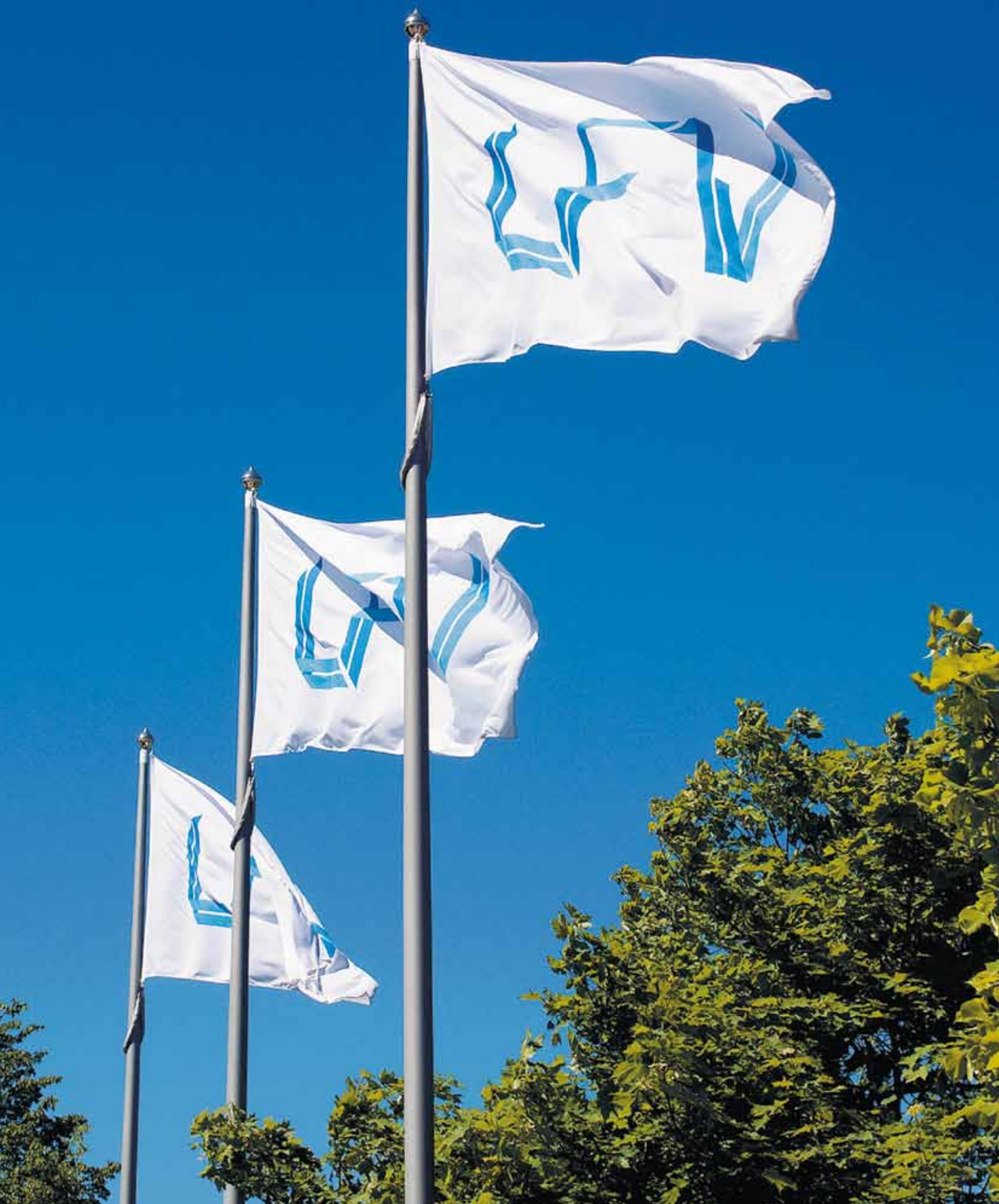


ANNUAL REPORT

2011





The public enterprise, LFV is responsible for air navigation services in Sweden. LFV is active in 35 locations all over the country. LFV had sales of around SEK 2.5 billion during 2011 and reports results after financial entries of SEK 85 million. At year-end, the number of full-time employees was 1,141.

Our mission is to provide safe, efficient and environmentally sound air navigation services for civilian and military aviation. LFV also works to achieve transportation policy goals.

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Important Events

Strong upswing in traffic

The growth in air traffic continued with major increases during the full-year 2011. Both foreign and domestic traffic increased sharply as a result of good business conditions prevailing in Sweden during the year. Domestic traffic has also benefited from weather-related difficulties for land-based traffic during the winter season as well as regularity issues for rail traffic.

Successful effectivisation

Results for 2011 was SEK 85 million, which is better than expected, primarily due to lower costs through an ambitious effectivisation programme and growth in air traffic. During 2011, cost efficiencies of over SEK 100 million were implemented. Combined, this means that over SEK 200 million has been saved since the effectivisation programme was launched in 2009.

LFV continues to have a deficit, however, in the En route operation from previous years of SEK 463 million. The new performance requirements mean that En route costs must be reduced by at least 10% by the end of 2014. This entails requirements for cost efficiencies of at least another SEK 200 million.

Competitive bidding for local air navigation services

During 2011, twelve airports renewed their contracts with LFV. One airport chose an alternative operator. For nine of Swedavia's airports, the procurement of local air navigation services has been suspended due to uncertainty about which

airspace can be procured. This means that LFV will continue to supply air navigation services there in 2012 also.

NUAC

Since 1 January 2011, NUAC has been running operational support for Naviair's and LFV's three control centres in Copenhagen, Malmö and Stockholm. The EU has designed the Swedish-Danish co-operation on joint airspace as one of Europe's ten most successful projects in the transport sector.

On 1 July 2012, NUAC will also assume responsibility for operations. The joint company will then manage air navigation services in Swedish-Danish airspace, which will lead to a more efficient operation and lower costs for customers, airlines and travellers. The co-operation will also lead to a reduced environmental impact.

Environmental projects

The Vinga environmental project at Gothenburg Landvetter Airport was executed during 2011. During the project period (May-September), 178 curved and thereby shorter approaches were made to the airport. The results show an average saving of 238 kg of carbon dioxide emissions per approach, and by locating the curved approach paths over sparsely populated areas, the number of overflights was reduced for many of the airport's neighbours.

The work on remote-controlled towers continues in Sundsvall. LFV's goal for 2012 is for this to be done with validation and certification, in order to go into

acute operation in 2013. The airports in Sundsvall and Örnsköldsvik will then be remotely controlled from the centre in Sundsvall.

Investigation of LFV's business structure

The government made a decision in November for an inquiry into LFV's business structure. Jonas Bjelfvenstam, Director General at VTI, was appointed as investigator and will analyse LFV's possibilities to operate, within the framework of the current business structure and guiding principles, on a competitive market, as well as describe the consequences if these possibilities are limited. The investigator shall assume that LFV's proprietary mission to provide air navigation services in the upper airspace will continue. The same applies to the civil-military integrated air navigation services. The investigation shall be accounted for no later than 15 April 2012.

Upgrading of the air control systems

The upgrade of the air control systems is in full swing in the five Coopans member countries. Ireland was first, followed by Sweden with Malmö ATCC where implementation occurred on 3 January 2012. Our collaborative partner, Naviair from Denmark will upgrade its system on 31 March 2012 and for Stockholm ATCC, the upgrade will happen in connection with the Christmas and New Year holiday 2012/2013. These periods have been selected so that air traffic will be affected as little as possible.



The Director General on Aviation, LFV and the Future

Air traffic has grown strongly since May 2010. For the full-year 2011, the number of aircraft movements increased by 8% to 706,000. This is almost the highest ever, but during the last months of the year, the pace of increase has slackened.

Weaker business conditions are affecting aviation. Companies are saving costs by reducing travel, and individuals worried about their finances are not booking expensive holidays. LFV's forecast for 2012 is an increase in the number of movements of 1-2%, but uncertainty remains significant.

Successful effectivisation

2011 results turned out better than expected. Lower costs through an ambitious effectivisation programme and an increase in air traffic are the primary reasons. During 2011, cost efficiencies were implemented of over SEK 100 million. Combined, this means that over SEK 200 million has been saved since the effectivisation program was launched in 2009. A reduction in interest rates

during the year has led to an increase in pension costs. The continued low interest rates mean that the risk is high and that in 2012, we will also be affected by increased pension costs. During 2011, LFV cashed in some of its pension debt. This will contribute to reducing the financial risk and contribute to a more stable growth in costs. We can be pleased with the good work done in 2011, however, at the same time, we need to be aware of the tough economic challenges in the coming year. We are still carrying a deficit in the En route operation from previous years of over SEK 460 million. The new performance requirements mean that the En route costs must be reduced by at least 10% through 2014. In addition, uncertainty surrounding business conditions and the development of air traffic in the years ahead remains significant.

Division and competition

In September 2010, the possibility arose to engage companies other than LFV to operate air navigation services for airspace in connection with airports. The decision was enforced after the airport operation within LFV was separated and

privatised. This meant that public airports also had the opportunity to appoint a supplier other than LFV. In the autumn of 2010, LFV lost three contracts. In 2011, twelve airports renewed their contracts with LFV, while Trollhättan changed to a different supplier at the end of 2011.

Swedavia, together with nine airports, suspended its procurement due to the uncertainty around which airspace will be procured. This means that LFV's current contract with Swedavia will apply for the time being. The Swedish Transport Agency decided in December to establish a larger airspace for competitive bidding than what had been intended. Competitive bidding that applies to the entire airspace up to flight level 95 would entail major cost increases and reduced capacity. This would negatively affect our collaboration within the Danish-Swedish airspace and risks complicating the successful integration of civil-military air navigation services.

Environmental consideration produces results

In the investigation of LFV's organisation and business structure that was presented in 2007, the examiner emphasised an important factor that argued against division. This was in respect of the consideration given to environmental issues. LFV believes that a division of Swedish airspace will further fragment responsibility and impede taking the environment into consideration.

Swedavia has submitted an application for a new environmental permit for Stockholm-Arlanda airport. LFV has contributed to this process and supports the requests for changes, both where the emissions ceiling and condition on curved approaches are concerned. For aviation, and thereby for LFV, it is very important that Arlanda gets the opportunity to continue to develop.

In the now concluded Vinga project at Gothenburg-Landvetter, flights have succeeded in reducing emissions and noise has been moved to areas with fewer residents. Environmentally optimal





takeoffs and green curved approaches have reduced the flight path and have led to reduced emissions of carbon dioxide. The project was run in co-operation with Swedavia and several other parties and with the support of the EU within the framework of SESAR, and shows that environmentally aware air navigation can reduce noise and emissions very noticeably with existing technology.

Green Connection is an expanded Vinga project and is being implemented in the entire stretch from Landvetter to Arlanda. The purpose is to environmentally optimise all flight segments on the stretch from Gothenburg Landvetter to Stockholm Arlanda, in order to reduce fuel consumption, emission of greenhouse gases and noise. LFV will make aviation as green as possible between the cities of Gothenburg and Stockholm with the support of current technology. Flight trials started on 15 December and will continue through 15 April 2012.

Globalisation and collaboration

A trend in the world of air navigation is increased competition. However, the otherwise dominant trend is harmonisation and co-operation across borders. The EU praises Sweden for its co-operation with Denmark on a jointly functional airspace block. The Danish-Swedish border-crossing block will be the first to have an integrated supplier of air navigation services combined in one company. NUAC took over operational support on 1 January 2011 with good results. On 1 July 2012, NUAC will also take over

operation of the three control centres in Copenhagen, Malmö and Stockholm.

Another important co-operative project is Coopans. Upgrade of the air control systems is underway in the five member countries. Ireland was first, followed by Sweden with Malmö ATCC where implementation occurred on 3 January 2012. Our collaborative partner, Naviar from Denmark will upgrade its system on 31 March 2012 and for Stockholm ATCC, the upgrade will take place over the Christmas holidays 2012/2013. These times have been selected so that air traffic will be affected as little as possible. A harmonisation of the systems will provide gains at both an economic and operational level.

Scandinavian air traffic controller training has been provided since 2005 at Entry Point North, EPN at Malmö-Sturup. Since its inception in 1974, the air traffic control school has trained air traffic controllers for many countries. EPN opened another school in Budapest in September in collaboration with the Hungarian air navigation service. It is called Entry Point Central and is yet another step in the EU's vision of creating co-operation across national boundaries.

