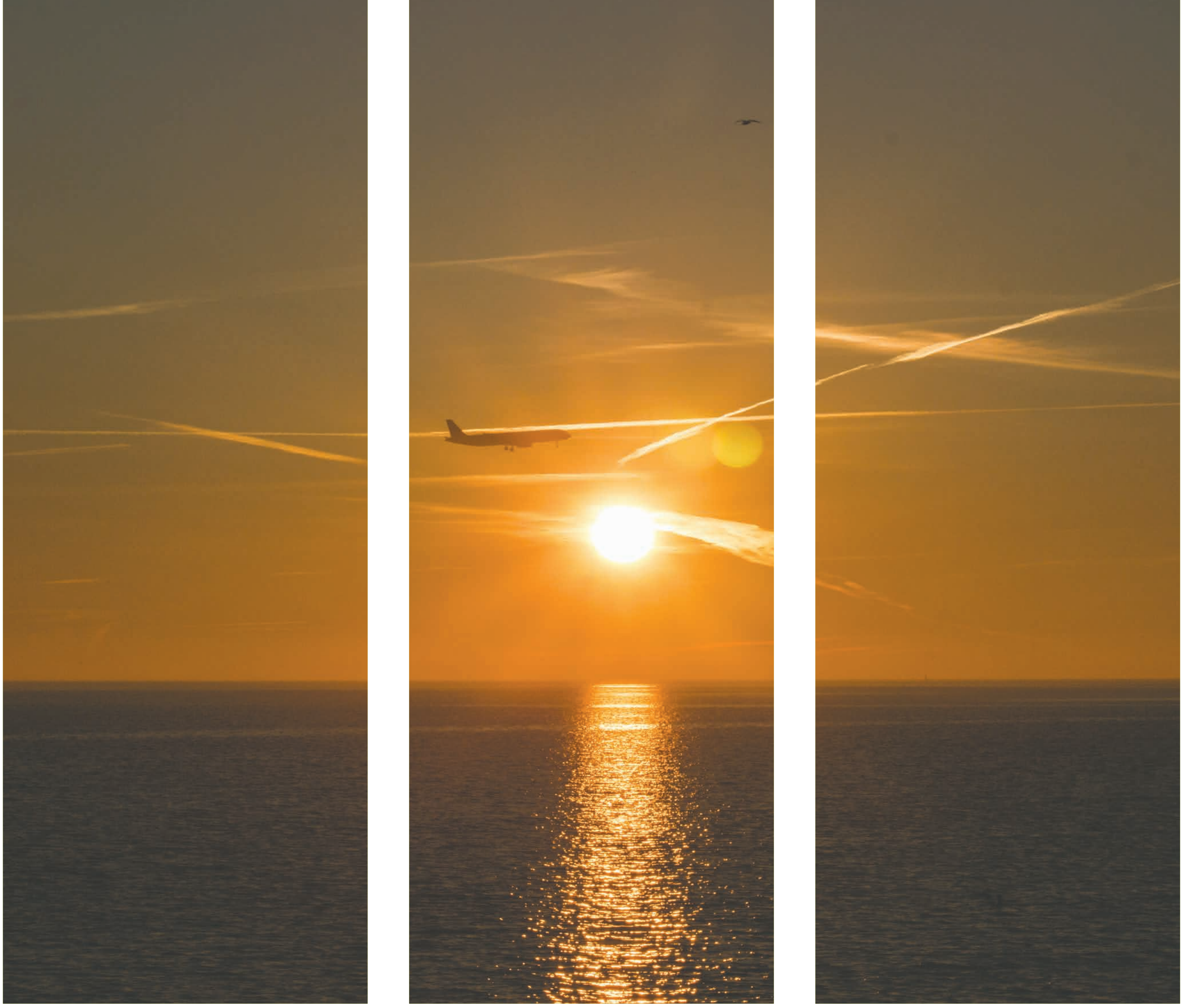


Annual Report 2016

Naviair
Naviair Allé 1
DK 2770 Kastrup
CVR-nr: 26059763

NAVIAIR

Contents

Company information

Naviair
Naviair Allé 1
DK 2770 Kastrup

CVR: 26059763
Registered office: Kastrup
Financial year: 01.01.2016-31.12.2016

Naviair is a state-owned infrastructure company with status as a company owned by the Danish state represented by the Ministry of Transport, Building, and Housing.

Naviair has been designated by the Danish Transport, Construction and Housing Authority to provide air navigation services.

Board of Directors
Anne Birgitte Lundholt, Chairman
Michael Fleischer, Deputy Chairman
Henrik Christoffersen (elected by the employees)
Flemming Kim Hansen (elected by the employees)
Helge Mortensen
Helle Munksø (elected by the employees)
Birthe Høegh Rask
Uwe Teichert
Kurt Thyregod-Nielsen

Executive Board
Morten Peter Dambæk, CEO
Søren Stahlfest Møller, CFO

Auditors
Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK 0900 Copenhagen C

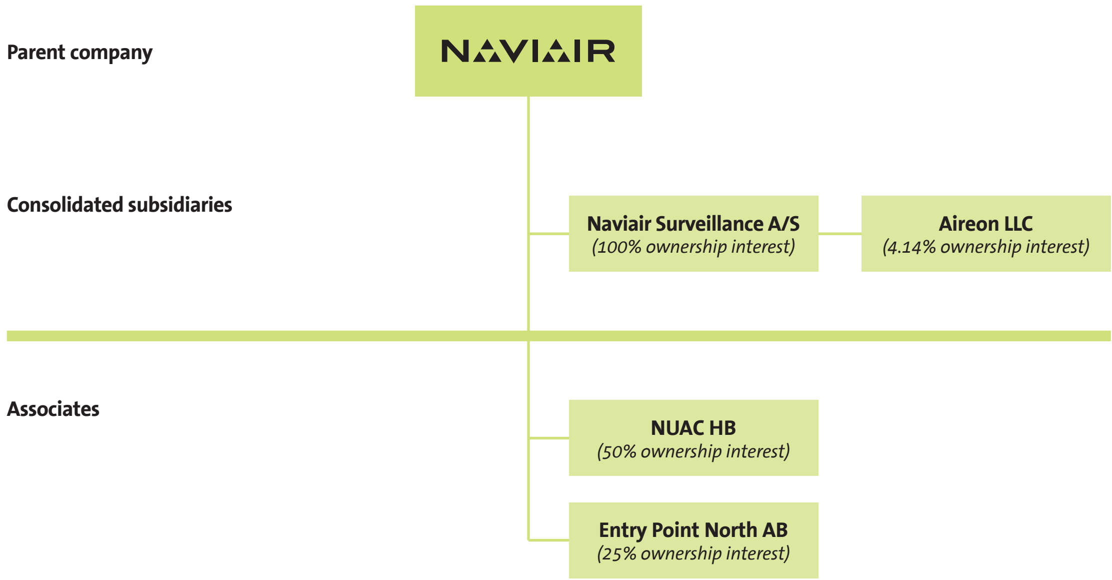
Rigsrevisionen
(National Audit Office of Denmark)
Landgreven 4
DK 1301 Copenhagen K

Co-financed by the European Union
Connecting Europe Facility

COOPANS and Borealis are co-funded by the European Union Connecting Europe facility.

Group structure

At 31 December 2016



Mission

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

Vision

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

We will continually develop our company and secure a strong position with our customers and partners, partly by participating in international alliances. At the same time, we will consistently deliver the best products in the industry at competitive prices without compromising on the priority we give to high levels of safety, quality and service.

