

ANNUAL REPORT 2013



AIR NAVIGATION SERVICES OF SWEDEN

The public enterprise LFV is responsible for air navigation services in Sweden. LFV is active in 30 locations all over the country. LFV achieved sales of SEK 3.1 billion during 2013 and reports results after financial entries of SEK 95 million. At year-end the number of full-time employees was 1,084.

Our mission is to provide safe, efficient and environmentally-sound air navigation services for civil and military aviation. LFV also works to achieve Sweden's transport policy goals.

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The cover photo shows the centre in Sundsvall from which air traffic to and from Örnsköldsvik is managed. Erik Bäckman is portrayed centre, in a photo taken by Alexander Crispin.



Important events

After a decline in air traffic during 2012 and at the beginning of 2013, traffic began to increase during the spring. 2013 saw an increase in flight movements in Swedish airspace by almost 1% rising to 694,000. For 2014, a growth of 1.6% is forecast. Flight movements are increasing significantly less than the number of passengers.

Positive result

The result for 2013 is SEK 95 million, which is a dramatic improvement compared to 2012. The number of full-time employees stood at 1,084. This is a decrease of 34 when compared to the previous year. Since the division of LfV and Swedavia in 2010, the workforce has decreased by over 100 employees.

The positive result is also dependent on other operational costs being limited as well as traffic volumes and international assignments contributing to increased turnover.

New Director General and board

Olle Sundin was appointed as the new director general for LfV on 16 December 2013. Finance Director, Mikael Larsson acted as interim director general for the period of 18 April to 15 December 2013 and since 16 December holds the post of deputy director general.

The chair of the board since 18 April is Jan Olson. The government appointed a new board which assumed responsibility on 1 July 2013 and now includes amongst other expertise, a representative from the Swedish Armed Forces.

The future of air navigation services

A government bill concerning the future of air navigation services is planned for 18 March. As a basis for this LfV as well as Transport Analysis and the Swedish Transport Agency have handed in reports to the Ministry of Enterprise. These complement the 'Roadmap for the Future – a developed air navigation service' which was launched in 2012.

Local air navigation services

During 2013, LfV prolonged its cooperation with the airports Göteborg City, Halmstad, Linköping, Ljungbyhed, Sundsvall-Timrå, Ängelholm and Örnköldsvik. ACR took over operations at five airports on 1 January 2014. Both Swedavia and the Swedish Armed Forces utilise LfV for local air navigation services. The contracts with Sundsvall-Timrå

and Örnköldsvik airports open the door for our new product, Remote Tower Centre. This means that aircraft flying to and from Örnköldsvik are managed by the tower in Sundsvall. The operations validation is expected to be issued by the Swedish Transport Agency this spring.

New joint-owner in Entry Point North

NUAC, which is jointly-owned by LfV and Naviar, has run the en route operations in Danish-Swedish airspace since 1 July 2012. This coordination has led to efficiency measures and a project has been started to analyse the opportunities for further improvements.

The cooperation regarding a joint air navigation service system, Coopans, is being developed. During 2014, five more countries will install the same system which will in turn facilitate harmonisation and reduce development costs. The air traffic services academy, Entry Point North (EPN), has a fourth joint owner and now runs three academies: Malmö, Budapest and Shannon. EPN's sales volume is increasing and even more products are being sold outside the owner network.

International contract

LfV's wholly-owned subsidiary LfV Aviation Consulting AB has offered civil aviation services for export since 1982. During 2013, LfV agreed on a ground-breaking contract together with a local partner, for the running of air traffic control services at five airports in Abu Dhabi. The operative management launch took place on 1 May and is partly Swedish. The company's presence in Norway was strengthened during the year through two new framework agreements, one of which comprises a three-year flight calibration service for all airports in Norway. Additionally, a contract was signed to supply LfV air traffic controllers to the control centre in Røyken. Within the framework for Eco Airports and Green Flights, an extensive sustainability project was run for the Indonesian Ministry for the Environment and Indonesian Aviation Agency.



LFV creates accessibility

Image Mats Glimhed

“LFV’s mandate is, with reference to the transport policy goals, to create accessibility to and from Sweden,” explains Olle Sundin, new Director General for LFV. “We manage air traffic and thus an important part of aviation’s infrastructure.” In an interview held by Erik Söderberg, Olle Sundin emphasises a good financial result and numerous new international contracts as milestones for 2013.

Olle Sundin, Director General for LFV since 16 December 2013, was employed by LFV in 1974 and began his career as an air traffic controller. Prior to his new post he was airport director for Bromma Stockholm Airport within Swedavia. At LFV, he has been tower manager at Arlanda, operative manager for Stockholm-Arlanda Airport, manager for Division Airport Group and airport director for Göteborg-Landvetter Airport.

What is LFV’s mandate?

The transport policy goal regarding accessibility is important. It signifies an accessible Sweden; in tandem with this, aviation is also necessary in order to be able to live and work in the entire country. Indeed, we will live up to LFV’s mandate to ensure that aviation will continue with the cornerstones of safety and efficiency with as little impact on the environment as possible. LFV comprises an important part of the aviation industry’s infrastructure. We manage air traffic and offer airlines direct flight routes both in Swedish and Danish airspace. LFV is the airspace’s traffic organisation; however it operates without state financing.

How is air traffic developing?

My most recent post was at Swedavia which has experienced large increases in passenger numbers in the past few years. Thus, the demand for flights is still strong. However for LFV, larger aircraft and higher cabin factors do not contribute to an increase in the number of movements at the same rate as the rise in passenger numbers. During spring 2013, air traffic figures started moving upwards. For the entire year, we saw a slight increase in the number of flight movements but the economy is still vulnerable and the future is difficult to assess.

Aviation traffic development has a significant impact on LFV’s finances. For every percentage increase a SEK 15-20 million increase in turnover is expected. A decrease in traffic affects the result directly since our costs are mostly fixed. A weak growth in traffic increases the demand on cost savings. In LFV’s five-year forecast we believe in a growth of between 1.5-2% per year.

How do LFV’s finances look?

The yearly result stands at SEK 95 million which is a good result. Since the division in 2010, costs have been lowered and the number of staff has been reduced by over 100 employees. Considerable moderation in terms of expenditure and traffic growth are the two main reasons for the good result.

The total effect of the improvement programme will reach SEK 350 million during the period 2013-2017. This is required in order to be successful on the privatised market and to achieve the EU’s goal regarding lower fees for air navigation services.

We are on our way towards our goal; but our cost situation is still too high and there is still a lot left to do. This is mostly visible through procurement tenders which have been unsuccessful coupled with high charges.



Image Matz Glimhed

LFV and Naviar have embarked on a project which aims to assess structural change opportunities, in order to lower en route charges. This operational analysis which started in December will, together with the continual improvement programme, bring about concrete changes which lower costs.

Does LFV fulfil the EU's performance demands?

Our punctuality is good and 99.8% of en route movements do not experience any delays as a consequence of air traffic control. It's a high number; nevertheless it's what our customers expect. A regularity disturbance, for example, the radio failure on 17 August, quickly leads to considerable consequences for air traffic.

We have, up until now, achieved both flight safety and capacity goals with good margins. The financial goal for 2013 has also been achieved, which means that unit costs have been lowered by about 3.5%.

It takes time to carry out expenditure cuts in a labour-intensive organisation, but there is an expectation both from the airlines and airports to lower prices and charges. The EU has also made clear demands on LFV to lower costs for en route operations.

Is the safety culture sound at LFV?

As an a former air traffic controller, flight safety protocol is second nature to me. Also, when I had responsibility for airport operations, safety work continued to be the highest priority. Flying is definitively, one of the safest ways to travel.

In its report concerning the military aviation accident in Kebnekaise in March 2012, the Swedish Accident Investigation Authority has pointed to deficiencies in the Norwegian Armed Forces and LFV. We have taken measures to mitigate future incidents. Further recommendations from the Swedish Accident Investigation Authority will be implemented in cooperation with the Swedish Transport Agency.

Aviation is the safest form of transport. Sweden is doing well and LFV has an important role in the flight safety chain. At the same time, those of us who work with safety know that it is a never-ending battle. Within LFV, we are humble in the knowledge that continued, high, flight safety demands a colossal amount of work – and continuous observation to prevent incidents. We see a high incident-reporting rate, as a good sign of the continued willingness to prevent serious problems occurring.

Will LFV conduct research?

Without specific funding, LFV cannot continue to conduct research in the long-term. We welcome, therefore, that the Government through the Swedish Transport Administration has earmarked funds for research and innovation within aviation.

The EU wants to streamline and harmonise air navigation services in Europe. What is LFV doing?

Sweden and Denmark share a common airspace block and LFV and Naviar's joint company, NUAC, operates air navigation services in the airspace above both countries. Through harmonisation and integration, effectiveness inevitably increases. In Danish-Swedish airspace, 'direct flight routes' are used and work is underway to introduce this concept in our neighbouring countries such as Norway and Finland, amongst others.

LFV has been a driver in the work to create a joint air navigation system. Coopans now exists in Austria and Ireland as well as Sweden and Denmark and will be installed in Croatia during 2014. Through Coopans, five countries are now able to share the costs of development.

The Scandinavian air traffic academy, EPN, is located at Sturup. The organisation is also run in Hungary and from the beginning of 2013, Ireland is also a joint owner in the venture. This, as well as numerous training programmes for

other nations, is a good sign of an effective and quality-aproved organisation.

LFV sees considerable advantages in developing international cooperation. Both air navigation systems and education are sufficiently costly to warrant the need for resources to be made use of collectively.

For the aviation industry's advancement, we strongly believe in our new remote tower technology, which contributes to smaller airports being able to survive and develop. Norway and Australia are testing the technology. For Sweden's image, it's positive that the technology is being developed in collaboration with Saab. This strengthens Sweden's role as a leading country in terms of technology. Our development work must be conducted with clearly-defined relationships and business agreements.



Will LFV be active on the international market?

Our instruction on this point is crystal clear – yes, we will. In the past few years, we have had considerable success on the international market. Since 1 May we supply, together with a local partner, air navigation services in Abu Dhabi and at a number of airports in the United Arab Emirates. LFV also provides flight calibration services, as well as supplying air traffic controllers to Norway. Green Flights in Indonesia coupled with the construction of an aviation authority in Ukraine, are examples of other exciting projects.

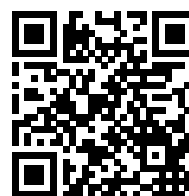
The domestic market will dominate and is, of course, our highest priority. But the international market is an important complement which contributes with competence development and lucrative business.

As manager for a number of regional airports in LFV, I was first vice chairperson and subsequently chairperson for two years in the Airport Council International's organisation (ACI) for small and medium-sized airports. We were a group of 130 airports which wanted both to maintain low costs for air navigation services and in Sweden, to contribute a one-man service in smaller towers to a high level of effectiveness. I would like to underline that even our contracts abroad must be profitable.

Which are the biggest challenges facing LFV?

As new director general I need to immerse myself in how the organisation works in relation to the goals and strategies. With the help of interviews, we create a common awareness of the interplay between goals, strategies, leadership and organisational structures. This will lead to a general plan of action which contains suggestions for improvements and efficiency measures. It is a question of adapting to external demands, so we are competitive both nationally and internationally. There is pressure at European level to reduce costs within en route. Many compare the charges with American prices which are significantly lower.

My hope is that you, together with me will create a strong and competitive LFV!



Using the annual report as a foundation, from 14 March you can find a digital, organisation presentation including an interview with Olle Sundin amongst other interesting information. Simply, scan in this code.



LFV handled 700,000 airspace movements in 2013

LFV is a state-owned public enterprise with around 1,250 employees which provides air navigation services for civil and military traffic at 30 locations from Malmö in the south to Kiruna in the north. LFV handles almost 700,000 airspace movements a year and the turnover amounts to SEK 3.1 billion.

