370,230	-241,126
Staff costs	5	-562,983	-556,398
Depreciation, amortisation and impairment losses	6	-104,762	-98,263
Profit before net financials		**101,541**	**88,693**
Financial income	7	605	2,187
Financial expenses	8	-45,135	-36,721
Profit before tax		**57,011**	**54,159**
Income tax expense	9	-14,304	-15,930
Profit for the year		**42,707**	**38,229**

Proposed distribution of profit (DKK 1,000)		
Retained earnings	42,707	38,229
	42,707	**38,229**

Balance sheet

Assets *(DKK 1,000)*	**Note**	**31.12.2012**	**31.12.2011**
Software		6,433	9,689
Intangible assets under construction		511	1,822
Intangible assets	10	**6,944**	**11,511**
Land and buildings		266,385	261,013
Plant and equipment		839,064	601,925
Fixtures and fittings and IT equipment		8,955	7,867
Transport equipment		1,466	1,839
Property, plant and equipment under construction		69,424	309,659
Property, plant and equipment	11	**1,185,294**	**1,182,303**
Investments in associates	12	79	79
Investments		**79**	**79**
Fixed assets		***1,192,317***	***1,193,893***
Under-recovery charges	13	182,579	224,810
Trade receivables	14	147,247	186,546
Receivables from associates		58,794	2,512
Other receivables	15	10,126	14,627
Prepayments	16	35,667	35,354
Receivables		**434,413**	**463,849**
Cash		**97,313**	**26,714**
Current assets		***531,726***	***490,563***
Assets		***1,724,043***	***1,684,456***

Equity and liabilities (DKK 1,000)	Note	31.12.2012	31.12.2011
Contributed capital		600,000	600,000
Retained earnings		192,205	149,498
Equity		***792,205***	***749,498***
Deferred tax	17	34,865	20,561
Over-recovery charges	13	18,052	18,202
Provisions		***52,917***	***38,763***
Subordinated loan capital	18	536,600	536,600
Bank loans	19	0	150,000
Long-term liabilities other than provisions		**536,600**	**686,600**
Bank loans	19	100,000	0
Trade payables		70,120	49,237
Payables to associates		26,988	11,823
Other payables	20	135,534	125,677
Deferred income		9,679	22,858
Short-term liabilities other than provisions		**342,321**	**209,595**
Liabilities other than provisions		***878,921***	***896,195***
Equity and liabilities		***1,724,043***	***1,684,456***
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 2012	600,000	149,498	749,498
Profit for the year	0	42,707	42,707
Equity at 31 December 2012	***600,000***	***192,205***	***792,205***

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


KØB NHAVN

Cash flow statement

Cash flow statement for the year ended 31 December *(DKK 1,000)*	Note	2012	2011
Profit for the year		42,707	38,229
Adjustments	25	163,596	148,727
Change in working capital	26	62,012	8,373
Cash flows from operating activities before net financials		**268,315**	**195,329**
Interest income and similar items		605	2,187
Interest expense and similar items		-53,264	-66,059
Cash flows from operations (ordinary activities)		**215,656**	**131,457**
Income tax paid		0	0
Cash flows from operating activities		**215,656**	**131,457**
Purchase of intangible assets and property, plant and equipment		-95,057	-93,501
Cash flows from investing activities		**-95,057**	**-93,501**
Decrease in bank loans		-50,000	-50,000
Cash flows from financing activities		**-50,000**	**-50,000**
Net increase (decrease) in cash and cash equivalents		**70,599**	**-12,044**
Cash and cash equivalents at 1 January		26,714	38,758
Cash and cash equivalents at 31 December		**97,313**	**26,714**

Notes

Notes 1-4

1	Revenue (DKK 1,000)	2012	2011
	En route – Denmark, charges	636,410	613,578
	TNC Copenhagen, charges	194,883	201,266
	Local airports	43,270	41,655
	North Atlantic, charges	30,925	29,366
	Areas covered by the Danish Appropriations Act	32,328	32,600
	Other trade receivables	20,903	19,151
		958,719	**937,616**