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

Management's review

Key figures and financial ratios

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

KEY FIGURES *(Mio. DKK)*	*Group* **2016**	**2015**	**2014**	**2013**	**2012**
Income statement					
Revenue	906.3	920.2	941.6	904.0	916.6
Operating profit	66.5	77.6	133.1	102.0	101.5
Net financials	-26.6	-40.6	-43.2	-42.6	-44.5
Profit for the year	18.2	29.7	70.7	51.4	42.7
Balance sheet					
Fixed assets	1,307.2	1,249.3	1,264.5	1,183.4	1,192.3
Current assets	276.6	354.3	522.0	485.4	531.7
Balance sheet total	1,583.8	1,603.6	1,786.5	1,668.8	1,724.0
Interest-bearing debt	200.0	336.6	536.6	536.6	636.6
- of which subordinated loan capital	200.0	336.6	536.6	536.6	536.6
Equity	966.8	949.1	919.1	848.8	792.2
Cash flow statement					
Cash flows from,					
- operating activities	238.5	120.1	276.8	291.0	215.7
- investing activities	-159.1	-89.7	-179.7	-92.0	-95.1
- financing activities	-136.6	-200.0	0.0	-100.0	-50.0
The year's investments in property. plant and equipment	-76.6	-41.7	-93.9	-91.4	100.9
Net increase (decrease) in cash and cash equivalents	-57.2	-169.6	97.1	99.0	70.6
Cash and cash equivalents at 31 December	66.6	123.8	293.4	196.4	97.3
Average number of employees	646	637	641	667	688
Financial ratios (%)					
Operating margin	7.3	8.4	14.1	11.3	11.1
Return on capital employed	4.2	4.8	7.5	6.1	5.9
Solvency ratio excl. subordinated loan capital	61.0	59.2	51.4	50.9	46.0
Solvency ratio incl. subordinated loan capital	73.7	80.2	81.5	83.0	77.1
Return on equity	1.9	3.2	8.0	6.3	5.5
Other financial ratios					
Gearing	-0.4	-0.7	-1.2	-0.9	-0.5
Interest cover ratio	5.6	4.1	5.0	4.5	4.6

Parent company

2016	2015	2014	2013	2012
906.3	920.2	941.6	904.0	916.6
66.7	77.7	133.1	102.0	101.5
-26.1	-41.4	-46.6	-42.6	-44.5
23.4	28.7	67.2	51.4	42.7
1,210.6	1,210.6	1,247.5	1,178.1	1,192.3
368.1	383.7	530.8	485.4	531.7
1,578.7	1,594.3	1,778.3	1,663.5	1,724.0
200.0	336.6	536.6	536.6	636.6
200.0	336.6	536.6	536.6	536.6
962.9	939.5	910.8	843.6	792.2
144.9	102.0	266.8	291.0	215.7
-101.6	-70.4	-171.1	-92.0	-95.1
-136.6	-200.0	0.0	-100.0	-50.0
-76.6	-41.7	-93.9	-91.4	100.9
-93.3	-168.4	95.7	99.0	70.6
30.3	123.6	292.1	196.4	97.3
646	637	641	667	688
7.4	8.4	14.1	11.3	11.1
4.2	4.9	7.5	6.1	5.9
61.0	58.9	51.2	50.7	46.0
73.7	80.0	81.4	83.0	77.1
2.5	3.1	7.7	6.3	5.5
-0.2	-0.7	-1.2	-0.9	-0.5
5.7	4.2	5.0	4.5	4.6

Key figures and key finalcial ratios

Key figures and financial ratios are defined and calculated in accordance with the guidelines of the Danish Finance Society.

Operating margin

$$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Return on capital employed

$$\frac{\text{Operating profit x 100}}{\text{Total assets}}$$

Solvency ratio

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

Return on equity

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

Gearing

$$\frac{\text{Net interest-bearing debt (excl. subordinated loan capital)}}{\text{EBITDA (Operating profit + Depreciation, amortisation and impairment losses)}}$$

Interest cover ratio

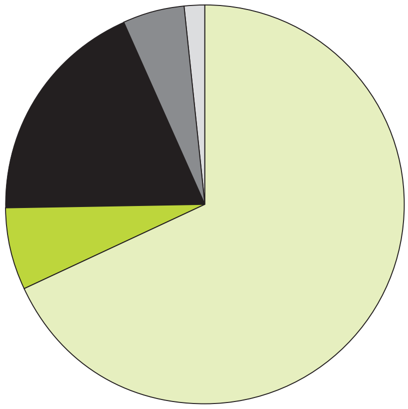
$$\frac{\text{EBITDA + Interest income}}{\text{Interest expense}}$$

Core activity

Naviair's core activity is air navigation services. Naviair has activities both in Danish airspace and North Atlantic airspace. The activities cover four areas: En route – Denmark, En route – Greenland, Local Air Traffic Services and Other areas of activity.

Naviair's revenue by area of activity

- En route – Denmark (67.8%)
- En route – Greenland (6,7 %)
- Local Air Traffic Services, Copenhagen (18.8%)
- Local Air Traffic Services, Other (5.2%)
- Other areas of activity (1.5%)



En route – Denmark

Area control services in Danish airspace from:
> ATCC in Copenhagen *

Approach control service to Copenhagen Airport from:
> ATCC in Copenhagen *

Briefing service from:
> ATCC in Copenhagen *

Flight Information Services from:
> ATCC in Copenhagen *

Aeronautical Information Service (AIS):
> Aeronautical Information Publications (AIPs) in Denmark

Technical support and maintenance of ATM/CNS equipment in Denmark:
> ATM equipment
> Navigation systems
> Communications systems
> ATS surveillance systems

*) The ATCC in Copenhagen is operated by NUAC on behalf of Naviair.

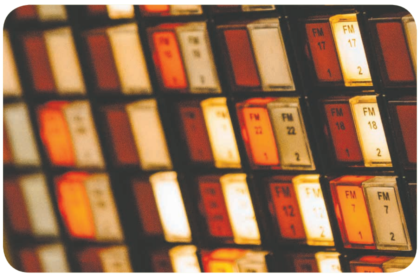
En route – Greenland

Flight Information Services from:
> Flight Information Centre in Nuuk

Technical support and maintenance of CNS equipment in Greenland and the Faroe Islands:
> Navigation and communications systems in Greenland and the Faroe Islands
> ATS surveillance systems in Greenland and the Faroe Islands
> Radar installations in the Faroe Islands

Briefing service from:
> Flight Information Centre in Nuuk

Aeronautical Information Service (AIS):
> Aeronautical Information Publications (AIPs) in Greenland and the Faroe Islands



Local Air Traffic Services

Aerodrome control service from:
> Tower in Copenhagen
> Tower in Roskilde
> Tower in Billund
> Tower in Aarhus
> Tower in Aalborg
> Tower on Bornholm

Approach control service from:
> Tower in Roskilde
> Approach control service in Billund
> Tower in Aarhus
> Tower in Aalborg
> Tower on Bornholm

Aerodrome Flight Information Service from:
> Tower on Vágar

Other areas of activity

Sale of technical support and maintenance of ATM/CNS and airport equipment from:
> Technical station in Copenhagen
> Technical station in Billund
> Technical station in Aalborg

Sale of technical-operational knowhow

Thomas Hoffmann (Austro Control) accepts the Single European Sky Award in Madrid in March 2016 on behalf of COOPANS.

Highlights in 2016

January
The unit rate in Danish airspace is reduced for the fourth successive year. The en route rate is lowered by 2.3 per cent and the unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) is reduced by 2.4 per cent.

March
The European Commission honours Naviair twice with the prestigious Single European Sky Award at the first award of the new prize, established in 2015. Naviair and its partners in COOPANS receive the prize in recognition of COOPANS' pioneering work on the development and harmonisation of a safe, cost-effective ATM system in Europe. Naviair is also honoured by the European Commission for its contribution to the introduction of Free Route Airspace (FRA) in the Northern European area through its participation in the Borealis alliance.

June
Naviair is chosen to host the 2017 international ATM conference of the international civil air navigation services organisation CANSO.
The conference will be held in Copenhagen from 12-14 June, with participants from more than 50 countries.

September
The Danish Transport, Construction and Housing Authority designates Naviair to provide aerodrome and approach control services etc. on an exclusive basis to Copenhagen Airport, Kastrup and Copenhagen Airport, Roskilde. The designation will run until October 2030.

October
In an extensive round of cost-cutting, costs and staff expenditure are reduced by approximately DKK 25 million in the 2017 budget compared with 2016.
The round of cuts includes 24 agreements on voluntary redundancy and five dismissals.