Together with airlines and airports, LFV is working to continue aviation's contribution to Sweden's development by offering fast and secure air transport. Aviation creates access to Sweden and within the country itself. LFV is one of Europe's leading players in the field of air navigation services and works to find solutions for even safer and more cost-effective air traffic.

Punctuality

Air navigation services en route have run smoothly during the year without any significant disturbances. 99.77% of almost 700,000 flights during 2013 were entirely unaffected by Swedish en route restrictions. The average delay in Swedish airspace amounts to less than 2 seconds; well under the performance plan's goal of a maximum of 9 seconds' delay.

Arlanda Tower experienced a radio disturbance on Saturday 17 August. The radio failure caused limitations in air traffic movement at Arlanda for five hours due to flight safety reasons. An investigation was conducted and measures taken so that the disturbance does not repeat itself.

Kebnekaise

The tragic air traffic accident in the Kebnekaise massif involving a Hercules aircraft from the Norwegian Airforce on 15 March 2012 continued to influence LFV's flight safety work during 2013. The Swedish Accident Investigation Authority (SHK) published their final report on 22 October 2013. The report concluded that the accident was not caused by a single factor but rather numerous conditions coinciding at one point in time which led to the accident.

The investigation stated that organisational safety deficiencies and deficiencies in working methods both at the Norwegian Airforce and LFV existed and contributed to the incident cycle. Since mid-2012, LFV has, based on its own incident investigation, enforced a number of measures to improve routines and eliminate the deficiencies we have identified ourselves. This is complemented by further progress in the work with the recommendations the Swedish Accident Investigation Authority has directed to the Swedish Transport Agency regarding LFV operations.

Incident reporting

In order to maintain high aviation safety, it is extremely important that incidents are reported. Everyone who works within aviation is responsible for reporting incidents which affected or could have affected flight safety and the range of incident subjects is wide. Everything from accidents to operational deficiencies are reported. LFV has, for many years, worked actively with the development of our safety culture with respect to encouraging all employees to report incidents and weaknesses as well as suggest improvements. Within LFV, the willingness to report is still high; a pre-requisite for proactive, flight safety work.

During the year 2,000 incidents were reported within LFV, which is the same level as last year. LFV's reporting comprises both events in which we were instrumental in the outcome and events in which the causes were outside our remit. In this way, LFV contributes to providing the Swedish Transport Agency with a sound picture of the level of safety in the aviation industry.

High flight safety

The aviation industry's high safety awareness and the systematic work that is constantly being done to rule out all conceivable risks, has created a safety culture that is reflected in our day-to-day work. This safety culture, in combination with a strict international regulatory framework, has made flying the safest of all means of transportation. The effort to ensure and improve aviation safety is a cornerstone for all operations within LfV.

Eurocontrol has conducted an evaluation of LfV's safety culture according to a model which, for many years, has been used for air navigation service providers in Europe. It was carried out using surveys and later complemented with regional workshops. The overall assessment concluded that LfV has a sound safety culture but certain areas for improvement were identified. In total, the evaluation resulted in nine recommendations for LfV and these have been integrated into LfV's Flight Safety Plan for 2014-2018.

LfV's Flight Safety Plan is an important tool to steer our systematic, aviation safety work. Our cooperation with the Swedish Armed Forces has increased. During the year, much work has gone into further development of a harmonised system for safety management within the Danish-Swedish functional airspace block (DK-SE FAB) together with Danish Naviar and our joint subsidiary NUAC. During 2014, work will continue to harmonise regulations and working practices.

LfV's flight safety goals

The Swedish Transport Agency has stipulated the goal of a maximum of 1.45 separation violations occurring at classification A or B in 'overflight air' per 100,000 flight hours in the DK-SE FAB. During 2013, only one event occurred which was calculated into the goal, meaning that this objective was achieved by a good margin. Within LfV, a total of five incidents occurred last year in which ATM had a contributory factor (two A and three B classifications), compared to four in 2012.

The number of separation violations stood at 15 reported cases during 2013. During the year, 100 runway incursions were reported giving an increase of 10% of which LfV had a contributory role in 16 cases. The majority of cases happened during the first few months of the year. This break in trend was swiftly identified and during the spring, a comprehensive analysis of all runway incursions 2012-2013 was compiled to determine the reason for the increase. However, the analysis could not identify an unequivocal reason for the rise. The Production unit sent out information regarding runway incursions and the analysis report at the beginning of the summer. In the last half of the year, the number of incidents returned to a level close to the five-year average and the area is still being monitored. See the diagram on the right.

All incidents are reported in order to increase safety. Serious events in which LfV has been a contributory participant, always result in an internal, comprehensive investigation where focus is given to our role in the sequence of events. In addition to these, further investigations of other incidents are also conducted which are considered to provide an opportunity to gain knowledge and experience. During 2013, 12 investigations were carried out.

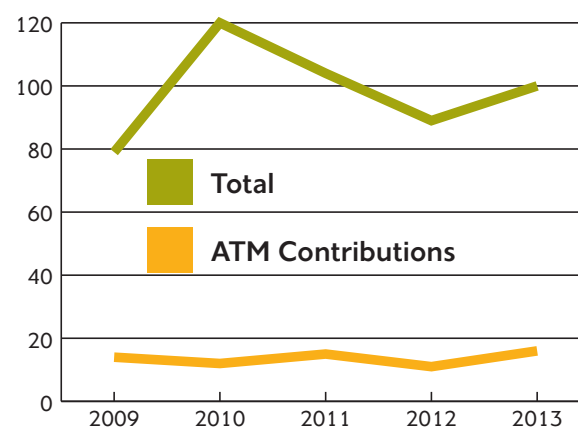
Reducing aviation's impact on the environment

LfV has worked for many years to achieve a more efficient airspace; implementing initiatives from more direct flight paths to better timing of flights. Cooperation with Danish Naviar has meant that more direct flight routes can be offered in the entire DK-SE FAB. Eurocontrol has estimated that the shortening of flight paths by 6,500 km lowers fuel consumption by 20 tonnes and reduces CO₂ emissions by 70 tonnes. Every day.

The project EcoDescend was implemented in Gothenburg during 2013. This involved lower approach speeds to the airport and has been estimated to save 800 tonnes of CO₂ yearly at both airports in Gothenburg. The reduction in speed was barely noticeable for the passengers in terms of arrival times however, the impact on the environment was extremely positive. In January this project was made a permanent feature at both Göteborg Landvetter and Göteborg City airports. The aim is to introduce EcoDescend in the whole of Sweden and create interest for the initiative further afield in Europe.

During 2013, direct points were also introduced on the long final approach to Skellefteå which comprises shorter approaches to the airport. Full construction signifies savings of around 110 tonnes CO₂ per year. These are just two examples. Many more can be found on LfV's website.

Reported runway incursions 2009-2013



Civil/military integration

Since 1 January 2008, LfV has overall responsibility for air navigation services during all stages of readiness for both civil and military aviation. Since the 1970s, LfV has operated an integrated civil-military air navigation service and LfV provides air navigation services for both civil and military aviation. Air navigation services are performed for military aviation at military airports, at certain civilian airports, as well as in the airspace itself because the Swedish Armed Forces do not have their own air navigation services in Sweden.

LfV has a well-developed cooperation with the Armed forces at both a strategic and tactical level, as well as in the operational production of air navigation services. Collaboration with the Ministry of Defence includes total defence cooperation in order to plan and carry out preparations to handle situations during peace time and exercises, as well as on high alert and at war. The Swedish Armed Forces are once again represented on the board of LfV.

Far-reaching cooperation

Cooperation permeates almost all areas of air traffic control and aims to create a robust air navigation service for both civil and military aviation. This cooperation also includes the training of LfV's air traffic controllers to ensure the necessary competence to handle upcoming military traffic and the training of the Swedish Armed Forces' reserve officers in air navigation services.

Cooperation on technology and systems is far-reaching and complex because the common system and technology form one of the cornerstones of civil-military integrated air navigation services. In large part, the systems and technology are shared and we also have systems installed in each other's facilities.

As of 2012, LfV is an authority with specific responsibility for crisis readiness and with particular responsibility prior to and during alerts. LfV also engages a duty officer (TiB) and has developed its collaboration with the Swedish Civil Contingencies Agency (MSB).





Slight increase in air traffic

During the year the number of flight movements in Swedish airspace increased to 694,000. This was an increase of almost 1% compared with 2012. Behind this increase, an air traffic year with many traits can be seen. The first quarter was characterised by a considerable slump in air traffic. During the summer and beginning of the autumn air traffic saw an increase, whilst at the end of the year the trend was expectant.

Positive international traffic

International traffic was the sector which increased most positively. The rise for the whole year was over 2%, totalling 255,000 movements. The Swedish demand is predominantly focused on international travel. Ticket prices during the summer were at an all-time low which increased demand. Southern Europe's economic slump however continues to inhibit international air traffic's progress.

For overflight traffic, aircraft which neither starts nor lands in Sweden, the year ended with a decline of a few hundred movements resulting in 290,000. Overflight traffic accounts for 42% of the total air traffic volume in Swedish airspace and an even larger part of LfV's en route income. The continued weak economic development in Europe, combined with a curb in growth in Asia has a negative effect. There are situations in which airlines deliberately avoid Swedish airspace due to the relatively high, Swedish, en route charges. Domestic traffic remains steady when compared to last year, at around 149,000 movements.

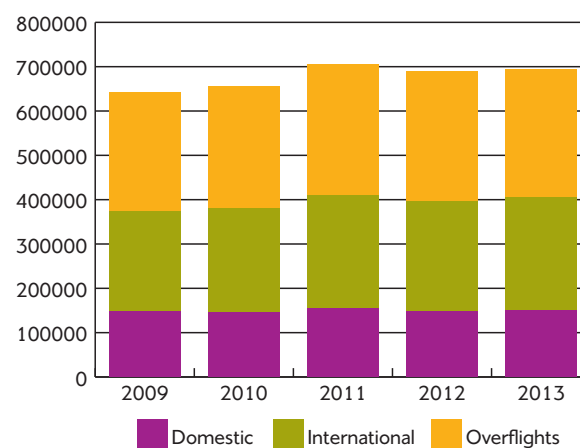
The number of international passengers increased by 6%, whilst the number of domestic passengers rose by 1%. Higher cabin factors and larger aircraft explain the differing developments of airspace movements and passenger numbers. At Swedavia's ten airports around the country, the number of passengers rose by 4% during 2013 to a total of 33.4 million.

Weak rise in air traffic

The Swedish market experienced sluggish growth, whilst developments in Europe have been mixed. Europe as a whole, showed a decline of around 1% in 2013. A number of countries in southern Europe are experiencing weak traffic growth.

Other countries, such as Turkey, have seen good growth in air traffic. Turning to Sweden's neighbouring countries: Norway, Latvia, Lithuania, Poland and Denmark all saw an

Movements in Swedish airspace 2009-2013



increase in air traffic; whilst Finland, Estonia and Germany's figures declined.

Traffic trends remain favourable in Asia, South America, the Middle East and Africa. Countries which stand out showing continued, strong, traffic growth are China, India and Brazil. A growing middle class has the desire to fly. On a positive note, the price of aviation fuel decreased and is not expected to increase in the foreseeable future.

Europe's weak economic situation has made it difficult to judge the pre-requisites of air traffic in Swedish airspace. For 2014, LFV is forecasting a growth of 1.6% and for the period up to 2018, the number of airspace movements is expected to increase by an average of 1.7%.

Local air traffic control

From a European perspective, Swedish air navigation services is the most privatised and accessible market for new actors. Currently, only LFV and ACR provide air traffic control services, whereas numerous actors supply support services.