A potential competitive advantage

The early Swedish competitive bidding process for local air navigation services may give LFV a competitive advantage. Now, Spain and other countries are permitting competition, which creates pressure on pricing. However, with a

small, shrinking Swedish market, the basis for maintaining a qualitatively advanced air navigation service is difficult, if possibilities for working abroad are not improved.

For that reason, I commend the investigation of LFV's business structure, which the government has appointed. Within this investigation, issues will be handled on how civil-military integrated air traffic control can be preserved and how Swedish air navigation services can continue to be effective and technically advanced.

In 2011, air traffic increased strongly while our effectiveness process continued. In conclusion, I wish to direct a warm thanks to all the employees who have made it possible for aviation in Sweden to maintain a high level of safety and punctuality.



THOMAS ALLARD, DIRECTOR GENERAL

Strong Growth in Air Traffic

The positive development for air traffic that started in May 2010 continued throughout 2011, laying the foundation for a new record for passenger volume in Swedish air traffic.

Total passenger volume at all Swedish airports was 30.1 million, which exceeds the previous record year of 2008 by 7%. Passenger growth is fairly evenly distributed across the country and many Swedish airports have had good traffic growth.

706,000 movements

The supply of flight movements in the Swedish aviation system increased strongly during the year. Total traffic volume amounts to 706,000 En route movements, an upswing of almost 8% compared with the previous year. The number of movements is only around 3% lower than the record year 2008. The development from 2007-2011 is shown in the diagram.

Foreign traffic accounted for the largest volume increase of almost 9% to

256,000. Overflights had somewhat lower growth, as did domestic flights, which increased by 7% to 155,000 movements. The number of overflights was 295,000, corresponding to 42% of the total traffic volume in Swedish airspace, and accounts for more than 60% of LFFV's revenues. The number of service units (SU) increased during the year by 8% compared with 2010. The total number of SUs increased to 3,175,000, which is only a few percentage points below the top level reached in 2008.

Split image

Passenger and flight movement volumes in Swedish air traffic mostly increased during the first six months of the year. Almost all of the largest airports in Europe showed passenger growth, as did the major European airlines. However, a comparison with back in time shows that only half of the ten largest airlines have increased their offerings in European traffic since 2007. The largest increase comes from low-cost airlines such as Norwegian, Easyjet and Ryanair. It has

seldom been as cheap to fly, especially long distances, as it is today.

Another sign of structural weakness is that more than half of the largest flight lines are domestic traffic. If the larger European countries continue with a high pace of investment for land-based modes of transportation, this will affect the aviation market in Europe.

Domestic traffic increases

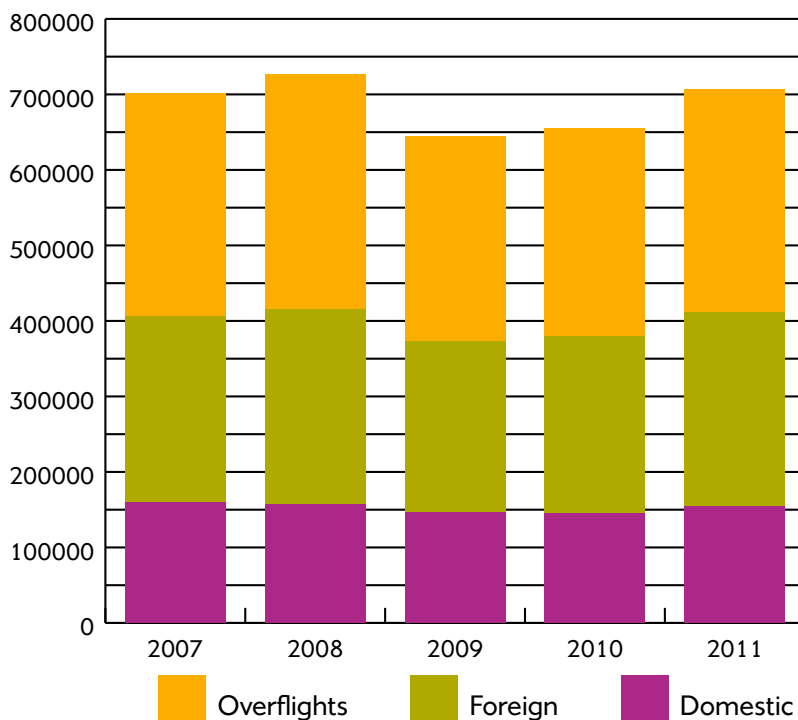
Domestic aviation in Sweden has developed positively across almost all destinations. For most of the year, it has benefited from positive economic growth. The winter problems of land-based traffic and the continued regularity problems for rail services have led to an increase in aviation's market share.

The capacity in air traffic has increased by 15-25% on the big city lines, Gothenburg and Malmö as the Norwegian airline has started to use both of these lines. This means that once again there are three airlines and an attractive offering in terms of price on these competitive lines.

Uncertain future prospects

The positive growth in air traffic also continued during the last six months of 2011, despite the accelerating European financial crisis. Admittedly, the pace of growth has slowed but remains good from a historical perspective. The market's growth during the final quarter is in line with the average growth numbers of the past ten years. During the last six months of 2011, passenger growth in foreign traffic reduced by half to around 8%. The offerings, in the form of increased capacity and new flight movements, follow passenger development. Uncertainty is considerable heading into 2012 and there is reason to fear that growth on a European basis will stop. In many countries, traffic is now declining in absolute numbers as well for the first time since 2009. Sweden still has growth, but the country is clearly going to be affected by the negative traffic trend across the rest of Europe. For 2012, LFFV is counting on a growth in traffic of 1-2%.

Movements in Swedish airspace 2007-2011



LFV's Operations

LFV is a public enterprise with approximately 1,300 employees, providing air navigation services for civilian and military customers at 40 locations across Sweden. Sales are approximately SEK 2.5 billion and the main office is in Norrköping.

LFV is one of Europe's leading participants in air navigation services and works with solutions for even safer, more cost-effective air traffic, which have received attention around the world. LFV is at the forefront in minimising the environmental impact of aviation.

Together with airlines and airports, LFV will continue to ensure that aviation plays an important role in society, for the business community's need for fast transport and people's desire for new experiences. LFV is a climate-neutral public enterprise and an exciting place to work.

Every year, more than 700,000 flights occur in Swedish airspace. 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 the 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. Aviation is the hub in the global contact network, both today and in the future. Aviation allows people to meet and, cultures to interact. LFV's work is an important part of the global transportation sector.

Flight safety

Ensuring flight safety is a guiding principle for the entire LFV operation. The Swedish Transport Agency has general responsibility for aviation safety in Sweden.

LFV works actively to continually identify flight safety risks, both in the ongoing operation and in the event of changes to existing systems. As support in this process, a well-established system for flight safety management, known as the Safety Management System (SMS), guides the work and describes the processes on which the flight safety process is based.

During the year, LFV worked intensively with the implementation of new EU legislation, as well as together with our

Danish counterpart, Naviar and our joint company, NUAC, to harmonise the air safety processes within Danish-Swedish airspace. This work will continue during the coming years.

Good willingness to report

Over 3,000 incidents were reported in 2011, which have been analysed individually and followed up with respect to trends in the area of flight safety. This has led to a number of activities to ensure continuous development of LFV's role of being a guarantor of safe air traffic in Swedish airspace.

No accidents involving LFV occurred during this time period.

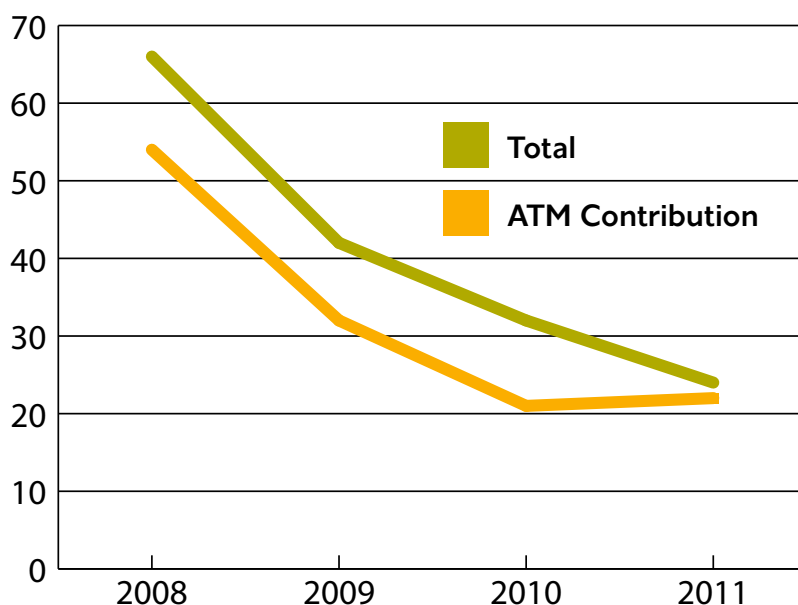
The flight safety process concerns reported incidents, which have had or might have an impact on flight safety and where LFV has had some impact on the course of events, and also, situations to which pilots, airport personnel and other external participants have contributed. The reports are analysed and documentation is submitted to the Swedish Transport Agency.

In certain cases, a deeper investigation is conducted into the reasons behind an incident. Seventeen such internal "incident investigations" commenced in 2011, which is somewhat lower than in previous years. In addition, in certain cases, investigations into problem areas are conducted, based, for example, on identified trends or risks.

LFV's air safety goals

Incidents that have occurred are classified by severity according to an international system called ESARR 2, which is based on the impact of the incident on air safety. LFV's internal air safety goals are based on the number of incidents in which LFV's contribution to the incident has one of the two (out of five) highest classifications, A or B. As a correct classification requires the completion of an investigation, there will be some delay in the follow-up of the air safety goal. A preliminary classification shows that the outcome

Number of Reported Separation Violations 2008-2011



during the year is below the established maximum level at eight incidents. Of these, however, three were A incidents, in which LFV's internal goals were two at most.

The number of reported incidents in which aircraft have been on the runway without permission (Runway Incursion) has increased. LFV's contribution to this type of incident (see diagram below right) is, on the other hand, still low.

LFV is working steadily to minimise the risks in every way for the prevention of any accidents resulting in death or serious injury. This work has the highest priority in the operation, and is fully in accordance with the requirements of EU legislation on/for Single European Sky. Examples of activities that have been conducted during the year in this respect are campaigns for improved communication between air traffic control and aircraft (FRASSE 2 phraseology), strengthened risk awareness, and handling of VFR traffic near airports, as well as technical improvements in operative systems and prioritisation of the investigation process.

The number of reported incidents in which aircraft have come too close to one another (separation violations) shows a declining trend (see diagram on previous page).

LFV's Strategic Air Safety Plan is an important tool to guide our systematic air safety work. The willingness to report is still high, which is a prerequisite for a proactive air safety process. Our technical systems have worked well during this period, and have not led to any air safety incidents.

Air traffic protection

LFV fulfils the requirements in laws and ordinances, the purpose of which is to protect civil air traffic against criminal actions, including terrorism. During the year, LFV has not endured any serious criminality. The threat prognosis against air navigation services is still low.

Civil air traffic, on the other hand, where LFV plays a part, is experiencing a continued dramatic increase in

laser pointers aimed primarily at aircraft and their crews. Use of laser pointers is already a social problem, but what has occurred so far has not been deemed to affect air safety. In the networks in which LFV actively contributes, partly domestically to distribute information about the risks to civil air traffic and partly to have current information about this development, all social functions that have been affected agree on the need for changed, stricter legislation.

Environmental impact of aviation will be reduced

LFV's operation is permeated by consideration for the environment, and LFV actively participates in international co-operation to reduce the environmental impact of aviation. LFV takes its share of responsibility, as part of the aviation industry, for reducing the environmental impact of aviation. Environmental awareness permeates the workday of every employee. Climate compensation is made for those emissions that cannot be eliminated. LFV is climate-neutral.