December
The stake in Aireon is increased from 2.59 per cent to 4.14 per cent under the partnership agreement, under which Naviair will end up owning 6.00 per cent of Aireon.

December
Naviair extraordinarily pays off DKK 136.6 million of the subordinated loan capital. The repayment is made on the basis of the company's financial robustness.

Operating and financial review

Naviair has been presenting an annual report for both the group and the parent company since the 2014 financial year.

However, as a general rule, only the group's accounting figures are commented on. The main difference between the group and the parent company is that investments in associates are recognised at cost in the parent company and using the equity method in the group.

Profit for the year

Pre-tax profit for the year was DKK 39.9 million compared with DKK 37.0 million in 2015. Profit was negatively affected partly by increases in inflation and partly by non-recurring costs associated with a cost-cutting programme carried out in autumn 2016.

In 2014, at the beginning of reference period 2 (RP2) of the EU performance scheme, among other things the unit rates for En route and TNC Copenhagen were set on the basis of the IMF's inflation forecast. For Denmark, the IMF anticipated a level of 1.5-2.0 per cent in the period 2015-2019. However, inflation has since been significantly lower than predicted at 0.2 per cent in 2015 and 0.0 per cent in 2016. If inflation remains at this level up to and including 2019, under the rules of the performance scheme, Naviair must reduce its income from En route and TNC Copenhagen by up to DKK 271 million by reducing rates during the period. The inflation adjustment

for 2016 will thus – seen in isolation – result in a reduction in income in 2018 of DKK 37.3 million.
At the same time, growth in traffic in 2016 was so high that – under the traffic risk-sharing rules – Naviair will have to reduce the rates still further.

In autumn 2016, Naviair implemented an extensive cost-cutting programme to counter the consequences of low inflation. The programme included cutting staff by 29 employees and has affected the 2016 financial statements negatively by approximately DKK 12 million for non-recurring redundancy costs.
Adjustment of charges for over-/under-recoveries had a negative effect of DKK 40.4 million on the 2016 result. Profit before adjustment of charges for over-/under-recoveries and tax was DKK 80.3 million compared with DKK 44.4 million in 2015. This is on a par with our latest outlook, which was announced in Naviair's half-yearly report. In the light of the low inflation figures and other external factors over which Naviair has no control, profit is satisfactory.

In view of Naviair's financial robustness, the Board of Directors decided at the end of 2016 to make an extraordinary DKK 136.6 million repayment on Naviair's subordinated loan capital. All things being equal, the extraordinary repayment will contribute to Naviair's finances with a reduction of just over DKK 12 million of our annual interest payment. Following the repayment, Naviair's subordinated loan capital stands at DKK 200 million.

Unit rates

In 2016, the en route unit rate for Danish airspace was DKK 460 per service unit. The Danish en route unit rate will be lowered to DKK 450 in 2017. Naviair's share represents 87.1 per cent of this figure, while the rest goes to the Danish Transport, Construction and Housing Authority and Danish Meteorological Institute (DMI).

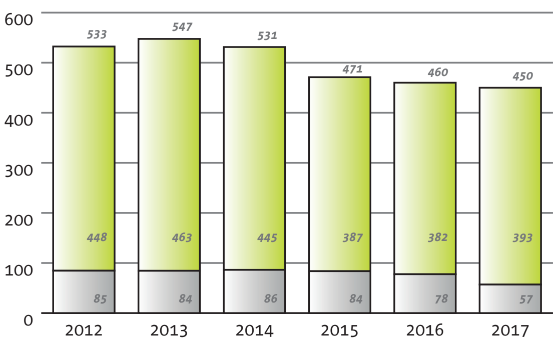
Since 2014, the en route unit rate has been regularly reduced year on year. It has thus been reduced from DKK 547 per service unit in 2013 to DKK 450 in 2017. This means it has been reduced by 17.8 per cent in total within five years. The price reductions are the result of a constant focus on savings and efficiency improvements.

The unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) for 2017 is set at DKK 1,038 compared with DKK 1,049 in 2016.
Since 2014, Naviair has regularly reduced the unit rate for TNC Copenhagen. It has thus been reduced from DKK 1,361 per service unit in 2013 to DKK 1,038 in 2017. This means it has been reduced by 23.7 per cent from 2013 to 2017.

Traffic

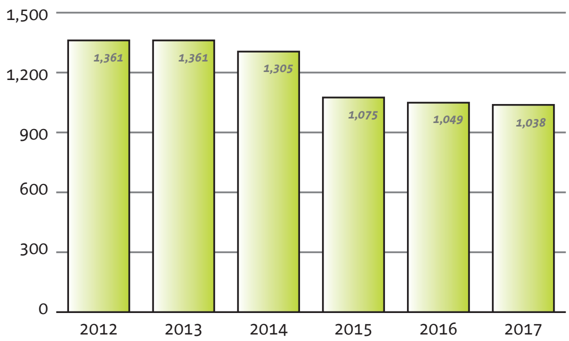
The positive trend in the growth of air traffic through Danish airspace continued in 2016. The number of en route operations increased by 2.2 per cent to 646,902 compared with 632,834 in 2015. Expressed as service units, the number of service units in the en route area was consequently 2.4 per cent ahead of 2015.
Growth at Copenhagen Airport continued, with the number of departures and arrivals in 2016 increasing by 4.3 per cent to 265,774 operations, up from 254,787 operations in 2015.

Unit rate, En route (DKK)



Naviair's share of en route unit rate (DKK)
TBST's and DMI's share of en route unit rate (DKK)

Unit rate, TNC Copenhagen (DKK)



DMI's share is approximately DKK 8

For TNC Copenhagen, the number of service units was up 6.8 per cent on 2015.

The number of departures and arrivals at Billund Airport in 2016 increased by 0.2 per cent to 43,119 operations compared with 43,030 in 2015.

Domestic flights expressed as the number of operations increased by 4.1 per cent in 2016 compared with 2015.

We maintained our efficient ATM in 2016. In the Danish-Swedish FAB (Functional Airspace Block), the delay per operation in 2016 averaged 0.01 minutes, i.e. below the maximum average delay of 0.10 minutes per operation set in the performance plan for the Danish-Swedish FAB.

We handled en route traffic in Danish airspace without any delays for which Naviair was jointly responsible.
We also handled traffic at Copenhagen Airport without any forms of delays for which Naviair was jointly responsible. Due to weather conditions, the level of delay was 0.03 minutes in total per arrival compared with a maximum accepted average delay of 0.11 minutes per arrival.
In view of our ATM with almost no delays, our operation can be characterised as extremely efficient again this year.

At the same time, it can be noted that our use of capacity remains efficient and fully satisfactory. We have a long tradition of providing service without delays and our attention continues to be sharply focused on always ensuring that, in any circumstances, average delays are always at the lowest possible level.

Operating income from ordinary activities

Revenue was DKK 906.3 million compared with DKK 920.2 million in 2015. Revenue constitutes the income generated by Naviair's four areas of activity.

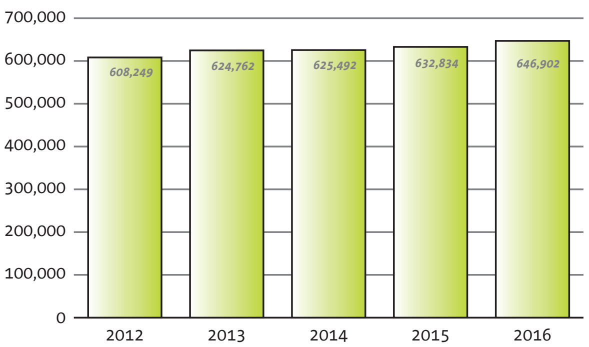
Revenue was down DKK 13.8 million on 2015. The fall was mainly attributable to the negative impact of a total "Adjustment for over-/under-recoveries of taxes and charges" of DKK 40.4 million in 2016 compared with a negative impact of DKK 7.4 million in 2015. Income for En route – Denmark and TNC Copenhagen in 2016 was affected by reductions of charges, which, however, were offset by an increase in traffic.