During 2013, LFV continued to be the leading actor for local air traffic control services and other support services for Swedish airports. LFV works actively to streamline operations and intensify customer care and marketing. Confidence in LFV has been renewed through the signing of new contracts with Göteborg City, Halmstad, Linköping, Ljungbyhed, Sundsvall-Timrå, Ängelholm and Örnköldsvik. On a positive note, even small airports now have quality and regularity demands as a parameter in their procurements. ACR took over air traffic control operations at another five airports on 1 January 2014, namely Skellefteå, Kalmar, Jönköping, Norrköping and Karlstad.

Swedavia is LFV's biggest customer in the area of airports and the cooperation is both sound and constructive. The work to adapt different products to customers' requirements, both technical and operative, will continue and intensify.

Remote-controlled towers

The contract for local air traffic control at Örnköldsvik and Sundsvall-Timrå Airport is valid until March 2018 and is an important step to be able to test our new product, Remote Tower Services (RTS). The Swedish Transport Agency's decision to allow air traffic control to and from Örnköldsvik from the control centre in Sundsvall was valid during the test period which ended on 28 February 2014. LFV hopes that an operations approval will be issued in the next few months. This will increase our competitiveness on the market. Simultaneously, the work continues to develop the concept both in terms of efficiency and flight safety.

Entry Point North

LFV's directive stipulates that we work both in Sweden and internationally. The company, Entry Point North (EPN) trains air traffic controllers and is situated at Malmö Airport. The academy was established in 1974 but the organisation has

been operated by EPN since 2006. The company is owned, a quarter each, by the founders LFV, Danish Naviar, Norwegian Avinor and since the beginning of 2014, Irish IAA. At that point a new academy was introduced in Ireland as part of the EPN family. Since 2011, the academy in Budapest, owned by both EPN and the Hungarian ATS provider, has been operational.

At the academy in Malmö, foundation courses in air traffic management are conducted for the owner organisations. Many additional courses for other countries at both basic and advanced level are also delivered. At the moment there are 28 Saudi Arabians enrolled on a two-year training programme. It is hoped that the academy in Ireland will attract further market interest.

International business

LFV's wholly-owned subsidiary, LFV Aviation Consulting AB, has provided service export in civil aviation since 1982. The company has broad experience of international projects in the fields of airport and air navigation services but also the setting up of various administrative functions.

During 2013, a ground-breaking contract was signed together with a local partner, for the provision of air traffic control at five airports in Abu Dhabi. The operative management takeover took place on 1 May and is, for the most part, Swedish. The contract is for five years and as an upshot of the operative management, a contract was agreed to carry out procedure construction for the management of a third runway at Abu Dhabi International Airport.

The company's presence in Norway has been strengthened by the signing of two, new framework agreements; on the one hand for the construction and facility at Oslo Gardermoen and on the other, within technical support for a new air navigation system for Avinor. Additionally, agreements for the provision of three air traffic controllers to be based at the control centre in Røyken outside Oslo as well as a 3-year flight calibration assignment for all Norwegian airports, were signed. Today the company has contracts for flight calibration in Latvia, Lithuania, Denmark and Jordan as well as Norway.

Within the framework for Eco Airports and Green Flights, extensive sustainability work for the Indonesian Ministry for the Environment and Indonesian Aviation Authority was conducted during 2013. The two-year assignment will end during 2014 with the arrangement of a large seminar focused on sustainable aviation.

During the year, projects within aviation authority formation and regulation have been carried out. One of them, aimed to adapt Ukraine's aviation to the EU's regulatory framework, ended in 2013.



Investment in research and innovation

The EU Commission is driving the development of the Single European Sky (SES) initiative to reform and harmonise European air navigation services. This happens mostly at the level of legislation and has thus created a regulatory framework which affects LFV in various ways. Legislation creates demands on the quality which LFV delivers. Performance management also defines the pre-requisites for the income LFV can generate for the en route segment.

Performance management

As a part of the EU's management of air traffic service providers, goals regarding capacity, cost-effectiveness, the environment and aviation safety have been set. For reference period 1 which covers the period 2012-2014, national goals concerning capacity, cost effectiveness and flight safety were determined. The cost-effectiveness goal comprises a reduction of 3.5% a year for en route costs.

EU goals for period 2, that is to say the period 2015-2019, will be defined early 2014. The objective is that the EU goals are broken down into functional airspace blocks. In addition to goals regarding capacity, cost-effectiveness and flight safety, the intention is to also determine environmental goals. The environmental goals deal with the follow-up of deviations relatively planned flight routes and the closest flight path. The capacity goal is augmented with a demand for terminal supervision for airports with more than 70,000 movements per year.

ATM Master Plan

The EU, Eurocontrol and the aviation industry has a collaboration under the name of Single European Sky ATM Research (SESAR). Together with a consortium of interested parties, systems and components are being developed for future air navigation systems. The EU intends to implement the results from SESAR in a period extending to 2020.

LFV actively participates in the work and around 40% of development operations are externally funded by the EU through the SESAR project. The research and innovation organisation comprises 80% of the work within SESAR. Re-

mote Tower Services is a project with the aim of developing technical aids and operative concepts, which the EU hopes can bring about streamlining to achieve a cost reduction and lower fees for the users. LFV financed a part of the Swedish Defence Research Agency (FOI) budget which totalled approximately SEK 80 million during 2013.

Allocation of SEK 50 million

The possibility for LFV to finance its development organisation using en route charges decreases in line with SES statute demands to reduce costs. Another contributory factor is the privatisation of local air navigation services which puts high demands on LFV to be competitive. Customers, predominantly the airlines through organisations such as IATA, are driving the demand for a reduction in charges.

The Government has also decided that the aviation industry's Swedish Defence Research Agency operations will be funded through grants. An allocation of at least SEK 50 million, earmarked for the Swedish Transport Administration means that LFV will most probably be able to continue its development operations to the same extent as in previous years. There is a continued need to develop the air traffic flow in the Stockholm and Öresund regions due to the environmental demands and to maintain high capacity. Focus will also be directed to flight safety projects.

Three harmonisation initiatives

With the aim of streamlining and harmonising the organisation, LFV has, together with other partners, embarked on three sizeable initiatives. Since July 2012 NUAC, on behalf



of LFV and Naviar, operates the production of air navigation services en route and the bigger terminal controls are managed from Stockholm, Malmö and Copenhagen's control centres. The joint company works with harmonisation in order to streamline operations with the same or increased flight safety. A project to analyse and evaluate the opportunity for structural changes is actuated.

Coopans is a collaboration between air navigation service providers which aims to lower costs through coordinated development and implementation of a common air navigation system. As well as LFV, Naviar, IAA, Austrian Austro Control and Croatia Control are partners in the venture. During 2014, all participants will have launched the same system which will create the conditions for continued harmonisation.

Together with Danish Naviar and Norwegian Avinor, LFV operates Entry Point North which, on a commercial basis, sells air traffic controller training to the joint owners and external customers. From 1 January 2014, this cooperation has increased with the involvement of Irish IAA. In addition to the academy at Malmö Airport, there are now schools in Ireland and Hungary.

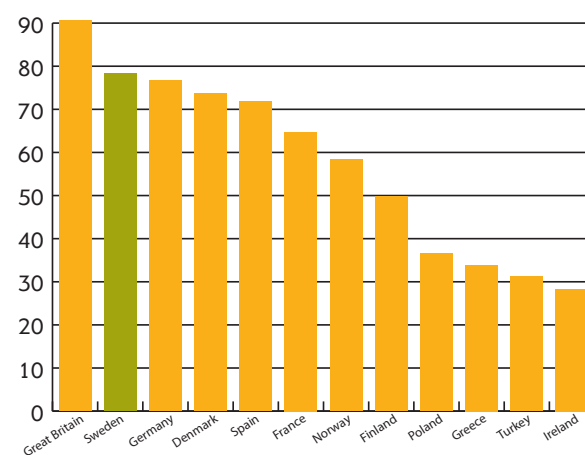
En route charges

In Europe, a high correlation exists between the en route charges in the central block of countries. France, Germany and Spain and the three Scandinavian countries now have en route charges between €64.76 (Norway) and €78.23 (Sweden). The average charge among these is €70.57.

Sweden is at €78.23, somewhat above the regional average and higher than both Norway and Denmark. One of our neighbouring countries, Poland, has an en route charge of

€36.56. The charges are not entirely comparable however, since there are differences in the demarcation between overflight and local air navigation services in different countries. LFV is working actively, through its change programme amongst other measures, to lower operational costs and thus contribute to a lower Swedish en route charge during the next reference period.

En route charges 2013 in Europe (euro/service unit)



En route charges per service unit in some European countries in 2013. The Swedish charge amounted to €78.23, of which €63.88 comprised LFV costs. The average charge levied in Eurocontrol countries was €52.17. The cost for a flight is based on the en route charge, the stretch flown in the country's airspace and the weight of the aircraft.

A photograph showing two women in the foreground, smiling and looking towards the left. They are in a control room or office environment with multiple computer monitors in the background. One monitor shows a flight simulation or radar display. The text 'New director general and a new organisation' is overlaid on the image.

New director general and a new organisation

The new aviation legislation (2010:150) meant that LFV was exposed to market competition regarding local air navigation services at all airports in Sweden. In order to illustrate the consequences of this change, an investigation commissioned by the government was carried out and submitted in the spring of 2012 'Roadmap for the Future – a developed air navigation service (SOU 2012:27)'. The investigation highlighted LFV's organisational structure, the consequences of an integrated civil-military air navigation service and necessary measures to minimise risks for possible goal conflicts.

In June 2013 parliament announced that the local air navigation services at Sweden's airports, the military airports and the airports needed by the Swedish Armed Forces, as well as airports within the collective terminal area will henceforth be run by LFV. This announcement implies changes of the aviation act and aviation ordinance. On 27 January LFV submitted a report to the government presenting how a partial re-regulation could be managed. It describes how cost-effectiveness can be maintained for those services which LFV will provide with sole rights. Transport Analysis and the Swedish Transport Agency have also been charged with an assignment which will form the basis for the government bill regarding the future of air navigation services which is expected in March.

New director general and board of directors

Director General, Thomas Allard, left his post on 18 April 2013. In tandem with this Jan Olson was appointed as the new chairperson and finance director, Mikael Larsson was appointed as interim director general. The board which assumed responsibility on 1 July 2013 has a number of new members. The Swedish Armed Forces are once again represented on the board which strengthens the unique Swedish solution with a civil-military integrated air navigation service. In September, Olle Sundin, Airport Manager at Bromma was appointed new director general. He assumed his post on 16 December and in parallel, Mikael Larsson was appointed deputy director general.

LFV is driving organisational change to strengthen its position as a leading air navigation service provider with maintained competitiveness on the market. In May, a restructuring of the organisation consolidated LFV's production to one department. Furthermore, new Market and System & Development departments were created.

New departments

The Production Department manages air navigation services for civil and military aviation. The organisation comprises air traffic control services, flight briefing services and flight weather services. Further, organisation-oriented support services for air navigation service production and the aviation industry, such as training and different types of safety functions are supplied.

The System & Development Department operates communication, navigation and monitoring services. The department is also responsible for LFV's administrative information technology as well as development operations and system procurement. LFV's technical equipment for air traffic control services, flight briefing and weather services are also within the remit of this department.

The Marketing Department is responsible for LFV Group's marketing plan and product portfolio as well as for the compiling of proposals. The department also answers for LFV's marketing and sales in Sweden. It will also develop and coordinate the group's international involvement and commitments within the framework for European cooperation.

In addition to these operations, we have a unit for Quality, Safety and Environment (QSM) and group functions for Economy, HR, Communications and Legal Affairs as well as joint service functions (GSF) which supply various administrative support services to both LFV and the Swedish Maritime Administration. During 2013, LFV had 1,084 full-time employees which is a decrease of 34 compared with 2012. The total number of employees at year-end is 1,280.

Culture and employeeship

Employeeship is important for LFV. Through the feelings of commitment and pride, employees develop an ambassadorship for the organisation. During the year our Code of Conduct, LFV's identity and approach have been realised. The aim is to translate the Code of Conduct into the organisation and into how we react in terms of customers' expectations as well as the organisational and operational expectations. Values and approaches are followed up through appraisals and employee surveys.