LFV is working actively to optimise flight paths and develop operative methods and systems to ensure flying in Swedish airspace can occur with as

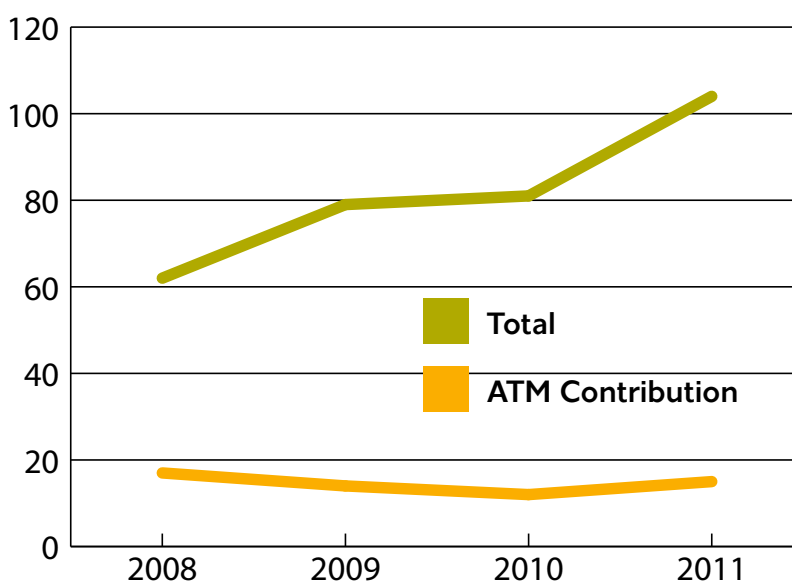
little environmental impact as possible. LFV also co-operates in the entire aviation industry's efforts to reduce fuel consumption, shorten flight paths and reduce emissions. Green approaches, direct flight paths, green departures, efficient engines, changed aerodynamics and renewable fuels are important steps toward carbon dioxide-free aviation. LFV actively participates in international collaborations to reduce the environmental impact of aviation. An example is through LFV's participation in Single European Sky's ATM Research, SESAR.

LFV's environmental goals

LFV's environmental goals are focussed on green approaches and departures as well as direct flight paths through Swedish airspace. The FRAS concept—Free Route Airspace Sweden—has been implemented and means that all traffic over 8,500 meters in Swedish airspace has the possibility to make their flight plan from one entry point directly to an exit point. In November, this was also implemented for flights over Denmark and flights to/from Danish airports.

Green approaches, which involve conducting an approach as energy efficiently as possible, have been at a lower

Number of Reported Runway Incursions 2008-2011



share than the goal for Arlanda during the year. This is due to the complex traffic picture around Stockholm and the impact approaches to Bromma have on Arlanda traffic.

A project for airspace development in Stockholm TMA aims to increase capacity.

A follow-up of the share of green approaches is being carried out at more and more airports. At smaller airports, green approaches are now more the rule than the exception. Each green approach reduces the emission of carbon dioxide by about 150 kg compared with a traditional landing.

The Vinga environmental project

The Vinga environmental project at Gothenburg Landvetter Airport was concluded during the year. Vinga is one of many projects within the framework of SESAR that have shortened approach paths and reduced noise disturbance. The conclusion is that, among the currently existing flight methods, the one used in Vinga is one of the most effective to reduce emissions from aviation.

The project has been conducted in collaboration with several different industry participants: LFV, Gothenburg Landvetter Airport, Airbus, Quovadis and Novair. All have contributed their know-how to reduce the environmental impact of aviation through the entire flight process from start to landing.

Within the project, 178 curved approaches have been conducted from May-September 2011. The average reduction of carbon dioxide emissions has been 283 kilograms. Flying has been shortened by 20.2 km and approach paths have been placed over areas with few residents. The technology that has been used can be implemented at many airports around the world.

Regularity

During parts of the third-quarter, traffic exceeded 2008 levels, which means that we are now operating close to an "all time high." It is primarily all the traffic in the Malmö ATCC that is at record levels.

On some days, the demand exceeds existing capacity from the south into Stockholm's terminal area. At times, this has led to some delays, but compared with major parts of Europe, these were minor. A development process concerning the airspace has been started with the aim of separating traffic incoming to Arlanda from the Bromma traffic by creating two air lanes toward Stockholm TMA. The personnel situation in Stockholm is still somewhat strained, however, the situation will gradually be improved when our students in training have been certified.

Summer traffic was managed with only limited inconvenience for our customers, despite the strong growth in traffic. In total, during the year, about 99% of the traffic was handled without any delays. The median delay in Sweden is considerably lower than in Europe.

Civil-military

For the past 35 years, LFV has run an integrated civil-military air navigation service meaning that the Swedish Armed Forces do not have a separate air navigation organisation or their own air traffic controllers. This is a safe, cost-effective solution that is unique in Europe and means, in part, that the airspace can be used more efficiently by both civil and military air traffic. Interest in the Swedish solution is growing around the world, as do the demands for a more flexible use of airspace.

Remote-controlled towers

The process of developing remote-controlled towers continues. LFV is investing in creating a first RTC (Remote Tower Centre) in Sundsvall with operation for Sundsvall Härnösand and Örnsköldsvik airports. The installation in Sundsvall is under construction and is expected to be ready in 2012. This development is in co-operation with Saab, which is developing the technology, while LFV is responsible for the operational methodology. Crucial to the success of the project is a demonstration of both safety and certification.

By means of remote-controlled towers, air traffic can be led and monitored from a distance, without having air traffic controllers placed in the airport's tower buildings. In this way, the operation of regional airports is made more efficient and air navigation can be ensured, even in areas with a small population. Rather than keeping several control towers staffed, the air traffic controllers are brought together in one centre. By using cameras, sensors and displays, an air traffic controller can then guide air traffic at several airports. With modern technology, aviation safety can be increased even as costs for air navigation services are reduced.

Remote-controlled towers are in line with the government's aims for LFV to promote research, development and the introduction of new technology significant to air navigation services. At the aviation industry fair, ATC Global in Amsterdam in March 2011, LFV was awarded an innovation prize for the work with remote-controlled towers within the framework of the European development project, SESAR. In 2010, LFV also received a prize at ATC Global for the concept of remote-controlled towers.

The "Remote & Virtual Towers" project is run by LFV, within SESAR, together with Saab and the air navigation services in Norway, Estonia, and Finland. Australia is also interested in remote-controlled towers.

Competitive tower market

During 2011, twelve airports renewed their contracts with LFV. One airport chose a different operator. For nine of Swedavia's airports, procurement has been suspended. This means that LFV will run air navigation services there in 2012 also.

European Harmonisation of the Air Navigation Service

The overall EU legislative process in air traffic continues. An update to the basic regulations, the Single European Sky, SES, was adopted in 2009.

Overarching goals are to create conditions for handling growing air traffic at the same time as air safety is maintained, environmental impact reduced and cost efficiencies increase. LfV's focus is on the implementation of the legislation's tightened requirements.

To meet the requirements, the following main components shall be implemented:

- the functional airspace block (FAB);
- a modified charging system, which means that increased cost responsibility for air navigation services is based on performance requirements;
- a technical harmonisation of the air navigation service systems being developed within Single European Sky ATM Research - SESAR.

The legislation involves significant requirements for adaptation and structural changes for LfV.

Functional Airspace Block

One of the most important parts of SES has been the creation of functional

airspace blocks (FAB), the purpose of which is to facilitate collaboration across national boundaries. The Danish-Swedish FAB is one of two so far that have been declared in Europe. All FAB initiatives must be declared no later than the end of 2012. The Danish-Swedish FAB and the production integration has been held as one of the ten most successful projects in Europe's transport sector.

NUAC, the joint Danish-Swedish company for production of air navigation services, will be the air navigation supplier in the upper airspace. Other important initiatives are the joint Scandinavian ATS training academy, Entry Point North (EPN), and the joint development of air navigation systems within Coopans (Co-operation of Air Navigation Service providers). Further information about these three "pillars" is found on pages 10-11. In the future, the goal is to consolidate and expand the FAB co-operation to encompass a larger Northern European block.

Performance control

As of 2012, a system for performance control ("performance scheme") has been introduced within the EU. Based on overall EU goals concerning aviation safety, capacity, environment and cost-efficiency, guiding goals will be developed on a national level and, if applica-

ble, for the functional airspace blocks. At the same time, a new charging system will be introduced, which means that the current system of cost-based fees is being replaced by a system whereby air navigation service providers receive compensation, determined in advance according to the established performance operation plan.

The first reference period is three years and encompasses the En route operation from 1 January 2012 through 31 December 2014. Subsequently, five-year reference periods will be applied and as of 2015, terminal fees at Stockholm-Arlanda and Gothenburg Landvetter will also be included. In 2011, a performance plan for the years 2012-2014 has been developed for the En route operation in the Danish-Swedish airspace block. The plan has been established by the Swedish Transport Agency in Sweden and the Danish Transport Authority in Denmark, but has not yet been approved by the EU commission.

The goals established for En route during 2012-2014 are as follows:

- **Flight safety:** The number of separation violations in the Danish-Swedish airspace block in 2014 may not exceed 1.42 per 100,000 flight hours, compared with an average of 1.57 during the past four years.
- **Capacity:** The delays caused by air navigation services in the Danish-Swedish airspace block shall amount to a maximum of 0.08 minutes per flight in 2014. As a comparison, it can be mentioned that the goal at EU level is 0.5 minutes per flight in 2014.
- **Cost-efficiency:** Sweden shall reduce the cost per service unit by 10% in fixed price by 2014, compared with 2011.

No environmental goal has been set for the first reference period, as the flight paths in the upper airspace in the Danish-Swedish airspace block are already optimised through the introduction of free route airspace. For LfV, it is primarily the goal concerning cost efficiency that will be very challenging. The uncertain outlook for the business



cycle means that there is a risk of weaker traffic growth than predicted, which in such case, will have a direct effect in the form of lower revenues and even greater need for cost efficiencies.

In order to manage the performance requirements, LFV will implement extensive efficiencies during the three-year period 2012-2014, as well as develop the co-operation with the Northern European air navigation service providers for joint efficiencies. LFV's participation in international projects will concentrate on collaborations that produce direct, business-related benefits and measurement added value for customers.

Development of technology and operational methodology

Another important component in the development of Single European Sky is SESAR, an EU program to develop technical and operational conditions for the common European airspace, and which will make it possible to meet the expected increase in traffic. SESAR is a project financed by the EU, the aviation industry and Eurocontrol. The project budget is a total of EUR 2.1 billion. The program will run from 2009-2016 and encompass around 300 subprojects.

LFV is one of the partners in SESAR and is actively working through the Northern European consortium, NORACON, which is made up of air navigation services in eight countries and the Swedish airport company, Swedavia.

The emphasis of LFV's work in NORACON and SESAR is on four areas:

- Further development of terminal operations for reduced environmental impact and increased efficiency in flight operation.
- Further development and implementation of remote-controlled towers, where the aim is for air traffic controllers to serve several airports in parallel from one work position.
- Information Management, which means transitioning to a service-based architecture. This will be executed by defining which operational require-

ments need technical system support. A parallel can be made with how users currently use the Internet to conduct various functions - read the newspaper, do bank transactions or shop for products. A user uses the same products, but different services that are supplied by linked systems.

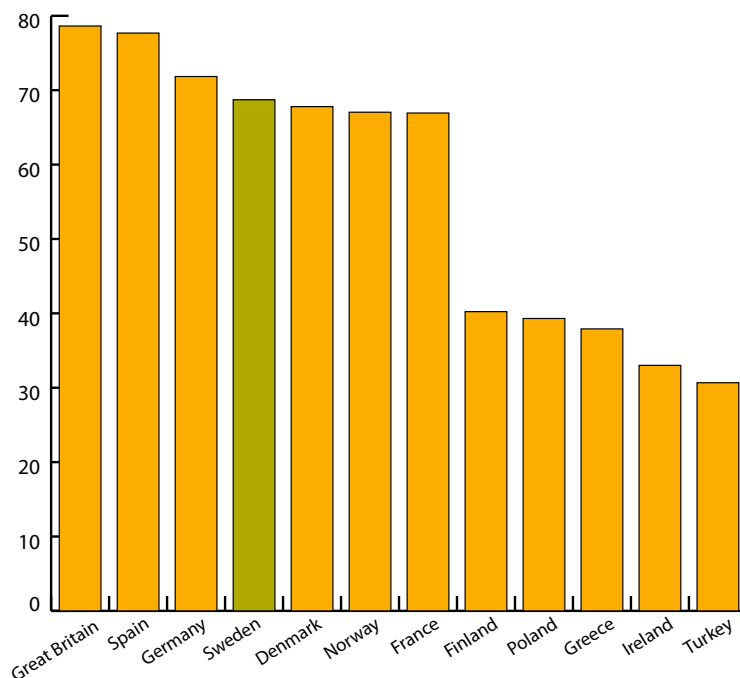
- Ensure goal fulfilment within the co-operation in Coopans to develop the air navigation system. By using SESAR for development and research together with our Coopans partners, risk and costs are lowered in future implementations of new functions. Primarily, this concerns support/services for time-based air navigation, predictability of flight profiles, integration of arrival and departures and performance media for air traffic controllers.