2	Work performed for own account and capitalised (DKK 1,000)	2012	2011
	Capitalised direct payroll	18,794	18,759
	Capitalised indirect production costs	1,671	1,532
		20,465	**20,291**

3	Other operating income (DKK 1,000)	2012	2011
	Services provided to NUAC under supply contract	196,532	55,304
	Other operating income	5,881	9,022
		202,413	**64,326**

4	Other external expenses (DKK 1,000)	2012	2011
	Services provided by NUAC under supply contract	203,084	54,838
	Danish Transport Authority supervision fee	10,280	10,821
	Other expenses	156,866	175,467
		370,230	**241,126**

5 Staff costs (DKK 1,000)	2012	2011
Wages and salaries	481,624	468,459
Pensions	80,756	83,415
Other social security costs	603	4,524
	562,983	**556,398**
Of which remuneration to the Executive Board and the Board of Directors:		
Salaries to the Executive Board	3,345	3,675
Pensions to the Executive Board	500	594
Remuneration to the Board of Directors	1,200	1,150
	5,045	**5,419**
Average number of employees	**688**	**706**

6 Depreciation, amortisation and impairment losses (DKK 1,000)	2012	2011
Software	6,893	10,513
Land and buildings	15,800	14,092
Plant and equipment	76,800	68,476
Fixtures and fittings and IT equipment	4,548	4,327
Transport equipment	721	855
	104,762	**98,263**

7 Financial income (DKK 1,000)	2012	2011
Foreign exchange gains	333	1,674
Interest income	272	513
	605	**2,187**

8 Financial expenses (DKK 1,000)	2012	2011
Foreign exchange losses	719	2,427
Financial expenses	52,544	54,912
Capitalisation of interim interest	-8,128	-20,618
	45,135	**36,721**

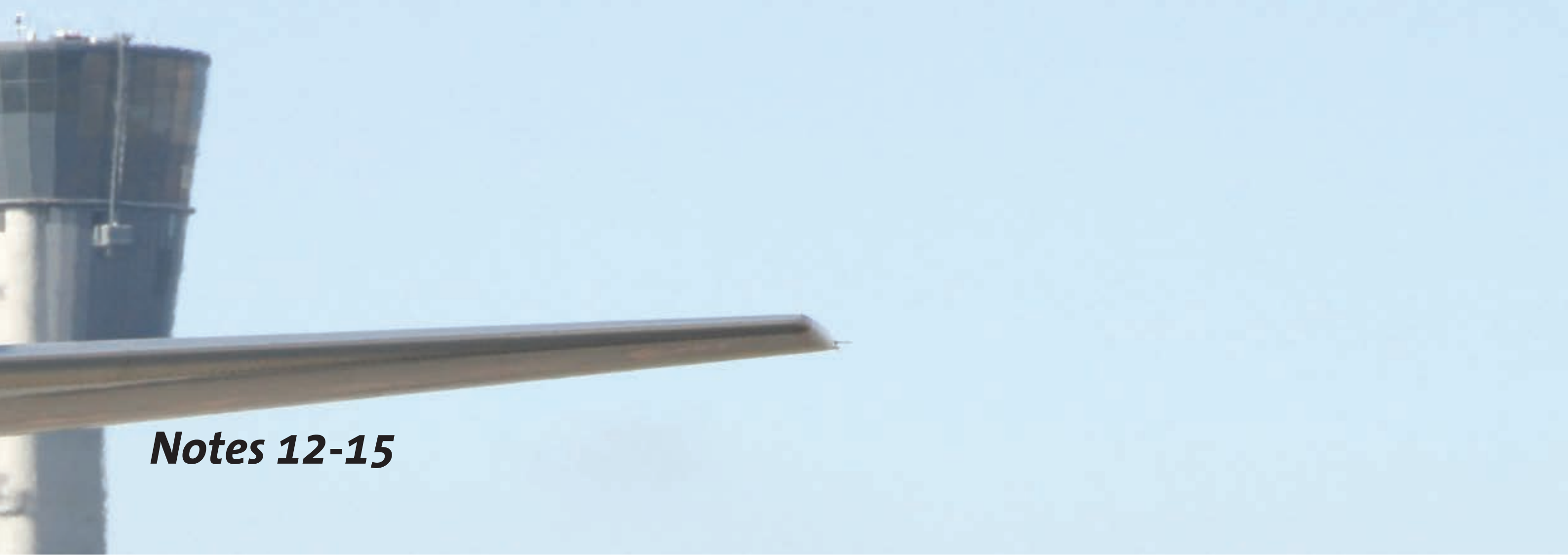
9 Income tax expense (DKK 1,000)	2011	2010
Change in deferred tax	14,304	13,596
Adjustment to tax in respect of previous years	0	2,334
	14,304	**15,930**