LFV will have a leadership function which can meet the future, has a customer focus and acts in a commercial manner. An important part of the leadership function is to develop an Employeeship which can meet changes head on and have the ability to drive efficiency measures. During the year a foundation programme for managers has been conducted which has given leaders the pre-requisites to understand the business plan linked to their own operations, knowledge and an understanding for the role of an employer, value-based leadership and communications.

Nine High Potentials have completed a programme which prepares leaders for future leadership responsibility and develops project leadership. Senior Potentials have participated in the Mentor Programme and received an increased understanding of other operations as well as perspectives from external mentors. During the year, a joint group skills supply plan has been worked out.

Air traffic controller training

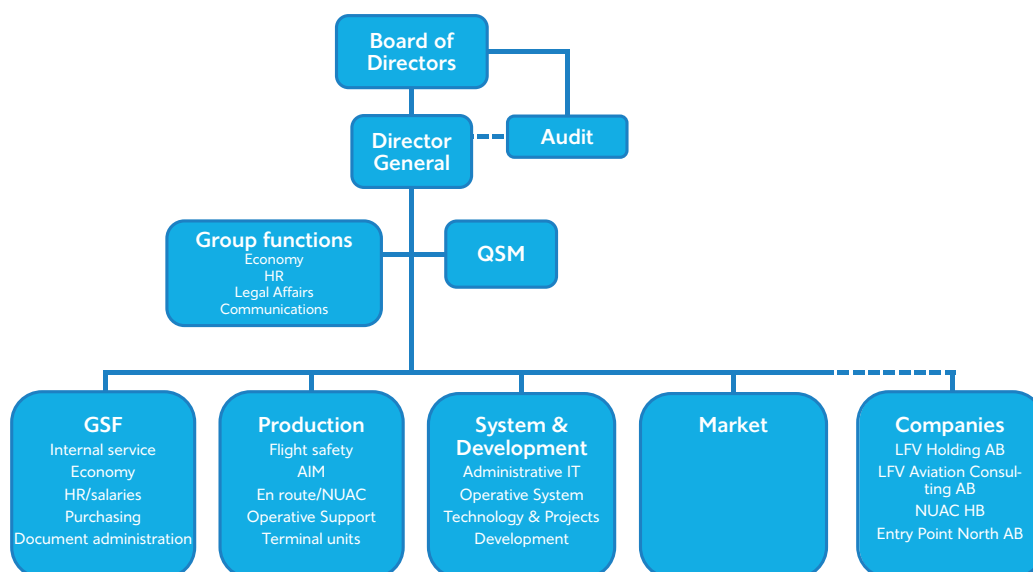
In January 2012, the new air traffic controller programme at Linköping University began. The first three terms will be delivered at Campus Norrköping and then the programme will be divided into two specialisations. The air traffic controller specialisation means that the students will continue their training at Entry Point North AB, to later become air traffic controllers. The other specialisation continues in Norrköping with Air Traffic & Logistics for a further seven terms to complete the under-graduate programme.

During the autumn of 2013, the students performed their degree project within LFV which ended in Unit Training at the organisation.

Contract negotiations

This year's contract negotiations have centred on discussions regarding salary and employment criteria for the contract period 2013-2016. Individual salaries have been reviewed for 2013/2014. The tariff contract for operative personnel has been hit for 2013-2016.

LFV has a high ambition to prevent ill health. Working environment issues are included as a natural dimension to create a safe environment, job satisfaction and motivation which in turn lead to the positive results in our organisation. Certified working environment training is continually carried out locally in order to be able to delegate working environment tasks; a pre-requisite for systematic working environment assignments in the organisation. This work results in low absence due to illness and few rehabilitation needs. During 2013, absence due to illness increased to 2.42% from 2.26% during 2012. Long-term absence has increased in the age-group of over 50s but from an originally low level. Absence due to illness is higher within the administrative functions than in the operative departments.





Income Statements with Comments

2013 was, from a financial point of view, the best year yet after the division of LFV. LFV's profit after financial items amounted to SEK 95 million which is a significant improvement compared to 2012 when the profit was SEK 9 million. The improvement is mainly due to the increased pension costs paid the previous year. Also lower personnel volumes and an increased traffic volume contribute to the enhanced result.

Lowered costs

The year began on a weak note but in tandem with air traffic taking a turn for the better from April, the economic forecast also improved. In a positive vein, the continued restructuring is still having a sound impact through costs being streamlined. In the long-term, costs have to be lowered even further. Sweden's en route charges are currently higher than those of our neighbouring countries which means that airlines choose to fly outside Swedish airspace. The performance plan for en route, reference period 2, will put further demands on higher cost-efficiency as well as competitiveness within local air traffic control. As a consequence of the continued restructuring, reservations for personnel adjustments are included in the final accounts.

As of 2012, the EU's, fixed, performance-based pricing of air navigation service en route began. This involves payment in advance for the entire reference period (2012-2014 at the moment). Air navigation service providers bear the risk for

deviations in the pricing, traffic volumes, etc. Compensation is only feasible for so-called uncontrollable costs (changes in the calculating system with regards to pension costs) as well as partly for traffic volume changes. This year's operating revenue, holds a reserve of SEK 89 million for uncontrollable costs related to pension dues for 2012. With the uncertain nature of the amount in mind, and that the final balancing will happen after 2014, an equivalent amount has been reserved as an uncertain demand. A rise in interest during 2014 would have a positive effect on pension costs.

Operating revenue

Operating revenue amounts to MSEK 3,093 (3,076). A number of reasons, of accounting nature, influence the size of revenue.

- NUAC took over all operational activities for air navigation services en route in Swedish/Danish airspace from 1 July 2012. This means that LFV receives compensation for the

staff and the other services which NUAC purchases from LFV, whilst LFV pays compensation to NUAC for services rendered. Revenue rose to MSEK 293 compared to the previous year.

- Both last year's and the previous year's revenues included reserves for 'uncontrollable costs' (pension costs) which are constantly allowed to be compensated via the fee system for en route charges. The previous year's reserve was however higher than in 2013 which signifies a reduction in revenue to MSEK -204.
- Lower inflation affects the revenue from en route charges, MSEK -40.

Excluding the above, operating revenue is lower than the previous year despite increased traffic volumes and an increased international export organisation. This is mostly due to lower revenue from cost-based charges.

Revenue from en route charges is the dominant item for LFV, accounting for around 55% of the total turnover. In addition, 25% corresponds to compensation from NUAC. The remaining revenue refers to compensation for local air navigation services, in the form of terminal fees at Stockholm Arlanda and Göteborg Landvetter airports – which stands at approximately 15% and commercial/other income totalling around 7% of the operating revenue. Commercial revenue comprises international assignments via the subsidiary LFV Aviation Consulting AB, whose turnover during 2013 increased by almost MSEK 30, predominantly due to the assignment in the United Arab Emirates.

Operating expenses

Operating expenses amount to MSEK 3,016 (2,720). Services purchased from NUAC have accounted for MSEK 300 higher expenses. Another MSEK 89 is due to the reserved compensation for uncontrollable costs as an insecure demand since this is not balanced until after 2014. Excluding these comparison-disruptive items, the cost level is lower than the previous year. Measures within the continuing re-

structuring programme are still having effects. For example, the number of staff decreased by 34 full-time employees compared to 2012. Also, other expenses have been lowered due to rigorous prioritisation in the procurement of external services.

Staffing costs dominate LFV's operating expenses and correspond (including the interest in pension costs) to more than 50% of the total costs. Diverse external running costs add up to more than 40% of the total costs, of which half is in the form of payment to NUAC. The most prevalent external running costs comprise the operations and maintenance of LFV's infrastructure facilities for air traffic control and flight safety. Depreciation on capital assets accounts for over 5% of the costs.

Financial items

The sum of financial items and costs amounted to MSEK 16 (-348). The previous year was charged by a one-time payment amounting to MSEK 315 regarding the pension-debt due to the reduced interest rate.

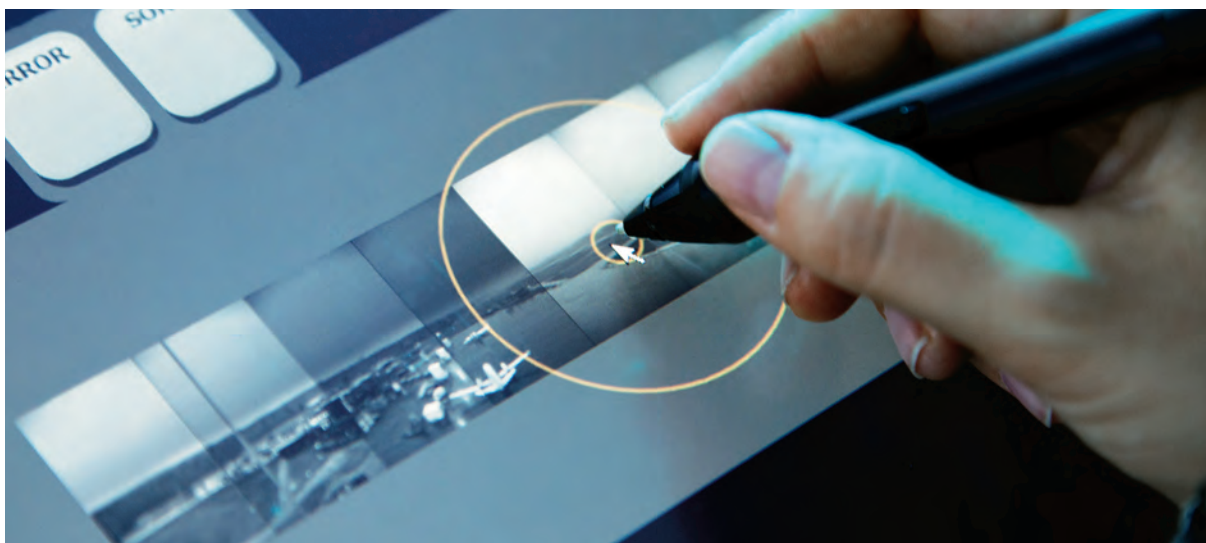
The net financials include interest income of MSEK 50 (51) and interest costs of MSEK 33 (399). Financial income refers primarily to interest on LFV's liquid assets. The costs consist almost exclusively of the financial portion of the pension costs.

LFV Holding AB

Included in LFV Group's results are the results from subsidiary and associated companies combined in the holding company LFV Holding AB.

LFV Holding was established in 1995 to coordinate and manage LFV's corporate operations. LFV Holding consists of the parent company, the wholly owned subsidiary LFV Aviation Consulting AB, as well as the associated companies, Entry Point North AB and NUAC HB.

The business had a turnover of MSEK 48 (20) and the profit after financial items was MSEK 0 (-5).



STATEMENT OF INCOME (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2013	2012	2013	2012
Operating revenue					
Aviation revenue	1	2 170	2 432	2 170	2 432
Other operating revenue	2	922	644	902	640
Total operating revenue		3 093	3 076	3 072	3 072
Operating expenses					
Staff expenses	3	-1 519	-1 553	-1 504	-1 543
Various external expenses	4	-1 320	-979	-1 311	-975
Depreciation/amortisation and write-downs of tangible and intangible fixed assets	5	-177	-188	-177	-188
Total operating expenses		-3 016	-2 720	-2 992	-2 706
Profit on holdings in associated companies	6	2	2	-	-
Operation profit		79	357	80	366
Profit from financial investments					
Dividends from subsidiaries		-	-	-	-
Interest income	7	50	51	47	48
Interest expenses and similar items	8	-33	-399	-33	-399
Summa finansiella poster		16	-348	14	-351
Profit after financial items		95	9	94	15
Income tax and tax equivalent	9	-21	-5	-	-
Profit for the year		74	5	94	15

Balance Sheets and Financial Analyses with Comments

LFV's investments amounted to MSEK 90 (MSEK 100). The largest investment regards the continued development of the air navigation system, Coopans.