Prices En route

In Europe, a high correlation exists between the En route charges in the central block of countries. Great Britain, France, Germany, Spain and, the three Scandinavian countries are now all at a charge between €66.93 (France) and €78.63 (Great Britain). The average charge among these is €71.88.

Sweden is at €68.71, which is somewhat below the average for these countries, but above the neighbouring countries of Norway and Denmark. One of our neighbouring countries, Poland, has a charge of €39.31. The charges are not completely comparable, because among other things, there are differences in the demarcation between En route and local air navigation services in various countries.

En Route charges 2011 in Europe (euro/service unit)



En route charges per service unit in some European countries in 2011. The Swedish charge was €68.71, of which €58.26 concerns LFV. The average charge in the Eurocontrol countries was €57.86. The cost for a flight is based on the charge, flown stretch in the country's airspace and the weight of the aircraft.

Three Pillars in Danish-Swedish Cooperation

The development of air navigation services in Europe is controlled by the EU and legislation on Single European Sky (SES). This development aims to consolidate and weave together the air navigation services in Europe for better efficiency and to reduce costs. A cornerstone of this is to create possibilities to co-operate across national boundaries.

Within the Nordic region, there is a tradition of far-reaching co-operation in many areas. Air navigation service is no exception, and the most intensive co-operation is with Denmark. LFV and the Danish Naviar service have had close collaboration for a long time, including making air traffic to and from Copenhagen function optimally. Another significant element in the co-operation is that LFV handles air traffic over Bornholm.

The co-operation between LFV and Naviar has developed rapidly in recent years. Presently, the co-operation rests on three pillars, i.e., co-operation within

air traffic controller training (EPN), production of air navigation services En route (NUAC), and the development of technical systems for air navigation service (Coopans).

Scandinavian ATS training academy

Entry Point North (EPN) was founded in 2005 by the three Scandinavian air navigation services in the Nordic region: LFV, Naviar and the Norwegian Avinor service. Sales during 2011 were SEK 75 million and the school had 55 employees.

The training operation is run at the air traffic control-training centre located at Sturup airport outside Malmö. The academy is a pioneer where training for different countries is concerned. The school fulfils the conditions for licensing that the respective authorities in our countries require and which are also approved within the EU. The emphasis is on safety and quality in the training, and of course, the purely professional handling of air traffic via technical systems and communication.

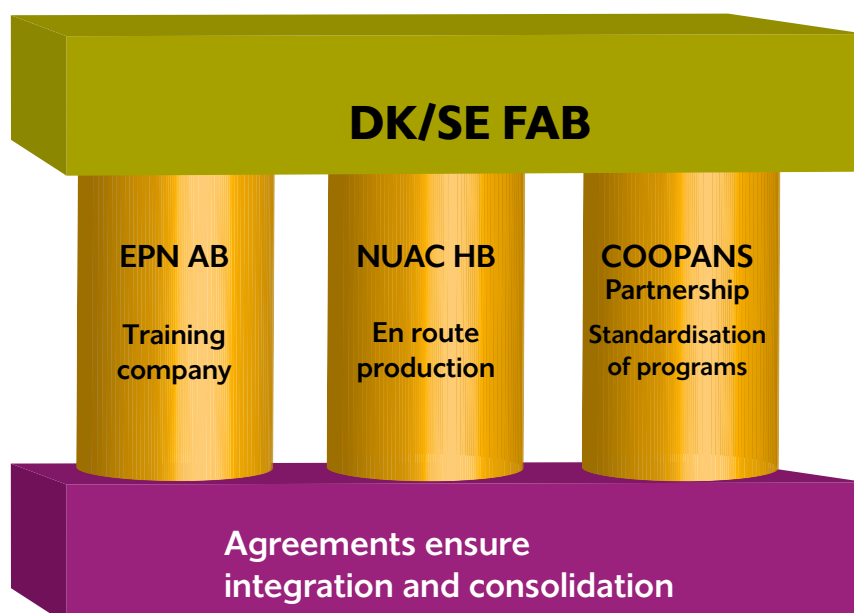
The co-operation means that LFV can ensure high quality training even

if the demand for student places goes down during certain periods. The joint academy provides advantages of scale, while costs are distributed among several interested parties. LFV and the other owners supply instructors who combine theoretical education with practical exercises obtained from three countries with different cultures.

In September 2011, EPN started a new school in Budapest, Entry Point Central (EPC). It is run together with the Hungarian air navigation service and is yet another step in realising the EU's goal of creating co-operation across national boundaries.

Common airspace

NUAC HB is owned by LFV and Naviar, with each holding a 50% share. The operation started on 1 January 2011 by supplying operational support to the centres in Copenhagen, Stockholm and Malmö. The main office is located in Stockholm and there are only about ten employees in the company. Generally, the personnel, as with the technical equipment, are hired from the owners. Combined, this concerns about 750



individuals as of July 2012, when NUAC takes over the operation of the three centres.

During 2011, work has been intensive on producing documentation for the Swedish Transport Agency in order for NUAC to become a certified supplier of air navigation services. The company will play a significant role in the creation of a common functional airspace block over Sweden and Denmark. DK/SE FAB will be the first boundary-crossing block to have an integrated supplier of air navigation services.

An overview of NUAC's business case has been conducted to update and ensure that gains in efficiency can be realised. Synergy effects mean that further

efficiencies can be made in the operation in Danish-Swedish airspace. The structure is one way of achieving savings without lowering standards of quality and the capacity to handle more traffic.

One uncertainty factor is the Swedish Transport Agency's decision concerning competitive bidding for common terminal areas. Such a change will have a significant effect on NUAC's operation both operationally and in terms of the possibilities for making the operation more efficient.

Harmonisation of air navigation systems

LFV and Naviair are the originators of the Coopans co-operation, the purpose

of which is to harmonise upgrades of the air navigation system. In the future, this will mean that LFV will have the same systems as in Denmark, Ireland, Austria and Croatia. Maintenance and development costs are shared between several parties, which saves money. In addition, a common European technical standard will be created, which will simplify co-operation across boundaries.

On the night of 3-4 January, LFV upgraded the air navigation system, Eurocat in the Malmö control centre. Impact on air traffic was slight. In Denmark, the upgrade will be executed on 31 March and in Stockholm, at year-end 2012.



Organisation and Employees

During Spring 2011, new local collective bargaining agreements were concluded for LfV's operation. Local salary negotiations have been conducted and the central agreement is in effect until 30 September 2012. The transfer of operations to NUAC HB has begun and requires considerable work in terms of human resources.

LfV runs operations at 35 locations around the country. The operation is organised into four group units: Production En Route, Production Terminal, Products and Services and Business Support. As of 1 January 2012, Business Support has been consolidated with Swedish Maritime Administration service functions and is called GSF (Common Service Functions). Group functions are located in Norrköping and were re-organised as of 1 July 2011. As of the fourth-quarter, LfV had 1,309 employees and 1,141 full-time employees.

The public enterprise group

The LfV group consists of the public enterprise and the wholly-owned holding company, LfV Holding AB, which runs the operation through wholly and partially owned subsidiaries and associate companies. The oldest is the wholly-owned LfV Aviation Consulting, which has been working with service exports in civil aviation since 1982. The company has broad experience with projects both in air navigation services and airport operations in 75 countries.

Entry Point North (EPN) started its operations in 2006 and is one-third owned by LfV, Naviar (Denmark) and Avinor (Norway). The academy trains air navigation personnel and is located at Malmö Airport. The air traffic controller-training programme has been in operation since 1974. In September 2011, a sister school was established in Budapest (Entry Point Central), which is run together with the Hungarian air navigation service.

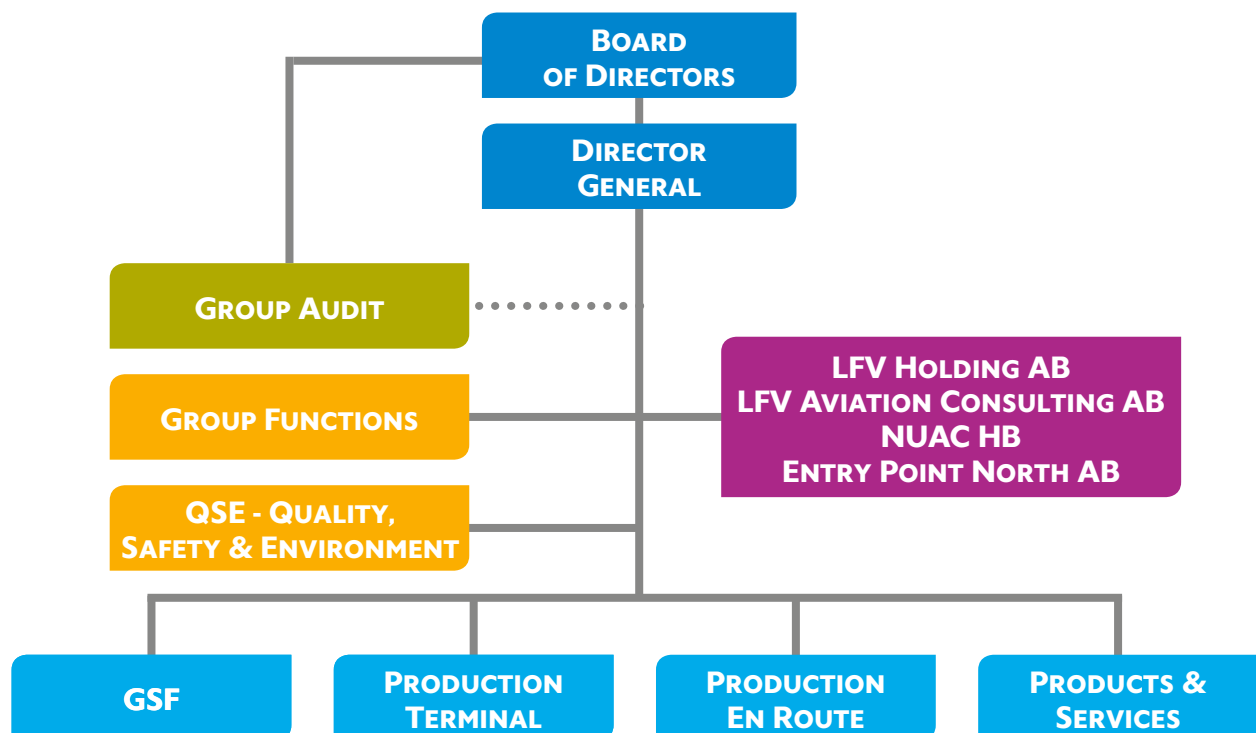
NUAC HB is jointly owned by LfV and Naviar. Since 1 January 2011, the company has run operational support for the three control centres in Copenhagen, Malmö and Stockholm. The mission to

guide air traffic in the Danish-Swedish airspace will be taken over on 1 July 2012. The company's main office is in Stockholm.

Group functions are divided into Business Development and Strategy, Finance, Human Resources, Communication, Civil/Military Production and Technology, and Legal. Together with the Group Audit and Quality, Safety and Environment units, these functions employ about 42 full-time employees.

Air navigation service

Production En Route runs operational air navigation services for the upper airspace. The control centres, located at Malmö and Stockholm-Arlanda airports, are owned by LfV. The group unit has over 500 employees, of which about 450 are air traffic controllers and flight data operators (FDO). Using computers, radar, radio and telecommunication systems, the air traffic controllers are responsible for separating aircraft in Swedish airspace. The unit also encompasses the Flight Planning Centre (FPC), which works with flight briefing and is located



at Arlanda. There were a total of 445 full-time employees in the fourth-quarter.

Production Terminal runs local air navigation services at 35 locations around the country, including two civil and three military terminal controls. LfV's customers are private, municipal, military and governmental airports that own their respective tower buildings. The group unit has around 430 employees and during the fourth-quarter, had 377 full-time employees.

Products & Services, which has about 240 employees, undergoes a broad range of activities within technical and operational support functions and is found at several locations. Operation and maintenance of infrastructure for communication, navigation and monitoring service, consulting services, flight measurement, production of flight information, IT and training activities are examples of this work area. LfV's operational and technical development work is also run here within the framework of the European project, SESAR.