Other operating income amounted to DKK 305.6 million compared with DKK 294.5 million in 2015 and consists of services supplied to NUAC under a supply contract. This income should be viewed in the context of services provided by NUAC under the supply contract under Naviair's other operating expenses. Other operating income and Other operating expenses were in balance.

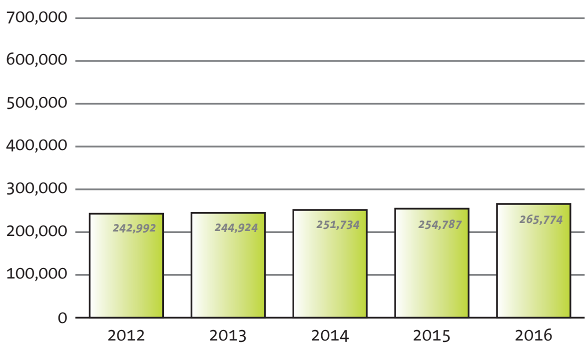
Other external expenses

Other external expenses amounted to DKK 177.9 million compared with DKK 187.8 million in 2015. The lower level in 2016 was due to non-recurring costs in 2015 and savings in 2016.

Operations, En route
Number of en route operations in Danish airspace



Operations, TNC Copenhagen
Number of departures and arrivals at Copenhagen Airport



Staff costs

Staff costs were DKK 580.8 million compared with DKK 563.1 million in 2015. Total staff costs rose by DKK 17.8 million, primarily reflecting pay increases in accordance with current collective agreements and non-recurring costs of approximately DKK 12 million in connection with the alignment of resources.

Naviair had 631.6 FTEs at the end of the year compared with 646.9 FTEs at the beginning of the year.
The decrease mainly reflects the alignment of resources in 2016.

In connection with the 2016 cost-cutting programme, we carried out an alignment of resources. This resulted in a reduction in staff by a total of 29 employees and entailed non-recurring costs of approximately DKK 12 million in 2016.

Income tax expense

Income tax expense was DKK 21.7 million, which included DKK 4.8 million in respect of payment of US tax related to Aireon.

Balance sheet

Naviair's balance sheet total stood at DKK 1,583.8 million at 31 December 2016 compared with DKK 1,603.6 million at 31 December 2015. The DKK 19.8 million decrease mainly reflects a DKK 57.2 million decrease in cash and a decrease in property, plant and equipment as a result of depreciation for the year exceeding investments for the year. Liabilities in the balance sheet were down following the repayment on the subordinated loan.
The amount due to Naviair from the airlines – under-recovery of charges – was DKK 2.0 million, a reduction of DKK 16.4 million after the adjustment for the year. The amount payable by Naviair to the airlines – over-recovery of charges – was DKK 97.4 million, an increase of DKK 24.0 million after the adjustment for the year. The changes in under-/over-recoveries are mainly attributable to En route – Denmark and TNC Copenhagen.

Naviair's equity at 31 December 2016 was DKK 966.8 million and was made up of contributed capital of DKK 600 million, retained earnings of DKK 355.7 million and reserve for net revaluation according to the equity method of DKK 11.1 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital, which stood at DKK 200 million at 31 December 2016. The subordinated loan was provided on terms that mean that the loan can be accounted for as equity or capital ranking as equity at all times.

Cash flows from operations (ordinary activities) for the year were an inflow of DKK 272.9 million, and cash flows from operating activities were an inflow of DKK 238.5 million. Cash flows from financing activities were an outflow of DKK 136.6 million due to the repayment on the subordinated loan.

The solvency ratio including subordinated loan capital was 73.7 per cent despite the repayment on the subordinated loan.

Investments in intangible assets and property, plant and equipment were DKK 101.6 million in 2016, DKK 31.2 million more than in 2015, mainly reflecting activity changes related to investments in ATM equipment and fewer investments related to En route – Greenland.

The parent company's profit by area of activity

The two largest areas of activity, En route – Denmark and Local Air Traffic Services in Copenhagen, are regulated by European Commission Regulation No 391/2013 of 3 May 2013 laying down a common charging scheme for air navigation services.

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

Parent company profit by area of activity

Cost base statement 2016 *(DKK '000)*	**En route Denmark**	**En route domestic Greenland**	**En route North Atlantic**	**TNC Copenhagen**	**Billund**	**Other**	**Total**
Income [1)]	641,380	23,715	39,938	177,839	20,508	43,345	946,725
NUAC HB income	293,990	106	106	10,392	313	670	305,577
NUAC HB costs	-299,863	-123	-123	-11,812	-368	-770	-313,059
NUAC HB net profit (loss)	**-5,873**	**-17**	**-17**	**-1,420**	**-55**	**-100**	**-7,482**
Other external expenses	-96,451	-14,505	-25,708	-29,491	-2,464	-9,087	-177,706
Staff costs [2)]	-378,009	-6,722	-7,032	-119,998	-15,573	-32,805	-560,139
EBITDA	**161,047**	**2,471**	**7,181**	**26,930**	**2,416**	**1,353**	**201,398**
Depreciation, amortisation and impairment losses	-75,808	-2,059	-4,315	-11,324	-305	-475	-94,286
EBIT	**85,239**	**412**	**2,866**	**15,606**	**2,111**	**878**	**107,112**
Net financials	-44,778	-412	-1,024	-19,803	-56	39,929	-26,144
Profit (loss) [3)]	**40,461**	**0**	**1,842**	**-4,197**	**2,055**	**40,807**	**80,968**

1) Revenue excl. adjustment of over-/under-recoveries.
2) Staff costs less work performed for own account and capitalised as well as capitalised NUAC HB wages and salaries and IPO.
3) Profit (loss) for the year before adjustment of over-/under-recoveries of charges amounting to a loss of DKK 40.4 million and tax amounting to an expense of DKK 17.2 million.

Performance requirements

Naviair has been complying with the European performance scheme since 2012. The performance scheme is the result of the Single European Sky legislation through which the EU aims to ensure both more efficient utilisation of European airspace and sufficient airspace capacity to accommodate the growing level of air traffic. Another objective is to cut CO_2 emissions and the costs of air navigation services.

The performance scheme is legally binding on EU Member States. Denmark – and thus Naviair – is measured on its performance. ANSPs that do not satisfy the performance requirements may be subject to corrective action in the form of the imposition of future rate reductions.

In 2015, the European performance scheme entered its second reference period, RP2, which will run until 2019. Naviair is subject to the performance plan for the Danish-Swedish FAB, which sets out performance targets in four areas: Safety, Capacity, Environment and Cost Efficiency. Once the results are calculated on expiry of RP2 in 2019, it is expected that Naviair will be found to have met the performance targets, just as we did at the end of RP1.

Customers

In 2016, Naviair's five largest en route customers were SAS (16.6 per cent), Norwegian Airshuttle & Norwegian Air Intl. (12.4 per cent), KLM (8.1 per cent), Ryanair (6.7 per cent) and British Airways (5.4 per cent). En route activities accounted for 67.8 per cent of our revenue in 2016.

Naviair's five largest customers in the Local Air Traffic Services area at Copenhagen Airport in 2016 were SAS (38.2 per cent), Norwegian Airshuttle & Norwegian Air Intl. (14.3 per cent), Ryanair (4.7 per cent), EasyJet Airline (3.9 per cent) and Lufthansa (2.3 per cent). Local Air Traffic Services at Copenhagen Airport accounted for 18.8 per cent of our revenue in 2016.

We provide AIS (Aeronautical Information Service) from Copenhagen, comprising aeronautical publications for Denmark, Greenland and the Faroe Islands. We publish AIPs (Aeronautical Information Publications) for all three areas as well as a VFG (Visual Flight Guide) for Denmark. We also publish AICs (Aeronautical Information Circulars), Supplements and NOTAM (Notice To Airmen). Approximately 800 customers subscribed to these publications in 2016.