The purpose is, together with other suppliers of air navigation service, which have the same type of equipment or system suppliers, to develop the next generation of air navigation systems and a common technical platform for the possibility of sharing future costs for maintenance, development, training and competencies. LFV (Sweden), Naviar (Denmark), IAA (Ireland), Austrocontrol (Austria) and Croatia Control Ltd. (Croatia) are members.

Other major investments include the development of remotely controlled towers, RTC (Remote Tower Centre); LFV-ATN and the continued exchange and upgrade of radio stations.

Other long-term receivables

From 2012, LFV's revenues deriving from the en route operation follow a new tariff model within the European Union, which means that the principle of full cost recovery has been replaced by a model of risk sharing between the provider of air traffic services and the airlines. The conditions are set out in a national performance plan. Risk sharing applies to variances in traffic forecasts, where the supplier is responsible for the entire risk up to 2% of deviations from the forecast in the performance plan, and between 2-10% the supplier bears 30% of the risk. Further, an exception is made for uncontrollable cost increases. In Sweden, changes in pension costs belong to this category.

LFV has chosen to periodise previous years' and this year's deficits over a five-year period which are reported under "Other long-term receivables". This year these have decreased from MSEK 648 to MSEK 588. The decrease relates to MSEK 46 risk-sharing between suppliers and airlines according to the national performance plan and MSEK 106 pertains to a decline in the previous years' receivables.

Allocations to pensions

The National Government Employees Pensions Board (SPV) decided in October 2013 to change the calculation basis

for the calculation of obligations of the public enterprise's commitments concerning pension allocations. The new calculation basis has a higher real gross interest 0.5% (0.4%) but an unchanging real net interest -0.1% (-0.1%). The net interest rate is the interest rate that affects the size of the calculated obligation. The new calculation basis applies as of 1 January 2014 but may be applied earlier. LFV has applied the new bases in the final accounts for 2013.

The year's pension obligation including payroll tax amounted to MSEK 4,411 (MSEK 4,027), an increase of MSEK 384. The increase corresponds to indexation and interest, MSEK 41; disbursed pensions, MSEK 47; returned ÅPF-debt due to operational transfer, MSEK 24; as well as this year's accrued pension benefits and other changes MSEK 414. All amounts are inclusive of payroll tax.

Liquidity

Liquidity in the LFV Group is good and amounts to MSEK 3,325 including short-term investments corresponding to an increase of MSEK 733.

Distribution and tax

The tax equivalent for the year amounts to MSEK 21 (MSEK 5). The tax equivalent is calculated according to government guidelines. During the year, subsidiaries have paid MSEK 0 (MSEK 0) in income tax. LFV will pay dividends for the fiscal year 2013 equal to 15% of the results after tax equivalence.

Return on equity and equity ratio

The government's financial goals for LFV are that return on equity shall amount to 4% and long-term equity ratio shall correspond to 15%. The return on equity after tax equivalence amounts to 10% (1%). Equity ratio as of 31 December 2013 amounts to 13% (13%).

BALANCE SHEET (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2013 31 Dec	2012 31 Dec	2013 31 Dec	2012 31 Dec
ASSETS					
Fixed assets					
Intangible assets					
Licenses	10	–	1	–	1
Total intangible assets		–	1	–	1
Tangible fixed assets					
Buildings	11	205	208	205	208
Electrical installations	11	26	27	26	27
Telecom equipment	11	871	742	871	742
Vehicles	11	21	29	21	29
Leased fixed assets	11	4	4	4	4
Constructions in progress	11	170	374	170	374
Total tangible fixed assets		1 298	1 384	1 298	1 384
Long-term financial assets					
Shares in subsidiaries	12	–	–	75	75
Shares in associate companies	13	6	10	–	–
Deferred tax receivables	9	–	14	–	–
Other long-term receivables	14	588	648	588	648
Total long-term financial assets		595	673	663	723
Total fixed assets		1 893	2 058	1 961	2 108
Current assets					
Inventories, etc.		1	1	1	1
– Stocks					
Current receivables					
Trade receivables		87	91	81	89
Receivables with subsidiaries		–	–	11	4
Receivables with associate companies		154	153	154	153
Tax receivables		0	0	–	–
Other receivables		87	191	84	190
Prepaid expenses and accrued income	15	252	249	235	247
Total current receivables		581	683	566	683
Short-term investments	16	–	49	–	49
Cash and bank deposits		3 325	2 542	3 178	2 384
Total current assets		3 907	3 276	3 744	3 117
TOTAL ASSETS		5 800	5 334	5 706	5 226

BALANCE SHEET (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2013 31 Dec	2012 31 Dec	2013 31 Dec	2012 31 Dec
EQUITY CAPITAL AND LIABILITIES					
Equity capital					
Restricted equity	17				
State funds		202	202	202	202
Restricted reserves		266	269	252	252
Total restricted capital		467	471	453	453
Unrestricted capital					
Balanced profit/loss	17	221	213	131	117
Profit for the year		74	5	94	15
Total unrestricted capital		296	218	225	131
Total equity capital		763	688	678	585
Allocations					
Interest-bearing allocations					
Allocations for pensions	18	4 411	4 027	4 411	4 027
Deferred tax debt	9	6	–	–	–
Non-interest-bearing liabilities					
Other non-interest-bearing liabilities	19	144	125	143	125
Total		4 562	4 152	4 555	4 152
Long-term liabilities					
Interest-bearing liabilities					
Liabilities to leasing companies	20	4	4	4	4
Non-interest-bearing liabilities					
Other non-interest-bearing liabilities	21	23	21	23	21
Total long-term liabilities		27	25	27	25
Current liabilities					
Non-interest-bearing liabilities					
Trade creditors		63	87	62	83
Debt to subsidiaries		–	–	2	2
Liabilities to associate companies		148	138	148	138
Other non-interest-bearing liabilities		75	74	75	74
Accrued expenses and pre-paid income	22	163	168	159	166
Total current liabilities		448	468	446	464
TOTAL EQUITY CAPITAL AND LIABILITIES		5 800	5 334	5 706	5 226
Items within the line					
Contingent liabilities	23	3	2	18	17
Pledged assets		none	none	none	none

FINANCIAL ANALYSES (MSEK)	GROUP		PUBLIC ENTERPRISE	
	2013	2012	2013	2012
Operations				
Profit after financial items	95	9	94	15
Adjustments for items not included in cash flow	177	188	177	188
	272	197	271	203
Tax paid	-21	-5	-	-
Cash flow from operating activities before changes in the working capital	251	192	271	203
Cash flow from changes in working capital				
Change in operating receivables	102	-144	117	-151
Change in operating liabilities	390	912	385	916
Cash flow from operating activities	492	768	502	765
Investment activities				
Change in fixed capital assets	-90	-100	-90	-100
Change in group and associate companies	4	-2	0	0
Cash flow from investment activities	-86	-102	-90	-100
Financing activities				
Change of long-term receivables	74	-198	60	-184
Change of long-term debt	2	0	2	0
Adjustment of free reserves and tax receivables	-	19	-	-
Cash flow from financial activities	76	-179	62	-184
CASH FLOW FOR THE YEAR	733	679	745	684
Liquid assets at start of year	2 592	1 912	2 433	1 749
Liquid assets at end of period	3 325	2 592	3 178	2 433

Notes

Amounts in SEK million unless otherwise stated.

NOTE 1

Aviation revenue

	Group		Publ. Enterprise	
	2013	2012	2013	2012
En route charges	1 708	1 941	1 708	1 941
Terminal charges	129	155	129	155
Compensation for air navigation services	334	336	334	336
	2 170	2 432	2 170	2 432

NOTE 2

Other operating revenue

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Rents and leases	17	12	17	12
Commercial service	826	557	850	573
Contributions received	23	25	23	25
Service export ¹	45	19	–	–
Other	11	30	11	30
	922	643	902	640

Group companies' share of the public enterprise's miscellaneous business income, 2.5% (2.2)

¹LFV Aviation Consulting AB

NOTE 3

Staff expenses and disclosures about staff, Director General, Board of Directors and Auditors

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Salaries	775	776	765	770
Employer social security contributions	702	760	698	757
Other staff expenses	42	17	41	17
	1 519	1 553	1 504	1 543

Included in social security. Contributions are pension expenses including payroll tax

456 512 455 511

Salaries and compensation, MSEK

	Board, Director General, & managing directors		Other employees	
	2013	2012	2013	2012
Public enterprise	2	2	763	768
Subsidiaries	1	1	9	5
Total LFV Group	3	3	772	773

Fees to auditors

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Swedish National Audit Office				
- Auditing	1	1	1	1
KPMG				
-Auditing	0	0	–	–
-Other work	0	0	0	0
PWC	–	0	–	–
Transcendent Group	2	1	2	1
	3	2	3	2

Absence due to illness

	Group	
	2013	2012
Total sick leave as a share of ordinary work time:	2,42%	2,16%
Share of total absence that concerns consecutive sick leave of 60 days or more	52,98%	47,39%
Sick leave divided by gender:		
Men	1,37%	1,20%
Women	3,78%	3,43%
Sick leave divided by age:		
29 or younger	1,19%	1,24%
30–49 year	2,03%	2,02%
50 or older	3,40%	2,65%

Salaries/compensation to the board of directors and director general in SEK

		Salary/compensation
DG Thomas Allard	130101–130417	643 828
Interim DG Mikael Larsson	130418–131215	816 816
DG Olle Sundin	131216–131231	69 090
Billinger Nils Gunnar, Chairperson	130101–130417	35 000
Olson Jan, Chairperson	130418–131231	52 500
Bredberg Pettersson Maria, Director	130101–130630	15 000
Zetterdahl Ann-Catrine, Director	130101–130630	15 000
Fredriksson Ingemar, Director	130101–130630	15 000
Hafström Marie, Director	130101–131231	15 000
Andrén Eva, Director	130701–131231	15 000
Bydén Micael, Director	130701–131231	15 000
Davidsson Johan, Director	130701–131231	15 000
Sylvander Marcela, Director	130701–131231	15 000
Lennartsson Peter, Employee Rep.	130101–131231	30 000
Bredberg Anne-Marie, Employee Rep.	130101–131231	30 000

NOTE 4				
Various external expenses				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Costs for resale	42	35	14	21
Property and rental costs	72	74	72	74
Material, maintenance, transports	142	154	142	154
Travel expenses	23	21	20	20
Outside services	889	635	915	649
Administrative expenses	151	59	148	56
	1 320	979	1 311	975

Group companies' share of the public enterprise's diverse external costs, 0.4% (0.3)

NOTE 5				
Depreciation/amortisation and write-downs				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Depreciation/amortisation:				
Intangible assets	1	1	1	1
Buildings	12	22	12	22
Field installations	–	10	–	10
Electrical installations	3	5	3	5
Telecom equipment	145	132	145	132
Vehicles, machinery, etc.	9	8	9	8
Leased installations	1	2	1	2
Write-downs:				
Buildings	–	0	–	0
Telecom equipment	6	7	6	7
Vehicles, machinery, etc.	–	1	–	1
Leased installations	0	0	0	0
	177	188	177	188

NOTE 6				
Profits from shares in associate companies				
	Koncernen		Publ. Enterprise	
	2013	2012	2013	2012
Associate companies:				
Entry Point North AB				
Share in associate company's earnings	2	2	–	–
NUAC HB				
Share in associate company's earnings	0	0	–	–
	2	2	–	–

NOTE 7				
Interest income				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Interest income from bank	5	17	3	14
Interest income from short-term investments	41	29	41	29
Interest income from short-term receivables	1	1	1	1
Miscellaneous	2	4	2	4
	50	51	47	48

NOTE 8				
Interest expenses and similar items				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Bank	0	0	–	–
Interest portion of pension expense	33	397	33	397
Financial leasing	0	0	0	0
Miscellaneous	0	1	0	1
	33	399	33	399