Joint service organisation

GSF, the Swedish Maritime Administration service function and LfV's Business Support, started working on 1 January 2012. GSF encompasses administration of salaries and personnel, archives, document handling, printing, procurement and Facility Management. LfV's Business Support had 75 employees, which corresponds to 65 full-time employees during Q4. Added to this are about 30 employees from the Swedish Maritime Administration who are part of LfV's organisation as of the start of 2012. Co-location is planned for the second-quarter of 2012. The joint unit will reduce administrative costs and increase resource sharing with other public enterprises and authorities in the region.

Good access to air traffic controllers

The number of employees with air traffic controller expertise comprises about 60% of the total. The total for LfV advises balance between access and demand



for air traffic controllers. Currently, LfV has 32 air traffic control students who are at various stages of certification. The most recently accepted students are attending Linköping University's Air Traffic and Logistics programme.

LfV now has a co-operation with Linköping University, which means that air traffic controller training is part of the Air Traffic and Logistics programme. The first class has now been training for three semesters in Norrköping, and 30 students started in January 2012 at Entry Point North to undergo their basic air traffic controller training.

The central salary agreement applies through 30 September 2012. New local collective bargaining agreements were concluded during the spring of 2011 and are adapted to LfV's new organisation and tasks. A good deal of energy has been expended on implementing and distributing knowledge around the agreements. Local negotiations on new salaries were conducted and concluded during the fall.

Manager support

LfV is developing an effective, committed leadership through a number of different programmes. During 2011, a Change Management Program was carried out, in which managers gained increased knowledge, awareness and structure of how changes are implemented. For newly recruited managers, a basic manager program was conducted, and a High Potential programme was started, the purpose of which is to develop future leaders with the goal of being

able to take on a leadership role within three years. A mentorship program that will strengthen and develop the management role will contribute, along with the other programmes, to good long-term support for managers.

LfV's approach and identity, "Code of Conduct," has been produced. It includes four principles that shall be objectives and guidelines for all employees. The Code describes how we should act in relation to customers, collaborative partners and society, and also clarifies LfV's image as an employer for present and future employees. During 2012, the Code of Conduct will be introduced into the operation and the goal is that employees will have knowledge and commitment for future changes and contribute to developing a common approach and identity to customers, the outside world and each other.

Low absence due to illness

LfV strives for a good work environment. A proactive approach and early measures result in low absence due to illness and few rehabilitation cases. During 2011, absence due to illness was 2.16%, compared with 2.64% during 2010.

Basic training in work environment for managers and safety representatives continues. The competence in the area of work environment of managers responsible for personnel is ensured through certification. LfV is committed to a drug-free environment and every year, at least 25% of the employees are drug-tested at random.

Income statements with comments

In 2011, LFV's profit after financial items amounted to SEK 85 million. In 2010, the corresponding results had a loss of SEK 12 million. However, the past year included a number of one-time entries in connection with LFV's division on 1 April 2010. In addition, the airport operation was included in the "old" LFV during the first three months of 2010, which means that comparisons of financial data between the years will not be relevant.

LFV's finances in 2011 were marked to a high degree by positive traffic development, a successful efficiency programme and changes in pension debt.

Operating revenue

Operating revenue amounts to MSEK 2,489. Of these, MSEK 1,734 (70%) constitutes compensation for air navigation services En route. These fees are cost-based, which means that the revenues correspond to the costs for running the operation. The over- or under-coverage that arises during a particular year is regulated via fee adjustments during subsequent years.

The recession and considerable reduction in traffic from autumn 2008 through spring of 2010, in combination with large cost increases for salaries and pension allocations, produced a deficit in the En route operation. As a result of effectiveness and good traffic development in 2011, the En route operation could be run with balanced finances. At the end of 2011, the accumulated deficit was MSEK 463. Compensation for local civil and military air navigation services produced revenues of a combined MSEK 466 in 2011. This corresponds, therefore, to less than 20% of LFV's total sales. After the deregulation that occurred on 1 September 2010, the civil operation now runs in a competitive market. In 2011, LFV renewed or extended contracts with a number of airports. However, in respect of four of the locations where LFV previously ran operations, the airports have selected another operator following competitive bidding. Commercial and other operating revenues account for MSEK 289, corresponding to around 12% of total sales. A third of this revenue is compensation from the partially owned associate company, NUAC HB, for the operational support services the company purchased from LFV. In other, the sale of consulting services and hiring of personnel is included. During the year, LFV

has been a subcontractor to Aviation Capacity Resources AB for air navigation at Västerås airport and hired air traffic controllers abroad. The commercial revenues also include rental income, income for flight measurement and other technical assignments and contribution for financing of LFV's participation in certain international development and co-operation projects.

Operating expenses

Operating expenses amount to MSEK 2,258, of which more than 60% is a personnel-related expense.

In April, after a long period of negotiation, LFV signed new collective bargaining and salary agreements with the personnel organisations. The collective bargaining agreement entailed an adaptation to LFV's current operation after the division and an increased flexibility within the area of work time, but also with some retroactive features that affected costs for the year. In April, about SEK 2 billion of LFV's pension debt was transferred to the National Government Employee Pensions Board (SPV). This meant an accounting-related gain in 2011 of MSEK 100. Despite this gain, LFV's combined pension costs amounted to around MSEK 440. Reserves have then been made for a reduction of the interest that the public enterprise uses



for the calculation of pension debt (commitments that entail pledges on future price-indexing). This was established by SPV in October in accordance with the decision of the Swedish Financial Supervisory Authority. The decision entails a reduction of the real interest rate from 1.4% to 1.1%, which produces a cost increase of MSEK 188 for LFV.

LFV's operating expenses are otherwise made up of various external costs of MSEK 626 and depreciation on capital assets of MSEK 210. Included in the external costs are costs to NUAC HB at MSEK 111 concerning LFV's share of the company's divided costs. In other respects, the costs primarily concern activities to ensure operation of technical systems and other infrastructure to maintain quality and flight safety. The costs also include development activity within European collaborations, costs for administrative and technical IT, leasing costs and costs associated with the commercial assignment operation.

Efficiencies

Through the introduction of a performance-based fee system for En route as of 2012, LFV's financial forecasts will be changed. According to the proposal for a performance plan for Sweden by the Swedish Transport Agency, LFV must reduce the real unit costs during the period 2012-2014 by 10% compared with the base year of 2011. This places further demands for effectivisation and rationalisation of the operation. In accordance with adopted rationalisation plans, therefore, the final accounts for 2011 include costs for personnel reorganisation corresponding to almost MSEK 100, consisting of both agreements already concluded on personnel layoffs, etc. and reserves for planned measures. Since 2009, LFV has been running an effectivisation programme. The goal is to implement efficiencies of at least MSEK 400 through 2014, in order to balance the finances, improve the cost situation, eliminate the accumulated deficit in the En route operation, and meet the new requirements placed on Sweden and

LFV in the performance plan. Already in 2009 and 2010, savings of a combined MSEK 100 were implemented and the 2011 objective for an additional MSEK 100 has been fulfilled.

Measures that were conducted during the year included adaptation of staffing within the operational unit, limitations and prioritisations within the development operation, adaptation of the need for training, organisation overviews within management and administration, and adaptation of investment plans.

Financial net

The sum of financial items amounted to MSEK -145 consisting of income interest of MSEK 47 and expenses interest of MSEK 193. LFV's financial income refers primarily to interest on LFV's liquid assets, while the costs primarily constitute the financial portion of the pension costs.

In addition, the net financials include several minor entries such as interest costs for leased assets, interest on overdue payments and changes in currency exchange and the like.

LFV Holding AB

Included in LFV group's results are the results from subsidiary and partnership companies combined in the holding company, LFV Holding AB. The company operations gained MSEK 24 in sales and the pre-tax results were MSEK 3. LFV Holding was formed in 1995 to coordinate and manage LFV's corporate operation. LFV Holding consists of the parent company, the wholly owned subsidiary, LFV Aviation Consulting AB and the associated companies, Entry Point North AB and NUAC HB.



STATEMENT OF INCOME (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2011	2010	2011	2010
Operating revenue					
Aviation revenue	1	2 200	2 606	2 200	2 606
Other operating revenue	2	289	812	277	704
Total operating revenue		2 489	3 418	2 477	3 310
Operating expenses					
Staff expenses	3	-1 421	-1 762	-1 415	-1 754
Various external expenses	4	-626	-1 029	-620	-1 025
Depreciation/amortisation and write-downs of tangible and intangible fixed assets	5	-210	-452	-210	-452
Total operating expenses		-2 258	-3 243	-2 245	-3 230
Profit on holdings in associated companies	6	-2	3	-	-
Operation profit		230	179	232	80
Profit from financial investments					
Profit from holdings in associated companies		-	53	-	-
Dividend from subsidiaries		-	-	201	-
Interest income	7	47	36	42	34
Interest expenses and similar items	8	-193	-279	-192	-279
		-145	-190	50	-246
Profit after financial items		85	-12	282	-166
Income tax and tax equivalent	9	0	0	-	-
Minority share of after-tax profit		-	-2	-	-
Profit for the year		85	-14	282	-166

Balance sheets and financial analyses with comments

Liquidity in the LFV group is good and amounts to MSEK 1,912 including short-term investments (MSEK 3,077).

Investments

During the year, LFV's investments amounted to MSEK 84 (MSEK 232, of which Air Traffic Services was responsible for MSEK 143 and the airport operation during Q1 of 2010, for MSEK 89).

The largest investment concerns continued development of the Coopans air navigation system, MSEK 37 in 2011. The purpose is, together with other suppliers of air navigation services, which have the same type of equipment and 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), Navair (Denmark), IAA (Ireland), Austrocontrol (Austria) and Croatia Control Ltd (Croatia) are members. Other larger investments comprise the replacement of radio stations in northern Sweden (MSEK 11) and an upgrade of radar stations (MSEK 10).

Other long-term receivables

LFV's revenues deriving from the En route operation are cost-based. The

invoiced fees for the year are based on budgeted costs. The difference (surplus/deficit) between budgeted and final costs is included in future fees. LFV has chosen to periodise previous years' deficits over a five-year period, which are included under "Other long-term receivables." This has decreased this year by MSEK 4 to MSEK 464.

Allocations to pensions

The National Government Employees Pensions Board (SPV) decided in October 2011 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 lower real gross interest, 1.1% (previous year 1.4%) and a lower real net interest, 0.4% (previous year 0.7%). The net interest is the interest rate that affects the size of the calculated obligation. The new calculation basis applies as of 1 January 2012 but may be applied by the public enterprise as of 31 December 2011. LFV has applied the new bases in the final accounts for 2011.

LFV's pension obligation has changed by MSEK -1,465 compared with 2010. During the spring of 2011, LFV paid a redemption premium of MSEK 1,863 including payroll tax concerning the pension debt for agreements before PA03,

PA03 for retirees, PA03 paid-up pension as of age 65 and PA03 paid-up pension, which led to a reduction of pension debt by MSEK 1,966. During the year, the pension debt has increased by MSEK 314 including disbursed pensions and payroll tax. The new calculation basis has increased LFV's pension obligation by MSEK 188 including payroll tax as of 31 December 2011.

Distribution and tax

The tax equivalent for the year amounts to MSEK 0 (MSEK 0). The tax equivalence is calculated according to government guidelines. During the year, subsidiaries have paid MSEK 0 (MSEK 0) in income tax. According to the Appropriations Directive, LFV shall not pay a dividend for the financial year 2011.

Return on equity and equity ratio

The government's financial goals for LFV after division of the operation 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 14% (negative). Equity ratio as of 31 December 2012 amounts to 15% (10%).