We monitor customer expectations through close, ongoing contact to ensure that we are able to offer the best possible service at all times. At annual customer meetings, we record customer satisfaction with our service and products. At these meetings, we also keep our customers informed about what is going on at Naviair.

We held our latest customer meetings at the end of 2016. Between October and December, we met with eight airlines and airports. Our customers generally express satisfaction both with the operational cooperation with Naviair and the service we provide.

International partnerships and alliances

International cooperation is an important tool to ensure that we can generate strong results and develop Naviair optimally and is instrumental in improving the efficiency of, harmonising and developing all aspects of ATM. We and our partners consequently lead the way to ensure international progress in the operational, technical and training areas. These efforts underpin our goal of always being among the best ANSPs and meeting the requirements of the Single European Sky programme.

NUAC

NUAC was established in 2009 as the first – and is still the only – integrated operating company in Europe that is responsible for en route ATM in a joint FAB. Through our co-ownership of NUAC, we are working together with LFV to develop and implement a number of efficiency improvements and other improvements that contribute to the harmonisation of ATM in Europe. NUAC operates the three ATCCs in Copenhagen, Malmö and Stockholm as a subcontractor on behalf of Naviair and LFV.

NUAC only has ten direct employees, while the remaining just over 630 employees are on secondment to NUAC from Naviair and LFV. The three ATCCs and other equipment used by NUAC are owned by Naviair and LFV, but made available to NUAC.

COOPANS

COOPANS is an international partnership consisting of Naviair, Austro Control, Croatia Control, the Irish Aviation Authority and LFV.

Since COOPANS was set up in 2006, the partners have been cooperating on the joint development, upgrading and harmonisation of their ATM systems. The systems now use common software and the maintenance processes have been harmonised. As a result, seven control centres in Denmark, Sweden, Ireland, Austria and Croatia have now been harmonised. The seven control centres undergo synchronised upgrading up to several times a year. In 2016, the systems were upgraded to version 3.1, and, in January 2017, the upgrade to version 3.2 was implemented without any delays or other inconvenience to air traffic. This is a unique development in European ATM, where the ANSPs in the other countries are still running their control centres with individual, technically very diverse systems.

In addition, in COOPANS we are harmonising operational and technical procedures in order to limit specific and individual functionalities at the various ANSPs.

We estimate that we cut our system development costs by at least 30 per cent compared with the costs each partner would incur if we had to develop the technology independently. To this should be added our considerable savings in operating expenses as a result of joint work concepts and exchange of experience.

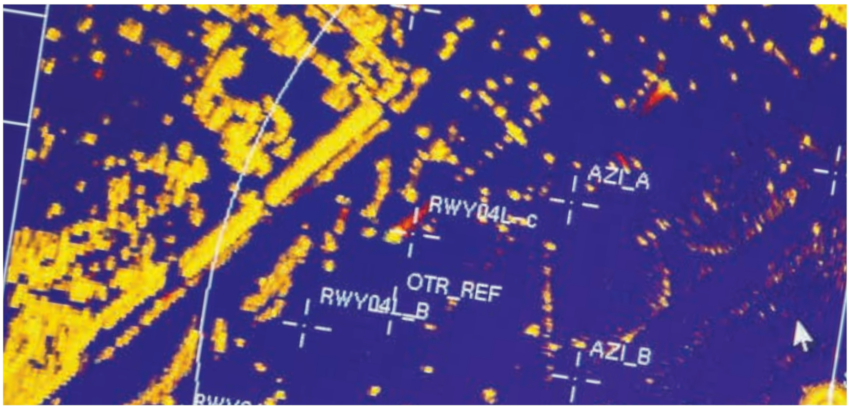
In 2015, the COOPANS cooperation was extended, becoming the COOPANS Alliance, which, besides technical-operational cooperation, now also includes a common approach to and participation in SESAR 2020, SESAR Deployment Manager, EU funding projects, and the A6 Alliance in which COOPANS Alliance participates on an equal footing with the five largest ANSPs in Europe.

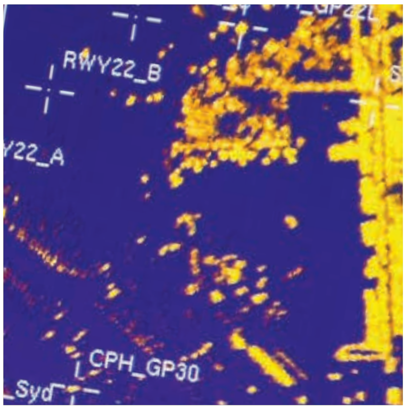
Together with the other partners in the COOPANS Alliance, we have taken the lead in the matter of implementing EU requirements for the harmonisation of ATM.

Entry Point North

The ATS (Air Traffic Services) training academy Entry Point North is situated at Malmö Airport and is jointly owned by Naviair, Avinor, the Irish Aviation Authority and LFV. The academy was established in 2006 as the first transnationally owned academy offering ATM training, and the Irish Aviation Authority became co-owner of the academy in 2013.

In line with the ambition in the Single European Sky programme, the primary aim of Entry Point North is to provide standardised and harmonised





training for ATCOs and ATCO trainees. Besides providing ATS training to its four owners, Entry Point North services ANSPs worldwide by selling training courses tailored to customer requirements that are held either at Entry Point North at Malmö Airport or on-site at the customer. Entry Point North has customers in more than 20 countries.

Aireon

In February 2014, through a 100%-owned subsidiary Naviair Surveillance A/S, Naviair concluded an agreement to buy a total of 6.0% of the shares in the US company Aireon Limited Liability Company incorporated in Delaware, USA. The price for the 6.0% stake in Aireon LLC was agreed at USD 29.4 million, divided into a total of four tranches. USD 26.5 million (approximately DKK 161 million) has been paid and payment is outstanding for the fourth and final tranche at a price of USD 2.9 million (approximately DKK 20.5 million). Naviair Surveillance A/S had thus invested a total of DKK 161 million in Aireon LLC at 31 December 2016.

Besides Naviair (6.0 per cent), the other joint venture partners are the US telecommunications company Iridium Communications Inc. (24.5 per cent) and the ANSPs Nav Canada (51.0 per cent), ENAV Italy (12.5 per cent) and the Irish Aviation Authority (6.0 per cent). All ownership interests have been calculated as they will stand after payment for the final tranche.

Aireon is a joint venture formed by Iridium Communications Inc. and the ANSPs listed above. Aireon will set up the world's first satellite-based global aviation surveillance system in the coming years. Once the new system is operational as expected at the end of 2018, it will be possible to collect data all over the world on all ADS-B equipped aircraft.
For Naviair, the investment is primarily of a strategic nature, as Naviair has decided to make an active contribution to establishing an aviation surveillance system with global coverage which, as far as we are concerned, can be used operationally in both Danish and Greenland airspace. The investment also has a secondary financial element for Naviair, as it is expected to produce a return in the form of dividends from Aireon.

Basically, Aireon's business idea is to combine two tried and tested technologies, satellite and ADS-B technology, for aircraft surveillance – an idea that arose in connection with Iridium's plan to replace their present satellite constellation. The new system comprises 66 satellites and a further four back-up satellites, which Iridium will be putting into orbit around the earth during the period 2017-2018. The system also includes a number of receiving stations positioned in various locations on earth and a new satellite control centre, which is being set up in Virginia. Aireon has signed a leasing agreement with Iridium for space to mount an ADS-B system (payload) on each of Iridium's satellites. The first ten satellites were launched by the rocket operator SpaceX on a Falcon 9 rocket on 14 January 2017, almost 18 months later than originally planned. This delay has put pressure on Aireon's liquidity (see details below).

Since the launch, Iridium has carried out extensive tests on the satellites and we have been told that the tests went well. At the end of February 2017, Aireon will be starting a series of tests on the ten payloads. A self-diagnosis test has already been carried out on three of the ten payloads to ensure that they had not been damaged in transit. In connection with this, the three payloads received the first data from aircraft. A further six rockets will put another 60 satellites into orbit around the earth. All indications are still that the technical solution will function and at present there is nothing to suggest that Aireon will not be the first mover with this technical solution model.