Notes 10-11

10 **Intangible assets** *(DKK 1,000)*	Software	Intangible assets under construction	Total
Cost at 1 January	66,394	1,822	68,216
Additions	1,815	511	2,326
Disposals	-55,552	0	-55,552
Transfers	1,822	-1,822	0
Cost at 31 December	**14,479**	**511**	**14,990**
Amortisation and impairment losses at 1 January	56,705	0	56,705
Amortisation charge	6,441	0	6,441
Write-downs on scrapped assets	452	0	452
Disposals	-55,552	0	-55,552
Amortisation and impairment losses at 31 December	**8,046**	**0**	**8,046**
Carrying amount at 31 December	**6,433**	**511**	**6,944**

11 **Property, plant and equipment** *(DKK 1,000)*	Land and buildings	Plant and equipment	Fixtures and fittings & IT	Transport equipment	Property, plant and equipment under construction	Total
Cost at 1 January	523,202	1,064,827	16,354	6,421	309,659	1,920,463
Additions	8,936	32,137	2,957	348	56,482	100,860
Disposals	-2,500	-13,276	-331	0	0	-16,107
Transfers	12,236	281,802	2,679	0	-296,717	0
Cost at 31 December	**541,874**	**1,365,490**	**21,659**	**6,769**	**69,424**	**2,005,216**
Depreciation & impairment losses at 1 January	262,189	462,902	8,487	4,582	0	738,160
Depreciation charge	14,162	74,511	4,352	721	0	93,746
Write-downs on scrapped assets	1,638	2,289	196	0	0	4,123
Disposals	-2,500	-13,276	-331	0	0	-16,107
Depreciation & impairment losses at 31 December	**275,489**	**526,426**	**12,704**	**5,303**	**0**	**819,922**
Carrying amount at 31 December	**266,385**	**839,064**	**8,955**	**1,466**	**69,424**	**1,185,294**
Of which capitalised finance costs	58	35,174	0	0	2,732	37,964

Except for a few buildings with a total carrying amount of DKK 4.6 million at 31 December 2012, primarily constructed for navigation equipment at various locations across Denmark and in Greenland, Naviair's total building stock with a total carrying amount of DKK 157.5 million at 31 December 2012 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. These buildings all sit on land owned by Copenhagen Airports A/S.



Notes 12-15

12 Investments in associates

Investments in associates (DKK 1,000)	31.12.2012	31.12.2011
Cost at 1 January	79	79
Cost at 31 December	**79**	**79**

Investments in associates can be broken down as follows: (SEK 1,000)	Profit (loss) 2012	Equity 31.12.2012
Entry Point North AB, Malmö-Sturup, 33% ownership interest	6,978	31,574
NUAC HB, Malmö, 50% ownership interest	-3	478
	6,975	**32,052**

13 Over-/under-recoveries charges

Over-/under-recoveries charges (DKK 1,000)	En route before performance scheme	En route after performance scheme	Aerodrome control	Total
Under-recovery charges at 1 January	224,461	0	349	224,810
Adjustment for the year	-76,961	34,200	530	-42,231
Under-recovery charges at 31 December	**147,500**	**34,200**	**879**	**182,579**
Portion expected to be recovered within 1 year	69,800	0	0	69,800
Over-recovery charges at 1 January	0	0	18,202	18,202
Adjustment for the year	0	0	-150	-150
Over-recovery charges at 31 December	**0**	**0**	**18,052**	**18,052**
Total adjustment for the year	**-76,961**	**34,200**	**680**	**-42,081**