BALANCE SHEET (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2011 31 Dec	2010 31 Dec	2011 31 Dec	2010 31 Dec
ASSETS					
Fixed assets					
Intangible assets					
Licenses	10	1	2	1	2
Total intangible assets		1	2	1	2
 Tangible fixed assets					
Buildings	11	220	232	220	232
Land	11	–	–	–	–
Field structures	11	10	12	10	12
Electrical installations	11	27	32	27	32
Telecom equipment	11	632	777	632	777
Vehicles, machinery, etc	11	27	32	27	32
Leased fixed assets	11	6	7	6	7
Constructions in progress	11	550	504	550	504
Total tangible fixed assets		1 472	1 597	1 472	1 597
 Long-term financial assets					
Shares in subsidiaries	12	–	–	75	75
Shares in associate companies	13	8	10	–	–
Other long-term receivables	14	464	468	464	468
Total long-term financial assets		473	478	539	543
Total fixed assets		1 946	2 076	2 013	2 141
 Current assets					
Inventories etc.					
- Stocks		1	1	1	1
 Current receivables					
Trade receivables		57	64	55	56
Receivables with subsidiaries		–	–	3	4
Receivables with associate companies		31	6	31	6
Tax receivables		2	2	–	–
Other receivables		173	180	169	179
Prepaid expenses and accrued income	15	277	255	275	254
Total current receivables		539	506	532	498
 Short-term investments	16	99	–	99	–
Cash and bank deposits		1 813	3 077	1 650	2 721
Total current assets		2 451	3 584	2 282	3 220
TOTAL ASSETS		4 397	5 661	4 294	5 362

BALANCE SHEET (MSEK)	NOTE	GROUP		PUBLIC ENTERPRISE	
		2011 31 Dec	2010 31 Dec	2011 31 Dec	2010 31 Dec
EQUITY CAPITAL AND LIABILITIES					
Equity capital					
Restricted equity	17				
State funds		202	202	202	202
Restricted reserves		269	269	252	252
Total restricted capital		471	471	453	453
Unrestricted capital					
Balanced profit/loss	17	110	123	-166	-
Profit for the year		85	-14	282	-166
Total unrestricted capital		194	110	117	-166
Total equity capital		665	580	570	288
Minority interest		-	-	-	-
Allocations					
Interest-bearing allocations					
Allocations for pensions	18	3 205	4 670	3 205	4 670
Non-interest-bearing allocations					
Other allocations	19	133	50	133	50
Total		3 338	4 721	3 338	4 720
Long-term liabilities					
Interest-bearing liabilities					
Liabilities to the National Debt Office	20	6	7	6	7
Non-interest-bearing liabilities					
Other non-interest-bearing liabilities	21	19	16	19	16
Total long-term liabilities		25	23	24	23
Current liabilities					
Non-interest-bearing liabilities					
Trade creditors		132	155	126	151
Debt to subsidiaries		-	-	0	0
Liabilities to associate companies		28	5	28	5
Tax liabilities		-	-	-	-
Other non-interest-bearing liabilities		68	32	68	31
Accrued expenses and prepaid income	22	141	145	140	143
Total current liabilities		370	337	362	331
TOTAL EQUITY CAPITAL AND LIABILITIES		4 397	5 661	4 294	5 362
Items within the line					
Contingent liabilities	23	2	2	25	25
Pledged assets		Inqa	Inqa	Inqa	Inqa

FINANCIAL ANALYSES (MSEK)	GROUP		PUBLIC ENTERPRISE	
	2011	2010	2011	2010
Operations				
Profit after financial items	85	-12	282	-166
Adjustments for items not included in cash flow	208	303	210	455
	293	291	492	289
Tax paid	-	-	-	-
Cash flow from operating activities before changes in the working capital	293	291	492	289
Cash flow from changes in working capital				
Change in operating receivables	-33	138	-34	175
Change in operating liabilities	-1 349	-323	-1 351	-346
Cash flow from operating activities	-1 382	-185	-1 385	-171
Investment activities				
Sale of assets	-	5 254	-	5 269
Change in fixed capital assets	-84	-232	-84	-232
Investment in financial assets	-	-212	-	-212
Change, group and associate companies	2	241	-	-
Cash flow from investment activities	-82	5 051	-84	4 825
Financing activities				
Change of long-term receivables	4	-	4	-
Change of long-term debt	2	-64	1	-64
Repayment of group and government capital	-	-2 562	-	-2 562
Conversion of latent tax obligation	-	252	-	252
Cash flow from financial activities	6	-2 374	5	-2 374
CASH FLOW FOR THE YEAR	-1 165	2 783	-972	2 569
Liquid assets at start of year	3 077	294	2 721	152
Liquid assets at end of period	1 912	3 077	1 749	2 721

Notes

NOTE 1

Aviation revenue

	Group		Public Enterprise	
	2011	2010	2011	2010
Passenger charges	–	216	–	216
En route charges	1 734	1 666	1 734	1 666
Terminal charges	135	170	135	170
Take-off charges	–	95	–	95
Aviation security	–	121	–	121
Ground handling charges	–	46	–	46
Compensation for air navigation services	331	288	331	288
Miscellaneous	–	3	–	3
	2 200	2 606	2 200	2 606

NOTE 3

Staff expenses and disclosures about staff, director general, board of directors and auditors

	Group		Public Enterprise	
	2011	2010	2011	2010
Wages and salaries	774	984	770	980
Employer social welfare fees	550	706	548	703
Other staff expenses	97	71	97	71
	1 421	1 762	1 415	1 754

Included in social security contributions are pension expenses including payroll tax	299	394	296	392
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Wages, salaries and compensation, MSEK

	Board of directors, Director General and CEO		Other employees	
	2011	2010	2011	2010
Public enterprise	2	2	768	978
Subsidiaries and associated companies	1	1	3	3
Total LFV group	3	3	771	981

Fees to the Board and Director General

	Salary/fee
DG Thomas Allard	110101 - 111231 1 488 299
Billinger, Nils Gunnar, Chairman	110101 - 111231 106 140
Bredberg Pettersson, Maria, Director	110101 - 111231 30 494
Bredberg, Anne-Marie, Employee Rep	110101 - 111231 20 000
Fredriksson, Ingemar, Director	110101 - 111231 30 798
Hafström, Marie, Director	110101 - 111231 30 000
Lennartsson, Peter, Employee Rep	110101 - 111231 31 177
Zetterdahl, Ann-Catrine, Director	110101 - 111231 30 570
Sandqvist, Evabritt, Employee Rep	110101 - 111231 10 000

NOTE 2

Other operating revenue

	Group		Public Enterprise	
	2011	2010	2011	2010
Rents and leases	13	203	13	199
Car parking charges	–	125	–	125
Commercial service	241	199	230	196
Ground Handling	–	84	–	84
Property services	–	39	–	39
Advertising revenue	–	17	–	17
Capitalised work for own account	–	11	–	11
Miscellaneous	35	134	34	34
	289	812	277	704

Group companies' share of the state enterprise's miscellaneous business income, 3.5% (2.3)

Absence due to illness

	Group	
	2011	2010
Total sick leave as a share of regular work time:	2,16%	2,64%
Share of total sick leave that concerns consecutive sick leave of 60 days or more	48,59%	40,78%
Sick leave divided by gender:		
Men	1,16%	2,18%
Women	3,49%	3,37%
Sick leave divided by age category:		
29 or younger	1,87%	1,94%
30-49	2,00%	2,45%
50 or older	2,53%	3,13%

Fees to auditors

	Group		Public Enterprise	
	2011	2010	2011	2010
Swedish Nat'l Audit Office				
- Auditing	1	1	1	1
KPMG				
Auditing	1	0	0	0
Other work	0	0	0	0
Ernst & Young	–	0	–	0
PWC	0	6	0	6
Transcendent Group	1	–	1	–
Miscellaneous	–	1	–	1
	2	8	2	8

NOTE 4				
Various external expenses				
	Group		Public Enterprise	
	2011	2010	2011	2010
Costs for resale	36	66	21	43
Property and rental costs	73	152	73	149
Material, maintenance, transports	156	252	156	252
Travel expenses	21	31	20	29
Outside services	281	440	292	472
Administrative expenses	58	87	57	80
	626	1 029	620	1 025

Group companies' share of the public enterprise's misc. external costs, 0.4% (1.8)

NOTE 6				
Profits from shares in associate companies				
	Group		Public Enterprise	
	2011	2010	2011	2010
Associate companies:				
Entry Point North AB				
Share in associate company's earnings	-2	3	-	-
NUAC HB				
Share in associate company's earnings	0	0	-	-
	-2	3	-	-

NOTE 7				
Interest income				
	Group		Public Enterprise	
	2011	2010	2011	2010
Interest income from bank	43	17	37	15
Interest income from short-term placements	4	16	4	16
Interest income from short-term receivables	1	2	1	1
Miscellaneous	0	1	0	1
	47	36	42	34

NOTE 8				
Expenses interest and similar items				
	Group		Public Enterprise	
	2011	2010	2011	2010
National Debt Office	-	36	-	36
Bank	-	-	-	-
Interest portion of pension expense	188	237	188	237
Financial leasing	0	1	0	1
Miscellaneous	4	5	4	4
	193	279	192	279

NOTE 5				
Depreciation/amortisation and write-downs				
	Group		Public Enterprise	
	2011	2010	2011	2010
Depreciation/amortisation:				
Intangible assets	1	2	1	2
Buildings	13	107	13	106
Field installations	1	61	1	61
Electrical installations	5	40	5	40
Telecom equipment	153	173	153	173
Vehicles, machinery, etc.	7	60	7	60
Leased installations	2	4	2	4
	210	452	210	452
Write-downs				
Intangible assets	-	-	-	-
Buildings	-	1	-	1
Field installations	-	1	-	1
Electrical installations	-	-	-	-
Telecom equipment	27	-	27	-
Vehicles, machinery, etc.	-	2	-	2
On-going projects	-	1	-	1
Leased installations	-	-	-	-
Land	-	0	-	0
	210	452	210	452

NOTE 9		
Income tax and tax equivalent on reported profit		
	Group	
	2011	2010
Income tax to pay for the year		
- Group's earnings not including associate company's share pre-tax	86	-14
Deduct:		
- change in tax-related write-downs	-	-
- deficit from previous years	-159	
- capital gain upon sale of subsidiary and associate company	-	-145
	-73	-159
Basis for calculation of the year's income tax to pay		
Deduct: paid tax by subsidiary and associate companies	-	-
Income tax to pay for the year	0	0

NOTE 10

Intangible fixed assets

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	17	46	17	46
Acquisitions for the year	–	–29	–	–29
Ending acquisition value	17	17	17	17
Opening depreciation and write-downs	–15	–35	–15	–35
Depreciation and write-downs for the year	–1	–2	–1	–2
Sales/discards/transfer		22		22
Ending accumulated write-offs & depreciation	–15	–15	–15	–15
Ending planned residual value	1	2	1	2

NOTE 11

Tangible fixed assets

Land	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	–	125	–	125
Acquisitions for the year	–	–125	–	–125
Other adjustments	–	–	–	–
Ending acquisition value	–	–	–	–
Opening depreciation and write-downs	–	–10	–	–10
Depreciation and write-downs for the year	–	0	–	0
Sales/discards/transfer	–	10	–	10
Ending accumulated write-offs & depreciation	–	–	–	–
Ending planned residual value	–	–	–	–

Constructions in progress (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	446	9 268	446	9 268
Acquisitions for the year	1	65	1	65
Sales/discards/transfer	–	–8 888	–	–8 888
Other adjustments	–	–	–	–
Ending acquisition value	447	446	447	446
Opening depreciation and write-downs	–213	–4 679	–213	–4 679
Write-downs for the year	–13	–107	–13	–106
Depreciation for the year	–	–1	–	–1
Sales/discards/transfer	–	4 575	–	4 575
Other adjustments	0	–2	0	–2
Ending depreciation and write-downs	–227	–213	–227	–213
Ending planned residual value	220	232	220	232

Field installations (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	25	6 066	25	6 066
Acquisitions for the year	0	55	0	55
Sales/discards/transfer	–	–6 096	–	–6 096
Other adjustments	–	–	–	–
Ending acquisition value	25	25	25	25
Opening depreciation and write-downs	–13	–2 965	–13	–2 965
Write-downs for the year	–1	–61	–1	–61
Depreciation for the year	–	–1	–	–1
Sales/discards/transfer	–	3 020	–	3 020
Other adjustments	0	–6	0	–6
Ending accumulated write-offs & depreciation	–15	–13	–15	–13
Ending planned residual value	10	12	10	12

Constructions in progress (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	504	738	504	738
Acquisitions for the year	84	152	84	152
Completed new installations	–38	–217	–38	–217
Depreciation	–	–1	–	–1
Conveyed to Swedavia AB	–	–168	–	–168
Ending acquisition value	550	504	550	504