The launch of SpaceX's Falcon 9 rocket from Vandenberg Air Force Base in California on 14 January 2017 marked a milestone for Aireon.

This improved surveillance will constitute a major advance for ATM. In addition to the safety benefits, the system will also provide an opportunity for the ANSPs to use airspace much more efficiently than today. This in turn will enable the airlines to save fuel and flying time and save the environment from considerable quantities of greenhouse gases.

Aireon's business strategy is based on the sale of air traffic surveillance data, mainly to the ANSPs but also to others, including airlines and flight handling companies. Aireon has already concluded preliminary agreements on the sale of data to a number of ANSPs and an agreement with the firm Flight Aware on general commercial use of data. At present, there are no indications that total data sales will not reach the anticipated volume. Naviair is actively helping Aireon's sale of services and the development of operational concepts to underpin Aireon's business strategy.

Through its special service, Aireon ALERT, Aireon plans to supply the first global emergency surveillance service, whereby data on lost and missing aircraft will be made available free of charge to rescue services and other relevant services. This free service will considerably strengthen global preparedness for aircraft emergencies.

Aireon's liquidity has been under pressure as a result of the aforementioned delay in launching satellites, as the investors' payment for the penultimate tranche was linked to the launch of the first satellite.

As a result, payment for the penultimate tranche was brought forward to December 2016, despite the fact that the first launch did not take place until 14 January 2017. It is expected that the final tranche will have to be paid in summer 2017. Aireon's LTOP (Long Term Operating Plan) is continuously updated, so the company's liquidity can be monitored. Aireon is currently working on securing short-term bridge financing and subsequent long-term financing. Aireon is working with a major international bank on securing the bridge financing. It is expected that a bridging loan will provide Aireon with sufficient capital until such time as the system comes into operation.

The following risks are assessed to be linked to this investment:

- That the technical solution model will be overtaken by another technical solution model before the system is put into operation.
- That the technical solution model will not function as intended.
- That the sale of data will not reach the anticipated level.
- That short or long-term bridge financing is not obtained.
- That further delays will occur.

The following comments must be made on the above risks:

As discussed, Aireon has only concluded preliminary agreements on data sales. Final agreements on data sales are not expected to be concluded until the system comes into operation. There is a risk that the anticipated number of agreements will not be concluded or that their conclusion will be delayed.

There is a risk that it will not be possible to put the system into operation on time. The satellites with Aireon's payload are ready for launch and there is ongoing dialogue between Iridium and the rocket operator SpaceX about the timing of the remaining launches. However, on a project of this size and complexity, there will always be a risk of technical problems. Further delays may put pressure on Aireon's liquidity, and this in turn may mean that further bridge financing will be required.

The investments are recognised in the annual report at cost. Naviair currently considers that the investment will bring returns and therefore does not consider that a write-down related to the investment will be required as at 31 December 2016.

It should be noted that Naviair Surveillance A/S is 100% equity and loan-financed by the parent company Naviair. Any loss on the investment in Aireon LLC will thus have a negative impact on profit and equity in Naviair Surveillance A/S, the parent company and the group.

Corporate social responsibility

Naviair's core activity is air navigation services. Naviair has activities both in Danish airspace and North Atlantic airspace (see page 6). Through our international alliances, we are developing our business and securing a strong position with customers and partners. We are working hard to make it easier, better and cheaper for our customers to use the airspace – and at the same time reduce the impact on the environment – partly by cutting CO_2 emissions.

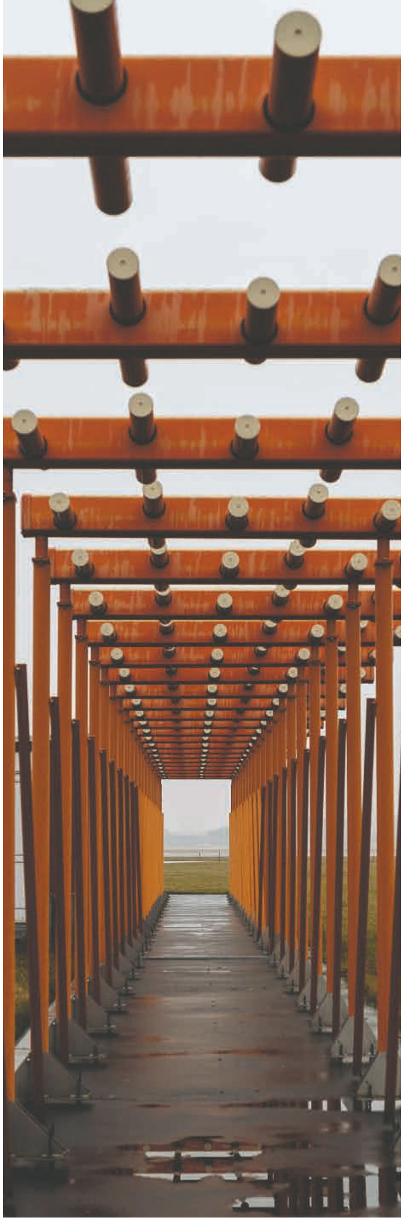
A well-informed and positive approach to corporate responsibility is thus a fully integral part of the Naviair's activities and culture. This is underpinned by, among other things, our safety and quality policy, which ensures that flight safety is our number one priority. The work on corporate social responsibility has an equally important place in Naviair's strategic targets as other initiatives in our overall strategy.

Although we have not developed an actual set of ethical rules, we adhere to a number of internal guidelines that ensure job satisfaction and employee development and that we take no part in any breaches of human rights, corruption or violation of any type of legislation relevant to our activities.

Environmental and climate initiatives

Climate

Naviair's direct impact on the climate is limited to emissions from our buildings and is mainly associated with our electricity consumption, which we are constantly seeking to



reduce as much as possible. Through our climate strategy, we are working to indirectly minimise the part of the impact of aviation on the climate and environment that our activities and services offer our customers an opportunity to choose to reduce. At the same time, we are constantly working towards taking every opportunity to contribute to a positive effect on the climate. This work is being carried out in continuous consultation and cooperation with our customers, and we participate in environmental and climate work in a number of initiatives, including NUAC, COOPANS, SES and SESAR.

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

- Short routes, direct routes to destinations and fuel-efficient altitudes.
- The option of fuel-efficient approaches to airports where Naviair is providing aerodrome and approach control services.
- Minimal ground delays with engines idling through efficient ATM at airports.
- Continuous Climb Operations wherever possible – with direct routes and climbs to cruising level.
- Participation in the cooperation on the development of satellite-based global surveillance of air traffic, with the opportunities this kind of system will offer for optimising the use of airspace and reducing fuel burn.

Specifically, in 2016, we implemented the climate strategy in the following two areas.

Environment – Air Traffic Control
In all the focus areas involving the highest fuel consumption, we have made good headway on the development and use of climate-friendly traffic concepts. This applies to Free Route Airspace, Continuous Climb Operations, Continuous Descent Operations, Extended Arrival Management and Required Navigation Performance. We have pursued our efforts in all these areas in 2016. There are no specific targets for the above areas, which instead function permanently as an integral part of the way we operate ATM. We are constantly seeking to optimise our processes to enable our customers to fly safely and in a way that is also environmentally correct.

Eurocontrol has calculated that Free Route Airspace reduces airlines' CO_2

emissions in Danish-Swedish airspace by altogether 40,000 tonnes per year. By providing this service to the airlines and encouraging them to utilise this opportunity, we are indirectly helping to reduce the CO_2 emissions resulting from aviation. Free Route Airspace was introduced in the Danish-Swedish FAB in 2011. Since then we have been playing an active part in the efforts to expand the Free Route Airspace area, and in November 2015 Free Route Airspace was extended to cover the entire Nordic area. Through Borealis – an alliance between the ANSPs in Denmark, Sweden, Norway, Finland, Estonia, Latvia, the UK, Ireland and Iceland – we are cooperating on a further expansion so, according to the plan, the whole of Northern Europe will be included in 2021.