NOTE 9		
Income tax and tax equivalent on reported profit		
	Group	
	2013	2012
Year-end tax equivalence		
Group's earnings pre-tax	95	9
Deduct associate companies' share	–2	–2
Profit after associate companies' share	94	7
Calculated tax 26.3%	–	–2
Recalculation of deferred tax receivables	–	–3
Year-end reported tax 22%	–21	–5
Profit after tax	74	5

Deferred tax receivables/debt (liability)	
Opening value	14
Applied deficit set-off: 65x22%	–14
Accelerated depreciation: 28x22%	–6
Ending value	–6

NOTE 10				
Intangible fixed assets				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	17	17	17	17
Acquisitions for the year	–	–	–	–
Ending acquisition value	17	17	17	17
Opening depreciation and write-downs	–16	–15	–16	–15
Write-downs for the year	–1	–1	–1	–1
Ending accumulated write-offs and depreciation	–17	–16	–17	–16
Ending planned residual value	–	1	–	1

NOTE 11
Tangible fixed assets

Buildings

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	434	447	434	447
Acquisitions for the year	8	10	8	10
Sales/discards/transfer	–	–23	–	–23
Other adjustments	–	0	–	0
Ending acquisition value	443	434	443	434
Opening depreciation and write-downs	–226	–227	–226	–227
Write-downs for the year	–12	–22	–12	–22
Depreciation for the year	–	0	–	0
Sales/discards/transfer	–	23	–	23
Other adjustments	–	0	–	0
Ending depreciation and write-downs	–238	–226	–238	–226
Ending planned residual value	205	208	205	208

Field installations (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	–	25	–	25
Sales/discards/transfer	–	–25	–	–25
Ending acquisition value	–	–	–	–
Opening depreciation and write-downs	–	–15	–	–15
Write-downs for the year	–	–10	–	–10
Depreciation for the year	–	–	–	–
Sales/discards/transfer	–	25	–	25
Ending accumulated depreciation and write-downs	–	–	–	–
Ending planned residual value	–	–	–	–

Telecom equipment (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	2 112	1 877	2 112	1 877
Acquisitions for the year	281	249	281	249
Sales/discards/transfer	–34	–14	–34	–14
Ending acquisition value	2 359	2 112	2 359	2 112
Opening depreciation and write-downs	–1 370	–1 245	–1 370	–1 245
Write-downs for the year	–145	–132	–145	–132
Depreciation for the year	–6	–7	–6	–7
Sales/discards/transfer	34	13	34	13
Other adjustments	–	0	–	0
Ending accumulated depreciation and write-downs	–1 487	–1 370	–1 487	–1 370
Ending planned residual value	871	742	871	742

Electrical installations (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	70	72	70	72
Acquisitions for the year	2	4	2	4
Sales/discards/transfer	–	–7	–	–7
Ending acquisition value	71	70	71	70
Opening depreciation and write-downs	–43	–45	–43	–45
Write-downs for the year	–3	–5	–3	–5
Sales/discards/transfer	–	7	–	7
Ending accumulated depreciation and write-downs	–45	–43	–45	–43
Ending planned residual value	26	27	26	27

Constructions in progress (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	374	550	374	550
Acquisitions for the year	88	100	88	100
Completed new installations	–292	–275	–292	–275
Depreciation	0	–1	0	–1
Ending acquisition value	170	374	170	374

Vehicles, machinery, etc. (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	97	86	97	86
Acquisitions for the year	1	11	1	11
Sales/discards/transfer	–	0	–	0
Other adjustments	–	–	–	–
Ending acquisition value	98	97	98	97
Opening depreciation and write-downs	–68	–59	–68	–59
Write-downs for the year	–9	–8	–9	–8
Depreciation for the year	–	–1	–	–1
Sales/discards/transfer	–	0	–	0
Other adjustments	–	0	–	0
Ending accumulated depreciation and write-downs	–77	–68	–77	–68
Ending planned residual value	21	29	21	29

Leased fixed assets (Note 11)

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Opening acquisition value	8	10	8	10
Acquisitions for the year	2	2	2	2
Sales/discards/transfer	–2	–4	–2	–4
Ending acquisition value	7	8	7	8
Opening depreciation and write-downs	–3	–4	–3	–4
Write-downs for the year	–1	–2	–1	–2
Depreciation for the year	0	0	0	0
Sales/discards/transfer	1	3	1	3
Other adjustments	0	0	0	0
Ending accumulated depreciation and write-downs	–3	–3	–3	–3
Ending planned residual value	4	4	4	4

NOTE 12
Shares in subsidiaries

	Corporate ID-number	Number of shares	Percentage of share capital	Nominal value	Book value
Direct holdings					
Shares in group Companies, public Enterprise, LFV Holding AB	556374-8432	75 000	100	75	75
Indirect holdings (via LFV Holding AB)					
Shares in group Companies LFV Aviation Consulting AB	556193-1469	3 000	100	3	–

NOTE 13
Shares in associate companies Itemisation of public enterprise's and group's shares in associate companies

	Corporate ID-number	Number of shares	Percentage of share capital	Nominal value	Share of adjust. equity capital	Book value	
						Group	Publ. Enterprise
Indirect holdings (via LFV Holding AB)							
– NUAC HB	969745-6433	–	50	0	0	0	–
– Entry Point North AB	556682-8272	100000	25	25	0	6	
Indirect holdings (via EPN AB)							
– Entry Point Central Kft	23399583		51	118	0	0	–
				143		6	–

In the group statement of income earnings, shares from associate companies are accounted for in two items: pre-tax earnings and share in associate companies' paid tax, which is accounted for together with the group's taxes (see Note 9).

Shares in associate companies

	Group		Publ. Enterprise	
	2013	2012	2013	2012
Accumulated earnings shares, etc. at start of year	10	8	–	–
Year's share in associate companies' net result	2	2	–	–
Change in associate companies' own capital, etc	–6	0	–	–
	6	10	–	–
Entered value	6	10	–	–

NOTE 14				
Other long-term receivables				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
At start of year	648	464	648	464
Comprising items				
Settlement of terminal fees	12	-26	12	-26
Settlement Eurocontrol	-72	210	-72	210
	588	648	588	648

NOTE 15				
Prepaid expenses and accrued income				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Prepaid expenses	27	35	27	34
Accrued income	225	214	208	213
	252	249	235	247

NOTE 16				
Short-term investments				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Corporate certificates	-	49	-	49
At end of year	-	49	-	49

NOTE 17				
Restricted and unrestricted capital				
	Group		Publ. Enterprise	
	Restricted reserves	Unrestricted reserves	Restricted reserves	Unrestricted reserves
Amount at start of year	269	218	252	131
Shift between restricted and unrestricted capital	-4	4	-	-
Profit for the year	-	74	-	94
Amount at end of the year	266	296	252	225

NOTE 18				
Pension provisions				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
At start of year	4 027	3 205	4 027	3 205
Pension provisions for the year	431	462	431	462
Pension disbursements for the year	-47	-31	-47	-31
Changed calculation principles	-	391	-	391
	4 411	4 027	4 411	4 027

NOTE 19				
Other allocations				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Reorganisation expenses	108	92	108	92
Other allocations	36	34	35	34
	144	125	143	125

NOTE 20				
Liabilities to leasing companies				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Leasing companies	4	4	4	4
	4	4	4	4

NOTE 21				
Other non-interest-bearing liabilities				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Contingency funds for personnel	23	21	23	21
	23	21	23	21

NOTE 22				
Accrued expenses and prepaid revenue				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Salaries and compensation	6	7	6	7
Holiday pay obligations	64	72	63	72
Social security contributions	48	52	47	51
Other accrued expenses	40	34	39	33
Prepaid revenue	4	4	4	4
	163	168	159	166

NOTE 23				
Contingent liabilities				
	Group		Publ. Enterprise	
	2013	2012	2013	2012
Surety for pension obligations in LFV Airport Center AB	3	2	3	2
Surety for subsidiary (LFV Aviation Consulting)	0	0	15	15
	3	2	18	17

Reporting according to performance plan

In accordance with Single European Sky legislation (SES), the performance goals for air navigation services en route were determined by the EU for the first reference period (RP1) 2012-2014. In accordance with LFV's SES certificate,

the set goals for the Danish/Swedish airspace block (DK-SE FAB) and LFV's follow-up of these are declared in the table diagram below. Further elaboration of the organisation can be found in the first part of the annual report.

GOALS FOR DK-SE FAB AND LFV'S OUTCOME					
Area	KPI		2012	2013	2014
Flight safety	Separation violations ¹	Goal	1,49	1,45	1,42
		Outcome LFV	0,36	0,18	
Capacity	En route ATFM delay (min/flight) ²	Goal	0,2	0,15	0,08
		Outcome LFV	0,06	0,03	
Cost Efficiency (Sweden)	Determined unit charge en route (2009 pricing)	Goal Sweden	591,77	570,85	546,91
		Goal LFV	497,59	466,62	437,78
		Outcome LFV	589,00 alt 473,04	453,13	

¹ A or B incidents/100 000 flight hours in ATCC controlled airspace 'Copenhagen and Sweden FIR and Malmö, Stockholm and Copenhagen TMAs'.

² The delay in minutes caused by ATFM restrictions within the en route segment of Sweden FIR, divided by the number of en route movements, which comprises delays as a result of air navigation services.

Flight safety: The goal for flight safety means that the number of flight safety incidents which are classified as A or B, shall not exceed the goal per 100 000 flight hours. The outcome for 2013 is preliminary but indicates that LFV is contributing with a good margin in order for the goal to be achieved.

Capacity: The goal involves delays which are caused by en route restrictions which on average shall fall below 15 seconds per flight. The average delay was less than 3 seconds which implies that the goal has been achieved by a good margin.

Cost-efficiency: The goal for cost-efficiency is broken down by country and supplier, of which LFV is one provider. The

goal involves a pre-determined unit charge for en route operations not being breached. There was a high outcome in 2012 due to an uncontrollable cost (the increase in pension obligations). The lower outcome pertains to exclusively uncontrollable costs. The uncontrollable costs are regulated at the end of RP1, which means that the final balancing will take place in 2015 at the earliest. The outcome for 2013 is preliminary until the final balancing and reporting has taken place, but nevertheless indicates that the goal has been achieved.

During 2013 LFV participated in the Swedish Transport Agency's consultations concerning charges.

Reporting according to the Appropriations Directive for LFV

The following is a summarised response to LFV's performance in achieving the transport policy goals as well as missions and targets in accordance with the Appropriations Directive. Parts of this response are also found in other parts of the annual report.

Transport policy goals

According to the Act (2010:184) with instruction, LFV shall proceed so that the transport policy goals are achieved. Aviation plays an important role in enabling the business community and citizens all over the country to transport passengers and goods, both within Sweden and globally. Especially in the case of many smaller communities, there is no realistic alternative to aviation to ensure rapid, efficient communications.

LFV has an important role in the aviation sector. Safe, efficient and environmentally sound air navigation services are a pre-requisite for well-functioning air transports.

LFV contributes to the goal of function — which concerns creating accessibility for travel and transports — by supplying safe, efficient and environmentally sound air navigation services all over Sweden, which is a pre-requisite for the accessibility, provided by aviation.

LFV contributes to the goal of consideration — which concerns safety, environment and health — by offering secure air navigation services in which the greatest possible environmental consideration has been taken. The system is constructed so that LFV will prevent being involved in any fatality or serious injury. By optimising flight paths and traffic flow, LFV contributes to reducing the environmental impact of aviation.