14 Trade receivables

Trade receivables (DKK 1,000)	31.12.2012	31.12.2011
Trade receivables, gross	161,018	195,006
Provision for bad and doubtful debts	-13,771	-8,460
	147,247	**186,546**

15 Other receivables

Other receivables (DKK 1,000)	31.12.2012	31.12.2011
VAT and duties	1,235	1,543
Other receivables	8,891	13,084
	10,126	**14,627**

Notes 16-20

16 Prepayments (DKK 1,000)	31.12.2012	31.12.2011
Prepaid payroll	28,129	29,804
Other prepayments	7,538	5,550
	35,667	**35,354**

17 Deferred tax (DKK 1,000)	31.12.2012	31.12.2011
Deferred tax relates to the following items:		
Property, plant and equipment	15,590	41,723
Limitation of deductibility carried forward, interest etc.	0	-8,800
Over-/under-recoveries charges	41,132	51,652
Tax loss carry-forwards	-21,857	-64,014
	34,865	**20,561**

Provision for deferred tax at 31 December 2012 has 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% 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)	31.12.2012	31.12.2011
Bank loans fall due in the following order:		
Within one year	100,000	0
Between one year and five years	0	150,000
After five years	0	0
	100,000	**150,000**

20 Other payables (DKK 1,000)	31.12.2012	31.12.2011
Holiday pay liability	86,024	84,167
Payroll, A-tax, social security contributions etc. payable	38,629	33,580
Other payables	10,881	7,930
	135,534	**125,677**

Notes 21-23

21 Fees to auditors *(DKK 1,000)*	2012	2011
Deloitte, audit fees	382	397
Deloitte, consultancy fees	136	307
National Audit Office of Denmark, audit fees	374	349
	892	**1,053**

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 owned general partnership, NUAC HB. The general 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 support 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 50 million on upgrading of Naviair's ATM system and acquisition of air navigation-related equipment and systems. The remaining payment obligation under these contracts is approximately DKK 25 million.

In addition, Naviair has entered into long-term contracts to a value of approximately DKK 40 million on support 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, 1220 Copenhagen K	Owner, 100%
Other related parties	
Danish Transport Authority, 1117 Copenhagen K	Supervisory authority
NUAC HB	Associate
Entry Point North AB	Associate
Danish Defence	> Contract for aerodrome and approach control services at Aalborg Airport > Cooperation agreement on joint ANS and ATM provision. Managerial control
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)*	2012	2011
Financial income	-605	-2,187
Financial expenses	45,135	36,721
Depreciation, amortisation and impairment losses	104,762	98,263
Income tax expense	14,304	15,930
	163,596	**148,727**

26 **Cash flow statement – change in working capital** *(DKK 1,000)*	2012	2011
Change in receivables	29,436	45,318
Change in provisions	-150	1,842
Change in short-term liabilities other than provisions	32,726	-38,787
	62,012	**8,373**

Abbreviations and designations

ANSP:	Air Navigation Service Provider
Austro Control:	ANSP Austria
Avinor:	ANSP Norway
COOPANS:	CO-OPeration of Air Navigation Service providers
Croatia Control:	ANSP Croatia
DMI:	Danish Meteorological Institute
Eurocontrol:	European Organisation for the Safety of Air Navigation
FAB:	Functional Airspace Block
HungaroControl:	ANSP Hungary
IAA:	Irish Aviation Authority
LFV:	ANSP Sweden
NEFAB:	North European Functional Airspace Block (consists of Norway, Finland, Estonia and Latvia)
NUAC:	Nordic Unified Air traffic Control. NUAC is a jointly owned Swedish general partnership under LFV and Naviair that has been responsible for the operation of the three ATCCs in Copenhagen, Malmö and Stockholm since 2012.

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