Eurocontrol calculations show that Free Route Airspace in the Northern European area can reduce airlines' total CO_2 emissions by 47,000 tonnes per year and NOx emissions by 210,000 tonnes per year. At the same time, the airlines will be able to save a total of 15,000 tonnes of fuel per year, which, according to calculations, will result in an annual saving of EUR 21 million. If the airlines choose to make use of Free Route Airspace, Naviair will thus contribute indirectly to a considerable reduction of CO_2 emissions.

At all airports where Naviair manages traffic, clear noise restrictions are in place that safeguard the surrounding areas against unnecessary noise inconvenience from aviation. We of course adhere scrupulously to these restrictions and in addition we contribute actively to reducing noise at and around the airports by applying the most efficient traffic procedures.

At the global level, Naviair is helping to create the basis for very significant future reductions in greenhouse gas emissions through our partnership with Aireon. Aireon's satellite-based surveillance gives the ANSPs access to full surveillance of air traffic throughout the world, so that safety distances can be reduced and air traffic can proceed much more efficiently than previously, partly because aircraft can carry out a number of altitude and course corrections en route and thus exploit optimum wind conditions during flights. In addition, full aircraft surveillance will make it possible to establish a route structure that is much more flexible than before. This improved surveillance will constitute a major advance for ATM. In addition to the safety benefits, the system will also provide an opportunity for the ANSPs to use airspace much more efficiently than today. This in turn will enable the airlines to save fuel and flying time and save the environment from considerable quantities of greenhouse gases.

Specifically, a calculation carried out by Nav Canada shows that there are considerable financial and environmental gains to be made from this. Globally speaking, more than 900,000 intercontinental flights per year will benefit from better surveillance. This will result in an annual reduction of greenhouse gases equivalent to more than 10 million tonnes of CO_2 and fuel savings worth more than DKK 1 billion.

Our aim with all our services is to give customers the best environmental choice but without compromising on safety. It is our opinion that, because of the way we deal with environmental and climate-related issues, Naviair does not expose society to serious environmental or climate-related risks.

Environment – Energy

We constantly strive to minimise our energy consumption.

Naviair has many large, energy-consuming installations. With activities 24/7, 365 days/year, our energy needs are considerable. For example, we use energy for our technical installations, which need a great deal of energy for both operation and cooling.

In 2016, our electricity consumption in Copenhagen was 5,181 MWh compared with 5,475 MWh in 2015. This reduced consumption is mainly due to our cooling strategy and the resulting conversions. In 2016, we replaced our cooling machinery with new, more energy-efficient equipment and shut down the local cooling systems.

Our largest planned initiative to reduce our energy consumption is the establishment of groundwater cooling to replace our current cooling plant, which is due for replacement. On completion of this plant in 2017 as scheduled, we expect to be able to cut our annual energy consumption by approximately 500 MWh and reduce our CO_2 footprint by approximately 275 tonnes per year.

Our heat consumption in Copenhagen in 2016 was 3,557 MWh compared with 3,276 MWh in 2015.

(MWh)	**2015**	**2016**
Electricity consumption	5,475	5,181
Heat consumption	3,276	3,557

It is our opinion that Naviair does not expose the surrounding community to serious environmental or climate-related risks through our electricity and heat consumption.

Social and employee relationships

Social relationships

We have a general staff policy, which sets the framework and ensures that we are an attractive and challenging place to work, which offers individual employees the chance to develop their professional and personal skills and also matches Naviair's targets and tasks.

We make determined efforts to maintain our position as an attractive company and a good workplace. This is essential in order to ensure that our employees are able to meet the high demands we make on their day-to-day efforts and results.

Naviair's policies and practice for recruitment, pay, promotion, working conditions and skills development ensure that discrimination is avoided and decisions are made on the basis of objective criteria. Policies and actions are an integral part of Naviair's day-to-day management and culture and are developed in parallel with our strategies.

As a minimum, our job vacancies are posted on a public site and our external website so that everyone has the opportunity to apply for both employee and management posts. In the case of management posts, an appointment committee is set up that includes a trade union representative. In 2016, we ran 54 internal and external recruitment drives as well as the annual pay negotiations between trade unions and management.

In our job advertisements, we encourage anyone with the right qualifications to apply for jobs at Naviair, regardless of age, gender, ethnic background etc. We do that because we think that diversity strengthens our company.

We also help to share society's responsibility for providing training and jobs for young people. In 2016, we had 18 students, apprentices and trainees in training at Naviair and at Entry Point North.

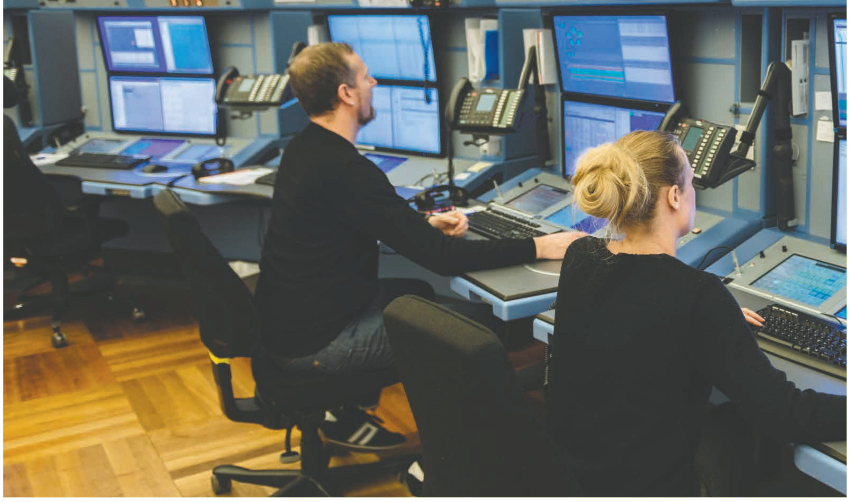
One of our priority targets is a high level of employee satisfaction. We therefore regularly conduct surveys of employees' satisfaction with their workplace and managers. The response rate in the latest survey was 79 per cent. This survey, like previous surveys, once again confirmed a high level of satisfaction among Naviair's employees, and that Naviair has both competent and confidence-inspiring managers.

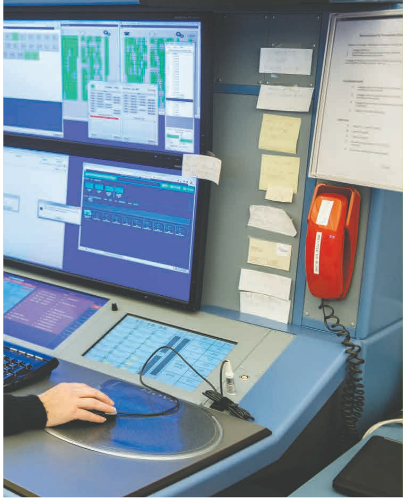
In 2017, we will carry out a 3-in-1 survey, comprising an assessment of manager, job satisfaction and working environment, which will help us to maintain focus on employee satisfaction and management development.

Naviair complies with all legislation and regulations on consultation relating to expansion, signage etc. and has a good, ongoing dialogue with Tårnby Municipality.

Naviair has a policy for external sponsorships and to a limited extent sponsors activities whose purpose could be advantageous for Naviair's business and/or reputation. Naviair also sponsors activities arranged by aviation industry associations, such as CANSO, IATA, IFATCA and IFALPA.

Naviair does not sponsor or support charitable or similar organisations.





Employee information

It is important that our employees' skills are always at a level that meets any requirements arising both during the exercise and development of air navigation services and supporting activities.

Based on our personnel policy, we therefore ensure that all employees' levels of training and education and skills satisfy the highest standards. This applies to both air navigation services, technology and administration.

We have structured our supplementary training and skills development into our Skills Plan for organisation and employees. We use the plan as our guiding document in this area. Together with our Technical-Operational Development Plan, the plan underpins our overall Business Plan as a management tool for the company's continued development.

Skills development is thus a part of Naviair's overall business strategy. Employee skills are developed and maintained through determined efforts while coaching and further training motivate employees to do their best to execute tasks in a safe, capable and efficient manner.