LFV plays an active role in developing the European air navigation system so that growing air traffic can be handled while the goals for increased aviation safety, reduced costs and reduced environmental impact can also be achieved. During 2013, LFV achieved the EU goals which were determined regarding air navigation safety, capacity as well as cost efficiency and has thus contributed to the transport policy goals. LFV has continued to conduct an active research and innovations organisation with the aim of developing new, meaningful technology and thus contribute to the long-term goals regarding safety, efficiency and environmental considerations being achieved. LFV is conducting a restructuring programme in order to increase efficiency, ensure competitiveness on the market and lower the unit price for air navigation services. A more extensive report of LFV's operations during 2013 can be found in other parts of this annual report, on pages 5 and 10 in particular.

Mission according to the Appropriations Directive

According to the Appropriations Directive for 2013, LFV shall transfer culturally and historically interesting aircraft plus peripheral equipment to the Swedish Transport Administration, according to the revised maintenance plan. LFV shall further, in consultation with the Swedish Aviation Historical Society and Arlanda Flygsamlingars vänner, be responsible for providing collections management and the transport of the aircraft and equipment as well costs related to these measures. LFV's costs for the implementation of the assignment shall not exceed MSEK 3.

After the issue was investigated, the government decided on 28 November 2013 to transfer the administrative responsibility from LFV to the Swedish Transport Administration (TRV). LFV will, at the earliest possibility, hand over the administrative responsibility for the national aviation history collections to TRV. The collections are stored for the most part on Swedavia AB's premises at Stockholm Arlanda Airport. The Swedish Transport Administration and Swedavia AB shall come to an agreement regarding the continued permission for use of the premises. LFV and TRV propose a forthcoming collections management consultation to take stock of and document the collections.

Goals according to the Appropriations Directive

LFV's long-term financial goals regarding profitability are that earnings after tax equivalence shall amount to 4% of equity capital. Return on equity capital was 10% in 2013. LFV's result developed positively during 2013 due to some growth in traffic and the continued work to actively streamline costs.

LFV's long-term financial goals regarding solidity are that this shall amount to at least 15%. On 31 December 2013, solidity amounted to 13%.

The reason that the goal has not been achieved is due to the large and growing pension debt. LFV is striving to have the opportunity to redeem the pension debt, in whole or in part, and instead pay the premiums. If and when such a pension debt redemption decision can be realised is uncertain for the time being.

Financial Statements

It is stated in the government's instruction for LFV (SFS 2010:184) that LFV and those companies, where the government, through the public enterprise, directly or indirectly has a controlling interest, together form a public enterprise group.

The group consists of the public enterprise, the wholly-owned holding company, LFV Holding AB, LFV Holding AB's wholly-owned corporation, LFV Aviation Consulting AB and the associate companies Entry Point North AB and NUAC HB, with 25% and 50% share ownership respectively. The associate company, Entry Point North AB has a subsidiary, Entry Point Central Kft in Budapest, Hungary, with a 51% share ownership while Hungaro Control Plc, which is owned by the Hungarian government, owns the remaining 49%.

The instruction states that LFV's primary mission is to supply safe, effective and environmentally sound air navigation services for civil and military air traffic. During 2013, local air navigation was run at 32 airports. Two control centres in Malmö and Stockholm were responsible for air traffic control in the airspace outside the airport areas.

Accounting principles

LFV's accounts for the public enterprise and the group follow the Ordinance

(SFS 2000:605) on Annual Reports and Budget Material (FÅB) and the Swedish National Financial Management Authority's regulations and general advice, plus the requirements for good accounting practice in accordance with the Ordinance (2000:606) on the Accounts by Public Authorities. To the extent norms are lacking that directly relate to public authorities and state agencies, LFV will apply, as accounted for in the respective sections below, the valuation rules in the Swedish Financial Accounting Board's recommendations.

LFV's subsidiaries prepare annual accounts with application of the Annual Accounts Act and good accounting practice for corporations.

Arrangement and supplementary information

The income statements, balance sheets and financial analyses have been arranged in accordance with the applicable rules for public enterprises and public enterprise groups.

The Swedish Financial Accounting Board's recommendation RR 4, Accounting of extraordinary income and expenses plus disclosure for comparison purposes, is applied.

Changes to accounting principles, etc.

In the income statement and balance sheets, financial analyses and associated notes, certain marginal corrections and transfers have been made in the figures for 2012.

Group accounting

The group accounting includes the public enterprise and the group companies where the public enterprise directly or indirectly holds more than half of the votes for all shares or otherwise exercises a controlling interest, and the other companies (associate companies) in which the public enterprise has a controlling interest as a result of share ownership.

Subsidiaries

The group accounting is arranged according to the acquisition method. Principles for the group's accounting of deferred (latent) tax effects are described below under the heading Taxes and tax equivalence.

Associate companies

Companies are accounted as associate companies where the public enterprise, on the basis of ownership of more than 20% and at most 50% of the votes, can exercise a controlling interest. The associate companies are accounted according to the equity method in the group accounts.

General balance sheet valuation principle

Unless otherwise stated below, assets, obligations and allocations are valued at acquisition value.

Fixed assets

Tangible fixed assets

Tangible assets are valued at acquisition value with deduction for depreciation according to plan. In applicable cases, depreciation is made as shown below.

Depreciation according to plan is calculated by periodising the acquisition value linearly over the projected period of use. Depreciation begins when an asset is ready to be put into use for its purpose. When an asset includes components with different periods of use, the rules in RR 12 concerning so-called component depreciation are applied. The depreciation times are revised continually.

On-going investment projects are accounted under the heading On-going new installations. Any need for depreciation is tested through application of the Swedish Financial Accounting Board's recommendation RR 17. Depreciation.

Intangible assets

LFV applies the Swedish National Financial Management Authority's directives and general advice concerning accounting of expenses for development. According to the directives, the kind of expenses for development that fulfil specified requirements are submitted as intangible assets. Expenses for research may not be capitalised. This is because the National Financial Management Authority's rules are based on the same principles as the Swedish Financial Accounting Board's recommendation RR 15. Intangible assets and guidance in various application questions have been taken from the Board's recommendation. Purchased software with a financial lifetime deemed to exceed three years is entered as an asset.

Depreciation according to plan

Field installations	15-30 years
Buildings	15-30 years
Electrical installations	5-20 years

Telecom installations	5-15 years
FMU	3-15 years
Intangible assets	3-7 years
Leased assets	3-5 years

Leasing

Leasing is classified either as financial or as operational leasing. The classification is made by applying the Swedish Financial Accounting Board's recommendation RR 6:99. Leases.

Agreements that are classified as financial leasing are accounted as asset and debt in the group balance sheet and in applicable cases in the public enterprise's balance sheet. Accounted amounts are handled in ways indicated by the Board's recommendation.

Warehouse stock

Warehouse stock is valued according to the lowest value principle.

Revenue recognition

The public enterprise applies general principles for periodised accounting. Applied principles are in accordance with the Swedish Financial Accounting Board's recommendation RR 11. Revenue. The subsidiaries apply RR 11 in their revenue recognition. The subsidiary,

LFV Aviation Consulting AB, therefore, accounts revenues as a result of on-going consultation projects with application of the recommendation's rules on official business.

Customer receivables

Allocation of feared risk of loss concerning outstanding customer receivables have been made after individual review.

Receivables and debts in foreign currencies have been converted at the exchange rate on the accounting date in accordance with the Swedish Financial Accounting Board's recommendation RR 8. Accounting of effects of changed exchange rates. To the extent receivables and debts have been secured under a forward rate, they are converted at the future rate.

Allocations and guarantees

The Swedish Financial Accounting Board's recommendation RR 16. Allocations, guarantees

and potential assets, is applied in the accounting of allocations and guarantees.

Under allocations, any future obligations are accounted for concerning employees who have contracted pensions or part-time pensions, those who are relieved of employment, those whose employment is terminated on the basis of lack of work and are 55 years old or older. Such individuals may be granted retirement pension within a six-year period according to the agreement with the Job Security Foundation, assuming they have not found new permanent employment. Evaluation of the size of the allocation has been made at an average amount corresponding to 48 months' salary including a separate payroll tax.

Pensions

As of 2003, pension agreement PA03 applies to government employees born in 1943 or later. PA03 includes old-age pension, survivor pension and disability pension, as well as temporary old-age pension for air traffic controllers. Pension obligations are calculated by the National Government Employees Pensions Board (SPV). SPV's Board has decided on a new underwriting

basis for calculation of pension obligation, which means that the current value of the pension debt has been calculated according to an interest rate of 0.5% for 2014 (2013 0.40%). The interest is calculated as an average of the interest for long, real obligation for the period September to September the year before. LFV has chosen to apply the new calculation basis in the final accounts for from 31 December 2013.

These obligations are accounted for under provisions.

The year's allocation to pension obligations has been expensed together with paid premiums. The interest portion in the year's pension expense has been entered as financial expense. The interest portion includes price-indexing of certain benefits. Less than 1% of the employees were not updated as of 31 December 2013 which means that a standard calculation has been made for these pension obligations.

The pension debt includes commitments concerning both active personnel and retirees. Non-protected pension commitments concerning personnel who have a retirement age earlier than 65 are included in the debt, as these pensions are deemed to be earned.

The public enterprise pays special payroll tax on disbursed pensions. Allocation is, therefore, made for special payroll tax based on the size of the pension obligation at the end of the fiscal year.

Taxes and tax equivalence

LFV's subsidiaries pay corporate tax. LFV is not liable for income tax but shall deliver an amount to the government, known as tax equivalence, corresponding to the income tax that would have been paid if the operation was run in the form of a corporation.

The year's actual tax equivalence is calculated on the basis of the results in the group accounting with deduction for tax-related dispositions corresponding to the balance-sheet allocations that corporations can exploit. Deductions are also made for the corporate tax that the subsidiaries pay.

Both in the public enterprise and the group, deferred (latent) tax is entered on all differences between accounted and tax-related values, in accordance with the Swedish Financial Accounting Board's recommendation RR 9.

The equity capital portion of the subsidiaries' untaxed reserves and unused portion of the public enterprise's possibility for accelerated depreciation on assets is included in the restricted reserves that are accounted partly in the public enterprise's financial statement and, partly in the group's financial statement.

LFV pays special payroll tax on pension expenses and is liable for tax according to the Value Added Tax Act.

LFV will submit a dividend of 15% of profit after tax to the government for 2013. The final amount shall be fixed by the government in tandem with the approval of the annual report for 2013.

Miscellaneous

The figures as accounted have, in certain cases, been rounded, which means that tables, graphs and calculations do not always add up.

In texts and tables, figures between 0 and 0.5 are entered as 0. If a value is lacking, a dash is indicated.

Profit for the year

The profit for the year after financial items amounts to MSEK 95 (MSEK 9), which is an improvement of MSEK 86 compared with the previous year.

Risks

The aviation market's developments have a dramatic impact on LFV's economy. A downturn in the number of movements poses a risk as well as the ability to carry out rationalisations. The demand for such measures is high to meet the new performance management of en route operations and competition on the tower market.

Financial risks

LFV's financial operation and financial risks are handled by LFV Group Finance. The organisation is based on the finance policy established by LFV's board which dictates the framework governing LFV's exposure to financial risks within the areas of financing, financial and operational leasing, investments and currency exchanges.

Interest rate risk is defined as the risk that changes in the general interest rate situation entailing a negative effect on LFV's earnings. Currency risk is defined as the effect on earnings a change in exchange rate will have on LFV's earnings. Credit risk is defined as the risk where the opposite party in a transaction cannot fulfil his commitment. The risk value for interest rate increases and exchange rate losses plus the risk of significant credit losses are low with respect to the operation that LFV runs.

Development of the aviation market

LFV's finances are strongly dependent on the development of the aviation market. During 2013, air traffic experienced weak growth. The first quarter demonstrated a downturn but by the second quarter traffic figure started to rise and the positive trend continued for the remainder of the year. All in all, the number of movements in Swedish airspace rose by almost 1% during 2013 compared to 2012. For 2014, LFV has budgeted for traffic growth of 1.6%, which is expected to be fulfilled. There is however, always a risk that traffic dips even if the probability of that is low at the moment of writing.