Leased fixed assets (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	11	66	11	66
Acquisitions for the year	3	4	3	4
Sales/discards/transfer	-4	-60	-4	-60
Other adjustments	-	0	-	0
Ending acquisition value	10	11	10	11
Opening depreciation and write-downs	-4	-34	-4	-34
Write-downs for the year	-2	-4	-2	-4
Depreciation for the year	-	-	-	-
Sales/discards/transfer	2	34	2	34
Other adjustments	-	0	-	0
Ending accumulated write-offs & depreciation	-4	-4	-4	-4
Ending planned residual value	6	7	6	7

Telecom equipment (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	1 860	2 507	1 860	2 507
Acquisitions for the year	35	13	35	13
Sales/discards/transfer	-19	-660	-19	-660
Other adjustments	0	0	0	0
Ending acquisition value	1 877	1 860	1 877	1 860
Opening depreciation and write-downs	-1 083	-1 434	-1 083	-1 434
Write-downs for the year	-153	-173	-153	-173
Depreciation for the year	-27	-	-27	-
Sales/discards/transfer	19	524	19	524
Other adjustments	0	-1	0	-1
Ending accumulated write-offs & depreciation	-1 245	-1 083	-1 245	-1 083
Ending planned residual value	632	777	632	777

Electrical installations (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	72	2 879	72	2 879
Acquisitions for the year	-	9	-	9
Sales/discards/transfer	-	-2 816	-	-2 816
Other adjustments	-	-	-	-
Ending acquisition value	72	72	72	72
Opening depreciation and write-downs	-40	-1 890	-40	-1 890
Write-downs for the year	-5	-40	-5	-40
Depreciation for the year	-	-	-	-
Sales/discards/transfer	-	1 891	-	1 891
Other adjustments	-	-1	-	-1
Ending accumulated write-offs & depreciation	-45	-40	-45	-40
Ending planned residual value	27	32	27	32

Vehicles, machinery, etc. (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Opening acquisition value	92	3 280	92	3 280
Acquisitions for the year	6	57	6	57
Sales/discards/transfer	-12	-3 245	-12	-3 245
Other adjustments	0	0	0	0
Ending acquisition value	86	92	86	92
Opening depreciation and write-downs	-60	-2 303	-60	-2 303
Write-downs for the year	-7	-60	-7	-60
Depreciation for the year	-	-2	-	-2
Sales/discards/transfer	8	2 307	8	2 307
Other adjustments	0	-2	0	-2
Ending accumulated write-offs & depreciation	-59	-60	-59	-60
Ending planned residual value	27	32	27	32

Leased residual values (Note 11)

	Group		Public Enterprise	
	2011	2010	2011	2010
Buildings	-	-	-	-
Electrical installations	-	-	-	-
Telecom equipment	-	-	-	-
Vehicles, machinery, etc.	6	7	6	7

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 (formerly Swedavia AB)	556193-1469	3 000	100	3	–

NOTE 13

Shares in associate companies

	Group		Public Enterprise	
	2011	2010	2011	2010
Accumulated acquisition value at start of year	0	30	–	–
Sale	0	–30		
Year's share in associate companies' earnings	0	0	–	–
	0	0	–	–
Accumulated earnings shares, etc.				
At start of year	10	16	–	–
Year's share in associate companies' equity capital, etc.	–2	3	–	–
Change in associate companies' own capital, etc.	0	0	–	–
Sale	0	–9		
	8	10	–	–
Entered value	8	10	–	–

NOTE 14

Other long-term receivables

	Group		Public Enterprise	
	2011	2010	2011	2010
At start of year	468	256	468	256
Additional items				
Settlement of terminal fees	–21	23	–21	23
Settlement Eurocontrol	18	197	18	197
Settlement Swedavia	–	–8	–	–8
	464	468	464	468
Entered value	464	468	464	468

NOTE 15

Prepaid expenses and accrued income

	Group		Public Enterprise	
	2011	2010	2011	2010
Prepaid expenses	66	62	66	62
Accrued income	211	193	209	192
	277	255	275	254

NOTE 13, CONTINUED

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	Public enterprise
Indirect holdings (via LFV Holding AB)							
- Entry Point North AB	556682-8272	100 000	33	33	0	8	–
- NUAC HB	969745-6433	–	50	0	0	0	
Indirect holdings (via EPN AB)							
- Entry Point Central Kft	23399583	–	51	118	0	0	–
				151		8	–

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).

NOTE 16				
Short-term investments				
	Group		Public Enterprise	
	2011	2010	2011	2010
Corporate certificates	99	–	99	–
At end of year	99	–	99	–

NOTE 18				
Pension provisions				
	Group		Public Enterprise	
	2011	2010	2011	2010
At start of year	4 670	5 365	4 670	5 362
Pension provisions for the year	338	297	338	297
Pension disbursements for the year	–25	–145	–25	–145
Changed calculation principles	188	293	188	293
Redemption of pension obligations	–1 966	0	–1 966	0
Change for the year due to division of the operation	0	–1 140	–	–1 137
	3 205	4 670	3 205	4 670

NOTE 19				
Other allocations				
	Group		Public Enterprise	
	2011	2010	2011	2010
Reorganisation expenses	99	20	99	20
Other allocations	34	30	34	30
	133	50	133	50

NOTE 21				
Other non-interest-bearing liabilities				
	Group		Public Enterprise	
	2011	2010	2011	2010
Contingency funds - Personnel	19	16	19	16
	19	16	19	16

NOTE 23				
Contingent liabilities				
	Group		Public Enterprise	
	2011	2010	2011	2010
Pension obligations to other subsidiaries and associate companies	2	2	2	2
Surety for subsidiaries	0	0	23	23
	2	2	25	25

NOTE 17				
Restricted reserves and unrestricted capital				
	Group		Public Enterprise	
	Re-stricted reserves	Unre-stricted capital	Re-stricted reserves	Unre-stricted capital
Amount at start of year per established balance sheet	269	110	252	–166
Distribution				
Changes pertaining to group's associate companies				
Change between unrestricted and restricted equity capital				
Changes pertaining to division				
Conversion of latent tax to re-stricted reserves				
Profit for the year		85		282
Amount at end of year	269	194	252	116

NOTE 20				
Liabilities to leasing companies				
	Group		Public Enterprise	
	2011	2010	2011	2010
Leasing companies	6	7	6	7
	6	7	6	7

NOTE 22				
Accrued expenses and prepaid revenue				
	Group		Public Enterprise	
	2011	2010	2011	2010
Salaries and compensation	4	5	4	5
Holiday pay obligations	72	68	71	67
Social insurance fees	49	45	48	44
Other accrued expenses	13	25	12	24
Prepaid revenue	4	2	4	2
	141	145	140	143

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 will be 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 for 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 prerequisite for well-functioning air transports.

LFV contributes to the **goal of function** — which concerns creating accessibility for travel and transports — by sup-

plying safe, efficient and environmentally sound air navigation services all over Sweden, which is a prerequisite for the accessibility, provided by 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.

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.

Mission according to the Appropriations Directive

LFV shall, in co-operation with the Swedish Armed Forces, report to the Government Offices on how LFV intends to ensure the provision of air traf-

fic service for military and civil air traffic over time in accordance with §§ 1 and 4 of the regulation (2010:184) with instructions for LFV.

LFV's account of the mission was submitted to the government (Ministry of Energy, Enterprise and Communications) on 29 June 2011. LFV notes that within this, the regulation-related management that the government indicated in proposition 2009/10:95 is not yet in place. This means that prerequisites are lacking for LFV to ensure the supply of air navigation services where other suppliers remain active. The issue will be handled within the framework of the investigation on LFV's business structure, which the government decided on 10 November 2011. The investigation will be reported no later than 15 April 2012.

According to the Appropriations Directive for 2011, LFV shall transfer all shares in LFV Aviation Consulting AB to the Legal, Financial and Administrative Services Agency. This change has not yet been executed and the corresponding order is not found in the Appropriations Directive for 2012. At present, the owner will conduct a review of LFV's possibilities, within the framework of the present business structure and instruction, to operate in a competitive market, which may come to affect this issue.

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.

LFV's long-term financial goals regarding solidity are that this shall amount to at least 15%.

Return on equity capital was 14% during 2011. The positive results in 2011 were a consequence of good growth in traffic during the year along with a continued successful effectivisation process.

As of 31 December 2011, equity ratio amounted to 15%. Equity ratio increased in connection with the redemption of a portion of the pension debt in May of 2011.



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 will 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 AB and the associate companies Entry Point North AB and NUAC HB, with 33% and 50% share ownership respectively. During the year, the associate company, Entry Point North AB started 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 2011, local air navigation was run at 36 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 followed the Ordinance (SFS 2000:605) on Annual Reports and Budget Material (FÄB) 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 previous year's comparison numbers also include the airport operation during Q1 and the subsidiaries and associate companies that were transferred to Swedavia AB as of 1 April 2010.

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 2010.

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 state 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.

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 risks 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 are applied in accounting of allocations and guarantees.

Under allocations, any future obligations are accounted concerning such employees as are terminated on the basis of lack of work and are 55 or older. Such individuals may be granted retirement pension within a six-year period according to 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 particular payroll tax.

Pensions

As of 2003, the 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 1.1% for 2012 (2011 1.40%). 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 2011.

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 2011. 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, in addition to distribution, 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.

The public enterprise accounts for debt regarding the calculated tax equivalence for the fiscal year. The final amount for distribution and the year's tax equivalence to pay will be established by the government in connection with the establishment of the enterprise's annual report for 2011.

In both the public enterprise and in 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 is not required to submit dividend to the government for 2011.

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 amount to MSEK 85, an improvement of just under MSEK 100 compared with the previous year.

Risks

Financial risks

LFV's financial operation and financial risks are handled by LFV Group Finance and are based on a finance policy established by LFV's board.

Interest rate risk is defined as the risk that changes in the general interest rate situation entail 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 now runs.

Pension liability

LFV's operation is financed exclusively by the pension obligation that concerns LFV's pension commitment with respect to the personnel. The personnel in LFV are employed by the government and the government pension rules according to PA91 and PA03 thereby apply. The present value of the pension obligation is calculated by the National Government Employees Pensions Board (SPV) and the liability, including payroll tax (24.26%) is entered as allocation in LFV's balance sheet. The guidelines that are used for valuation of the pension commitments for 2012 include a net interest assumption of 1.1% and a parameter for revenue tax of 0.5%. Due to the financial uncertainty within the European countries, the interest rate on Swedish bonds has declined to an extremely low level historically.

LFV assesses that there is risk of the real interest rate going down or continues at a relatively low level in the immediate future. This may entail an increase of pension liability in future years. For each 0.1 percentage point of change, LFV's costs are affected by an estimated MSEK 60. Recently, the current real interest rate has been at levels below 0.5%.

Measures

LFV is in dialogue with SPV on redeeming additional portions of the pension liability and transitioning to a premium solution.

Development of the aviation market

LFV's finances are strongly dependent on the development of the aviation market. During 2009, there was a strong downturn measured in the number of airspace movements of over 11% compared with the preceding year. Since May 2010, after the "ash crisis," aviation has increased month by month. During 2011, we have continued to see strong growth in air traffic at a total of almost 8%. The number of movements in 2011 amounted to a total of 706,000, which is only about 3% lower than the annual record in 2008.

The Swedish economy's strong growth after the financial crisis 2008-2009 is the fundamental reason for the increase in traffic. The pace of growth has admittedly subsided during the second half of 2011, but is still good from a historic perspective.

Uncertainty is substantial going into 2012. Aviation is very sensitive to business cycles. The fact that the majority of foreign travellers these days are private travellers also means the aviation market is more sensitive to changes in personal finances, consumption patterns and travel trends, which increase risk. In many countries today, traffic is declining in absolute numbers. Sweden still has growth, but we will be affected by the negative traffic trend in the rest of Europe. For 2012, LFV is counting on traffic growth of between 1-2%, but uncertainty remains significant. In general, the traffic prognoses for the coming planning period 2012-2016 have been lowered during the past six months and uncertainty is currently quite substantial in terms of the development of the business climate as well as aviation.

Measures

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

En route deficit

Declining traffic during 2009, in combination with the cost increases of recent years, meant that the En route operation showed a significant "liquidity deficit" in 2009-2010. During 2011, the En route operation has once again been in balance. In total, the accumulated claims on the airlines at the end of 2011 amounted to MSEK 463.

The regulation (EU) no. 1794/2006 concerning the common fee system for air navigation services that governs fees concerning air navigation services in the EU has been reworked. A revised regulation has been established and will be applied as of 2012. The new regulation means that the principle of full cost coverage has been replaced with a model with risk distribution among suppliers of air navigation services and the users, the airlines.