Measures

LFV will follow the traffic development of the aviation market and be prepared to take measures in the event of any negative changes.

Performance plan and cost development

From 2012 new conditions for en route charges have been applied in response to a new fee system launched within the EU which involves the principle of full cost cover being replaced by a model with risk-sharing between air navigation service providers and the airlines. The conditions are stipulated in a so-called national performance plan. For Sweden and LFV, this involves decreasing the costs by over 10% during the period 2012-2014. A consequence of this is the reduction to the same extent of the en route charge.

Surplus or deficit as a result of deviations from the traffic prognosis shall be distributed among suppliers and operators as follows: Revenue deviations as a result of traffic variations of +/- 2% stay with LFV. Revenue deviations as a result of traffic variations within the level +/- 2-10% will be divided between LFV bearing 30% of the risk while the rest is taken by the operator through adjustments in the fees. Traffic variations of over 10% will be borne entirely by the airlines.

Since the plan was introduced social economic conditions have weakened and the traffic prognosis has been revised downwards. Since the fees are indexed, lower inflation can affect revenues negatively.

Exceptions are made for cost increases which are outside the remit of the providers such as uncontrollable costs. For Sweden this includes changes in pension costs.

During 2009, LFV started a so-called rationalisation programme. The demand for continued streamlining remains high. To meet the new performance requirements by the en route operation and competition on the tower market, the efficiency requirements have been raised. Additional efficiencies of a total of about MSEK 350 must be implemented during 2013-2017.

Measures

A programme office has been set up to coordinate and follow-up necessary streamlining measures. Budget and activity responsibility is delegated and the result will be followed closely. If the current restructuring programme is not determined to give the intended effect, correcting measures shall be taken.

Competitive bidding of local air navigation services

LFV conducts local air navigation services at 32 airports. The operations were privatised from 2010. As far as competitive ATS services for towers and terminals are concerned, LFV currently has almost 90% market share, having lost 9 procurements at smaller airports during 2010-2013, five of which changed provider on 1 January 2014. During the same period LFV has either won or prolonged 10 contracts.

The largest national airport operator, Swedavia started a process to procure air navigation services and possibly associated services but the procurement process was suspended due to ambiguity regarding the scope of privatised airspace. Parliament announced that the local air navigation services at Swedavia's airports, the military airports and the airports needed by the Swedish Armed Forces, as well as airports within the collective terminal area will henceforth be run by LFV. The cabinet offices are preparing a proposition which was expected to be presented March 2014. LFV still runs the risk of losing a number of contracts for local air traffic services on the Swedish market. Should LFV not be able to successfully implement the planned streamlining measures, the probability that LFV will lose further tower contracts is very high.

Measures

Costs must be reduced. Through the on-going effective-isation process, conditions will be created for increased competitiveness. If LFV is successful regarding the implementation of Remote Tower Services (RTS), LFV's market competitiveness can be strengthened and the risk of losing future procurement tenders will be lowered.

LFV's protection against fraud, etc.

Overall, LFV's protection against fraud, corruption, bribery and other irregularities is judged as satisfactory. LFV's main operations are regulated and monitored by the Swedish Transport Agency. LFV's organisation, working procedures and delegations, legal framework, instructions, processes, etc., are clearly defined and documented. In addition, there are a number of documents and a digital personnel handbook which help to clarify LFV's regulatory framework and perspective in these matters. All directives and documents are published on LFV's intranet which each employee has access to.

Measures

In order to further clarify LFV's perspective on this issue, the internal "code of conduct" publication will be updated. Running information regarding corruption, fraud, bribery and other irregularities are published partly via the intranet, partly in connection with new recruitment and manager training.

Business Continuity Risks

LFV's business continuity risks shall be managed according to the same method as other identified risks. During 2013, LFV launched an initiative to compile a joint business continuity plan for LFV as a whole. This is intended to be ready during 2014.

Proposal for dividends

LFV will issue a dividend of 15% of the year's profits. For 2013, a profit of MSEK 74 is accounted for. The proposal for dividends results in MSEK 11. The year's tax equivalence amounts to MSEK 21 and is deducted from the tax receivables. The tax to be paid amounts to MSEK 0.

We attest that the annual report provides a correct picture of the operation's results as well as of costs, revenues and LFV's economic position.

We are of the further opinion that the internal governance and control at LFV is satisfactory.

Norrköping 14 February 2014

JAN OLSON, Chairperson of the Board

OLLE SUNDIN, Director General

ANN-MARIE BREDBERG

MICAEL BYDÉN

EVA ANDRÉN

MARIE HAFSTRÖM

PETER LENNARTSSON

JOHAN DAVIDSON

MARCELA SYLVANDER

The Swedish National Audit Office auditor's report concerning this annual report was presented in February 2014.

LEIF LUNDIN

ANDERS TORMOD

Auditor's Report

27 February 2014
The Government
103 33 Stockholm

Auditor's report for LFV and the LFV Group

Statement regarding the annual report

The Swedish National Audit Office has revised the annual report with group audit for LFV for 2013, dated 14 February 2014.

The leadership of LFV's responsibility for the annual report

LFV's leadership is responsible for preparing an annual report which provides a true and fair view in accordance with the Annual Accounts and Budget Documentation Ordinance (2000:605) and with instructions, the government Directive and other decisions concerning LFV. The leadership of LFV is also responsible for the internal governance and supervision that it deems necessary in order to present an annual report free which is from material inaccuracies, whether due to fraud or to error.

The responsibility of the auditor

The Swedish National Audit Office is responsible for commenting on the annual report on the basis of its audit. The Swedish National Audit Office has conducted the audit in accordance with the International Standards of Supreme Audit Institutions for financial audits. This standard requires that the Swedish National Audit Office follows professional ethical standards and plans and conducts the audit to achieve a reasonable assurance that the annual report is free of any material inaccuracies.

An audit uses various measures to obtain audit evidence about amounts and disclosures in the annual report as well as whether the leadership in its administration complies with relevant regulations and specific decisions. The auditor decides which measures are necessary, in part by assessing the risk of material inaccuracies in the annual report and whether these are due to fraud or error. During this risk assessment, the auditor considers those aspects of internal governance and supervision that are relevant to LFV's preparation of an annual report that is true and fair. The objective is to design audit procedures that are appropriate with respect to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LFV's internal governance and supervision. An audit also includes an evaluation of the adequacy of accounting principles used and the fairness of accounting estimates made by management, as well as evaluating the overall presentation in the annual report.

The Swedish National Audit Office considers that the auditing evidence obtained is sufficient and appropriate to provide a basis for its statement.

Opinion

In the opinion of the Swedish National Audit Office, the final annual accounts present fairly, in all material respects, the financial position of LFV, as of 31 December 2013 and the results and financing for the year in accordance with the Ordinance concerning the Annual Reports and Budget Documentation (SFS 2000:605), instructions, the government Directive and other decisions concerning LFV.

The auditor responsible for deciding on this case was Leif Lundin. The auditor appointed to present the report was Anders Tormod.

LEIF LUNDIN

ANDERS TORMOD

Board of Directors



JAN OLSON

Styrelseordförande i LfV 2013–
Board member for Svedab AB and Öresundsbrokonsortiet AS. Has had management positions within SAS and SJ. Appointed to group management post and business development manager 2003–2012 and finished his career as managing director in 2012..



OLLE SUNDIN

Director General and LfV Board member 2013–.
Member of Public Control Board for SMHI 2014–. Chairperson for LfV Aviation Consulting AB and LfV Holding AB and board member for Entry Point North AB and NUAC HB.



MARCELA SYLVANDER

Board member LfV 2013–.
Director Group Communications, Boliden 2005–. Earlier posts include ethics analyst at Robur AB, manager environmental affairs at Scania AB and department secretary for the Ministry of the Environment.



MICAEL BYDÉN

Board member LfV 2013–.
Swedish Airforce Director 2014–. Earlier posts include Swedish Air Force inspector/tactical aviation manager, manager for the Helicopter Unit, manager for the Air Combat Training School, and aviation attaché in Washington D.C..



EVA ANDRÉN

Board member LfV 2013–.
Vice President Purchasing at Ericsson and appointed to business area Networks management group in 2010. Earlier, Director for Supply and Logistics 2007–2010. Has had management roles at Ericsson since 1995.



JOHAN DAVIDSON

Board member LfV 2013–.
Chief economist at the Swedish Pharmacy Association. Earlier posts include political advisor and deputy coordination manager at the Prime Minister's Office.



MARIE HAFSTRÖM

Board member LfV 2010–.
General Director of Swedish Coast Guard 1996–2005 and deputy director of the Swedish Armed Forces 2005–2008. Board member at the Institute for Research in the History of Law. Has also served on a number of state boards and investigation assignments..



ANN-MARIE BREDBERG

Board member LfV 2010–.
Employee representative. Chairperson for ST Federation Board with air traffic control at LfV/NUAC. Board member (employer representative) at both Entry Point North AB and NUAC HB.



PETER LENNARTSSON

Board member LfV 2010–.
Employee representative. 1st Vice chairperson for ST Federation Board.

Group Management



OLLE SUNDIN,
Director General



ANNA FALCK,
*Director,
Human Resources*



MIKAEL LARSSON,
*Deputy Director General,
Finance Director*



NICLAS GUSTAVSSON,
Director, Marketing



ULF THIBBLIN,
Technical Director



MATHS GÖRANSSON,
Director, Group Legal Affairs



MARIA WALL PETRINI,
*Managing Director,
LFV Aviation Consulting*



CARL SELLING,
Director, Communications



ANNA-HELENA WÅHLIN,
Head of Production

Three years at a glance

	2013	2012	2011
Air traffic (in thousands)			
Number of movements in Swedish airspace:			
Domestic	149	148	155
International	255	250	256
Overflights	290	291	295
Total	694	689	706
 Number of service units (in thousands)	 3 195	 3 113	 3 175
 Economy (MSEK unless stated otherwise)			
Operational revenue	3 093	3 076	2 489
Profit after financial items	95	9	85
Investments	90	100	84
Interest on own equity (%)	10	1	14
Solidity (%)	13	13	15
Cash equivalents	3 325	2 592	1 912
Shareholders' equity	784	688	665
Pension debt	4 411	4 027	3 205
 Staff			
Number of full-time employees	1 084	1 118	1 138
Of which air traffic controllers	605	611	624
Of which other staff	479	507	514
Number of employees	1280	1 314	1 320
Of which women	576	578	568
Of which men	704	736	752
Absence due to sickness (%)	2,42	2,16	2,16

LFV in Sweden

- ATS Units
- Control Centres
- Head Office, Norrköping
- Air traffic control education



AIR NAVIGATION SERVICES ¹⁾

Borlänge
Gällivare
Göteborg City
Göteborg Landvetter
Halmstad
Karlsborg
Kiruna
Kristianstad
Linköping–Malmö
Linköping–Saab
Ljungbyhed
Luleå
Malmö
Norrköping ³⁾
Pajala
Ronneby
Stockholm Arlanda
Stockholm Bromma
Stockholm Skavsta
Sundsvall Timrå
Sätenäs
Umeå
Uppsala
Vidsel
Visby
Åre Östersund
Ängelholm Helsingborg
Örnsköldsvik

CONTROL CENTRES ²⁾

Malmö
Stockholm Arlanda

AIR TRAFFIC CONTROL EDUCATION

Entry Point North, Malmö
Campus Norrköping

1) LFV provides local air navigation services at 28 locations.

2) Control centres are responsible for air navigation services in the airspace outside the airport area.

3) From 1 January ACR is responsible for air traffic in the control zone for Norrköping whilst LFV continues to manage the collective terminal area for the Östgöta region.

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AIR NAVIGATION SERVICES OF SWEDEN

601 79 Norrköping, Sweden
Telephone: +46 (0)11-19 20 00 Fax: +46 (0)11-19 25 75
Email: lfv@lfv.se
Corporate identity number: 202100-0795
www.lfv.se