A guiding cost level ("determined cost") will be established and deviations from this level will no longer be returned to the fee system, but instead, will have a direct effect on results. Exceptions will be made for cost increases that depend on certain factors the supplier could not affect and be compensated in the same way as before. Such costs may, for example, be pensions, interest expense and taxes.

The risk distribution will also include traffic development. 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 the airlines LFV at a 70/30 ratio. Revenue deviations as a re-



sult of traffic variations over +/- 10% will be borne entirely by the airlines.

The fees have been set preliminarily for 2012-2014, then for five-year periods. The terminal fees are not included in the new system during the first reference period, but will be as of 2015. According to the regulations, there are transition provisions that ensure that there is a possibility of recovering the deficit carried forward from the old system during the first two reference periods, i.e., up to eight years.

The Swedish Transport Agency, together with the Danish Transport Authority, has decided on proposals for a performance plan for the Danish/Swedish functional airspace block. There is currently a process underway within the EU commission that will lead to establishment of national performance plans.

The performance plan involves effectiveness requirements for Sweden and LFV that entail a reduction of unit costs by over 10% during 2012-2014.

In the proposed performance plan, it is proposed that pension costs for Sweden be classified as uncontrollable and thereby any cost changes could be recovered in the fee system.

The performance plan sets very high requirements on LFV to increase cost

efficiency during this time period. Since the plan was established, the outlook for public finances has also weakened markedly and the traffic prognosis has been revised downward. Because the fees are indexed, lower inflation and CPI development can also negatively affect revenues. In summary, this means that there are major risks with significant financial consequences in the years ahead. Another risk is that the savings that will be required may entail negative consequences on capacity and regularity.

During 2009, LFV started an effectiveness programme, which through the end of 2011 has entailed cost efficiencies of about MSEK 200. 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 200 must be implemented during 2012-2014.

If LFV cannot deliver cost-effective services, there is a risk that other operators will take over the operation. In the short term, it is primarily our local air navigation services and various consulting and service offerings that are subject to competitive bidding. In the longer term, the En route operation may also be affected.

Measures

Good planning and efficient control in order to ensure cost and result development. LFV is strongly focused on ensuring the implementation of efficiencies. Budget and activity responsibility is delegated and the results will be followed carefully. If the current effectiveness programme is not deemed to produce the intended effect, corrective actions must be taken.

Competitive bidding of local air navigation services

As far as competitive ATS services for towers and terminals are concerned, LFV currently has over 90% market share. During 2010-2011, LFV has ensured a number of municipal and private airports in agreement with various durations, but on the other hand, has also lost the procurement at four airports. The largest national airport operator, Swedavia AB, has started a process to procure air navigation services and possibly associated services for all of its airports. If LFV was to lose significant portions of the tower operation, this will have major consequences both financially and organisationally. As a result of the current lack of clarity concerning the prerequisites for the competitive bidding, during the autumn of 2011, Swedavia chose to suspend the on-going procurements awaiting clarification of these prerequisites.

In addition to the risk that the procurement constitutes in itself, there are also risks in how the airspace that will be procured is being defined. The Swedish Transport Agency has made a decision that approach control services in so-called "collective terminal areas" (Stockholm, Gothenburg, Malmö and the Östgöta region) will also be included.

Opening the collective terminal areas to competitive bidding would have major negative consequences for operational efficiency as the operation in the current situation goes on integrated with En route, and at the same time, negatively

affect financial conditions for LFV as well as the airlines. Significant parts of the efficiencies that are planned within the framework of NUAC assume that NUAC will run a coherent operation. The Swedish Armed Forces and airlines have also submitted objections to the decision by the Swedish Transport Agency.

Measures

Through the on-going effectivisation process, conditions will be created for increased competitiveness. The Swedish Transport Agency's decision to open "collective terminal areas" to competitive bidding has been appealed to the Administrative Court.

Continuity risks

During 2008 and 2009, LFV conducted an in-depth analysis for the purpose of charting the capacity to maintain operational capacity in the event of exceptional events and various possible types of interruption of operations due to everyday events. The result of these analyses has been used to decide whether the continuity capacity in the event of various types of events is acceptable for LFV or if remedial measures shall be implemented.

Measures

The continuity analysis that shows the continuity capacity of the units shall be updated continuously and kept current. All product disturbances and deviations will be analysed and measures that may reduce risk identified, assessed and a decision to be made on whether or not to introduce it. Activities are ongoing to create redundancy for singular critical systems, both in cooperation with colleagues who use the same equipment and with the aviation industry, partly with the support of emergency preparedness funds.

Process risks

LFV conducts an annual analysis of risks concerning internal governance and control. The process risk analysis is updated

at least once a year and reported to the Board.

LFV's operation shall be planned, guided and followed up against established goals. This shall happen "with regard to the fundamental stages of risk analysis, control measures, follow-up, documentation and assessment". The process for internal governance and control is integrated into LFV's operational governance. LFV's management shall ensure that there are planning, control and reporting systems that are effective and appropriate.

Division of LFV

On 1 April 2010, LFV was divided and the airport operation was transferred to Swedavia AB. The preparation time was short and, therefore, a complete physical division could not occur within all areas. Above all, within the IT area, the work of division will go on for up to 30 months after the division. The exchange of services is regulated in an interim agreement, which comprises a part of the transfer agreement, which also regulates how the division shall be completed.

Concerning the conveyance of properties, all parts of the conveyance are still not completed, as certain property measures are time-consuming. In the

conveyance agreement, how these shall be fulfilled is regulated as well as how the parties shall proceed if the conveyances cannot be fulfilled in the intended manner. If a property conveyance cannot be fulfilled for some reason in the intended manner, alternative solutions will be allowed, which as far as possible produce corresponding consequences for the parties. Currently, there is no reason to assume that there would be any obstacles to fulfilling the conveyance in essence according to plan.

LFV is still a party in disputes that concern Swedavia's operation where exchange of party could not be done. In the conveyance agreement, Swedavia's financial liability, etc. in these disputes is regulated. LFV could run a financial risk if Swedavia cannot fulfil its obligations pursuant to the agreement. This risk is assessed to be extremely small.

In the conveyance, Swedavia's environmental responsibility is limited insofar as the responsibility for what is known as the "historical environmental debt", i.e. such damages that were caused before the conveyance, remain with the government. The government has now transferred this responsibility from LFV to the Swedish Transport Administration.



Proposal for dividends

For 2011, LFV will not make any dividend.

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 16 February 2012

NILS GUNNAR BILLINGER, Chairman of the Board

THOMAS ALLARD, Director General

ANN-MARIE BREDBERG

MARIA BREDBERG PETTERSSON

INGEMAR FREDRIKSSON

MARIE HAFSTRÖM

PETER LENNARTSSON

ANN-CATRINE ZETTERDAHL

The Swedish National Audit Office auditor's report concerning this annual report was presented on 21 February 2012

LEIF LUNDIN

ANDERS LEXNER

Auditor's Report

21 February 2012
The Government
103 33 Stockholm

Auditor's report for LFV Group

Report on the annual report with group report

The Swedish National Audit Office has revised the annual report with group audit for the LFV for 2011, dated 16/2/2012.

Agency management's responsibility for the annual report with group report

It is the agency management that has responsibility for preparing an annual report, which gives a true and fair view in accordance with the Annual Accounts and Budget Documentation Ordinance (2000:605) as well as in accordance with instructions for LFV, the government Directive and other decisions for the agency. The management is also responsible for the appropriate arrangement of internal control necessary for the preparation of an annual report free from material inaccuracies, whether due to fraud or error.

Auditor's responsibility

The Swedish National Audit Office is responsible for expressing an opinion on the annual report on the basis of its audit. The Swedish National Audit Office has conducted the audit in accordance with International Standards of Supreme Audit Institutions for financial audits. This standard requires that the Swedish National Audit Office follows professional ethics and plans and performs the audit in order to obtain reasonable assurance about whether the annual report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report as well as whether management follows appropriate regulations and particular decisions in its administration. The auditor selects procedures to be performed, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers those aspects of internal control relevant to the agency's preparation of the annual report in order to give a true and fair view. 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 the agency's internal control. An audit also includes evaluating the appropriateness 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 that has been acquired is sufficient and appropriate as a basis for the opinion.

Opinion

In the opinion of the Swedish National Audit Office, the annual report gives in all material respects a true and fair view of the financial position of LFV as of 31 December 2011 and of the performance and funding for the year in accordance with the Annual Accounts and Budget Documentation Ordinance (2000:605), the ordinance with instructions for LFV, the government Directive and other decisions for the agency.

Auditor in charge, Leif Lundin has made the decision in this case. Project manager, Anders Lexner has been reporting.

LEIF LUNDIN

ANDERS LEXNER

Board of Directors



NILS GUNNAR BILLINGER,
Chairman of the Board of LFV 2010–
Chairman of the steering committee for public agency governance in the Government Offices, Board Director for Övre Hagen AB. Formerly Under-secretary in the Ministry of Defence and Prime Minister's office, General Director of Swedish Post and Telecom Agency (PTS), Swedish Aviation Agency and President of Eurocontrol Provisional Council.



THOMAS ALLARD,
Director General and LFV Board Director 2010–
Member of Public Control Board for SMHI 2008–. Member Ecumenical Congregation at LiU Norrköping, Entry Point North AB, LFV Aviation Consulting AB, LFV Holding AB, NUAC HB.



ANN-MARIE BREDBERG
LFV Board Director 2010–
Employee representative



MARIA BREDBERG PETTERSSON
LFV Board Director 2010–
Board Director for National Government Employees Pensions Board (SPV), 2010–. Deputy National Police Commissioner for National Police Board (RPS), 2009–.



INGEMAR FREDRIKSSON
LFV Board Director 2010–
Runs the company Mercari AB and works as a consultant in business development and marketing. Second vice-chairman in Företagarna.



MARIE HAFSTRÖM
LFV Board Director 2010–
Board Director at the Institute for Research in the History of Law. General Director of Swedish Coast Guard 1996–2005. Director General of Swedish Armed Forces 2005–2008. Has also served on a number of boards and commissions.



PETER LENNARTSSON
LFV Board Director 2010–
Employee representative. Director on ST Federation Board.



ANN-CATRINE ZETTERDAHL
LFV Board Director 2010–
Director General of Swedish Maritime Administration 2010–. Board member SMA Helicopter Rescue. Has had leading positions in Telia Sonera since 2004, where she has been Director/Vice President for Customer Operations since 2006. Has been CEO for Telia Installation AB and had board assignments in Telaris and the National Local Supply Agency.

Group Management



THOMAS ALLARD
Director General



MARIE-LOUISE KOSKINEN
Director, Human resources



URBAN TRYGG
Deputy Director General



MIKAEL LARSSON
Finance Director



**MARIANNE
SAHLIN-KARLSSON**
Head of Products & Services



PER HÖBERG
Head of Production Terminal



KENNETH JOHANSSON
Head of Production En Route



MATHS GÖRANSSON
Director, Group Legal affairs

Direct reporting managers

KIMMY BECH
Head of Operations

CECILIA BORIN
Head of GSF

ROLF NORMAN
Technical Director

CARL SELLING
Director, Group Communications

LENA BYSTRÖM
Head of Quality, Safety & Environment

LFV in Sweden

- ATS-UNITS
- CONTROL CENTRES
- HEAD OFFICE, NORRKÖPING



AIR NAVIGATION SERVICES ¹⁾

Arvidsjaur
 Borlänge
 Gällivare
 Göteborg City
 Göteborg Landvetter
 Halmstad
 Jönköping
 Kalmar
 Karlsborg
 Karlstad
 Kiruna
 Kristianstad
 Linköping-Malmen
 Linköping-Saab
 Ljungbyhed
 Luleå
 Malmö
 Norrköping
 Pajala
 Ronneby
 Skellefteå
 Stockholm-Arlanda
 Stockholm-Bromma
 Stockholm-Skavsta
 Sundsvall Härnösand
 Sätenäs
 Söderhamn
 Umeå
 Uppsala
 Vidsel
 Visby
 Åre Östersund
 Ängelholm Helsingborg
 Örnsköldsvik

CONTROL CENTRES ²⁾

Malmö
 Stockholm-Arlanda

1) LFV provides local air navigation services at 34 locations.

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



AIR NAVIGATION SERVICES OF SWEDEN

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