Through Entry Point North and in-house training, we ensure that new ATCOs start out at the highest level. Through regular supplementary training, the skills of our ATCO group are continuously updated, so that everyone is conversant with the latest procedures at all times.

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

Employees are kept constantly informed via an employee portal, accessible to all, where everyone can access our Business Plan, Technical-Operational Development Plan and Skills Plan. The same applies to all staff policies and the staff handbook, as well as an overview of employee representatives (union representatives and health and safety representatives).

We focus strongly on the employees' right to be heard and thus influence the company and company conditions as well as ensuring employees are informed of this. We therefore also hold four annual dialogue meetings, where members of the Executive Board and senior executives take the podium and talk on selected topics that affect the way Naviair operates.

COURSE DAYS	2016
Initial Training	742
Unit Training, excluding On Job Training	792
Maintenance Training	1,253
Human Factor	307
Management Courses, Internal and External	57
Administrative and Health and Safety Training	216

The topics reflect management's ambitions, goals and outlook, and the employees are invited to a dialogue on these topics.

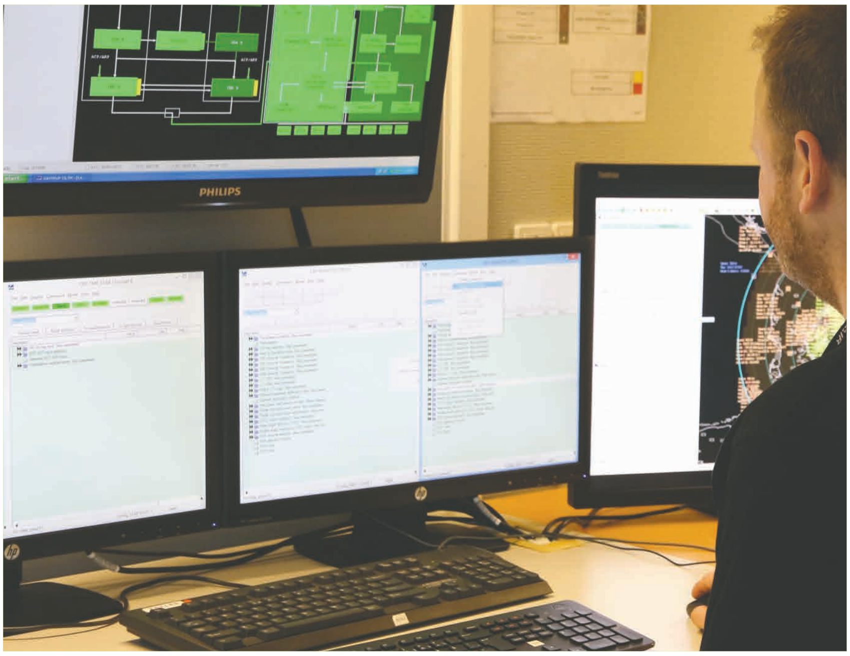
Joint consultation committees have been set up at both general and local level and the deputy chairmen of both our main and local joint consultation committees are employee representatives. The main joint consultation committee meets at least four times a year and if necessary, when the company needs to call a meeting.

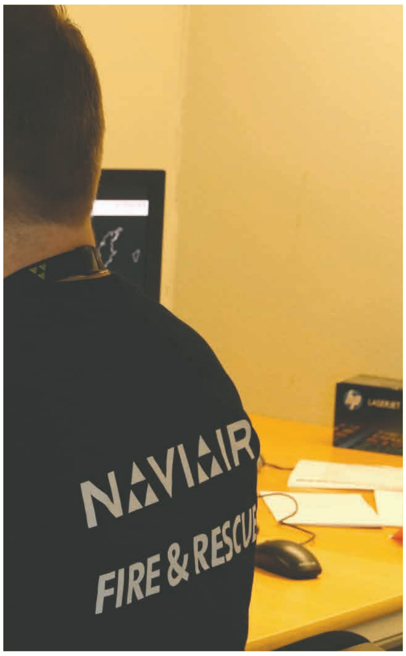
In 2016, we made financial and staffing adjustments to the company. Two extraordinary meetings of the main joint consultation committee were held in connection with this. This enabled the employee representatives to influence the basis of the adjustment as well as giving them detailed information about our financial and staffing situation. Two information meetings for all employees were also held. The information meetings were streamed, so that employees working at sites outside our headquarters could follow the meetings. It was also possible for all employees to put questions directly to the meetings.

We respect and comply with labour market legislation, including collective agreements, agreements, health and safety legislation and specific safety requirements as well as other circulars, guidelines and provisions that apply to Naviair.
Naviair itself does not negotiate collective agreements centrally. The Agency for Modernisation Ministry of Finance negotiates on our behalf. However, we have a large number of local agreements on working hours, including arrangements for flexible working hours and taking account of work-life balance, various bonuses, allowances etc. All agreements are negotiated between management and the relevant trade unions.

Naviair employees are largely able to plan their own working hours. Operational employees know the duty roster about 40 days before implementation and have the opportunity to swap and change shifts if they wish. Administrative and technical employees have a flexi-time agreement, under which they can come and go within the framework of the agreement. Also, many employees have the option of taking home a laptop and working from home. Compared with an average working week of 37 hours, this creates very good opportunities for individuals to organise their own working day and creates extra time both at work and at home.

We respect the individual's right to organise him/herself and negotiate pay within the framework determined in the legislation and agreements. We emphasise the importance of complete freedom of association in trade unions.





The elected union representatives and health and safety representatives are given special protection from dismissal.

Employees have the option of taking a union representative with them to various types of interview, so employees are given the best possible support and their rights are not infringed.

Our company's development is founded on a high degree of involvement of employee representatives. Dialogue and cooperation between management and employee representatives in both formal and informal forums is one of the basic principles of our company.

A health and safety organisation made up of both managers and employees has been set up. Eight health and safety groups have been set up, covering the whole of Naviair, as well as special health and safety groups in the Faroe Islands and in Greenland. The main health and safety committee meets four times a year and discusses the working environment and relevant measures relating to both the psychological and physical working environment. The final meeting of the year plans the focus areas for the next year. In 2016, one of the focus areas was monitoring sickness absence.

Of course, we also work on maintaining a good, safe working environment. The Health and Safety Committee continuously monitors health in the company by measuring the psychological working environment and assessing the physical working environment. In recent years, we have consistently been awarded green smileys in connection with the inspections by the Danish Working Environment Authority.

Six occupational injuries were reported in 2016, only one of which resulted in absence (three days).

Naviair has a sickness absence policy for minimising absence as much as possible by monitoring employees' absence with focus on retention. The absence target for 2016 was an average of 7.5 working days per employee, including long-term absence. In 2016, the average absence was 7.1 working days per employee, so the target figure was met.

We are affiliated to the Falck Healthcare scheme, which employees can approach anonymously for support, and we have trained a team of stress counsellors, who help employees with private and work-related problems.

Naviair continues to focus on a safe and healthy workplace through policies and workplace assessments. This appears, for instance, in that at least 30 per cent of the food served in the canteen is organic and prepared in our own kitchen. There is also a scheme for fresh fruit to be delivered on every working day.
At the end of 2016, the number of employees at Naviair was 631.6 FTEs. This included 266.1 FTEs on secondment to NUAC.

Employee turnover was 5.7 per cent in 2016.

Good, orderly conditions for Naviair employees ensure that there are no major risks for our workforce.

	2015	2016
Number of employees at year end (FTEs)	646.9	631.6
FTEs on secondment to NUAC	270.4	266.1
Employee turnover	2.5	5.7

Human rights

Naviair does not have a specific policy on respect for human rights. We do not consider it relevant to have such a policy, partly because all our direct activities are exclusively in Denmark and the North Atlantic area and all our staff are therefore employed under Danish collective agreements with all the rights that this implies. When entering into contracts with external suppliers, if applicable we insist on the inclusion of social clauses obliging our suppliers to create an inclusive labour market in terms of diversity, observance of current working environment regulations, collective agreements and legislation.

In 2016, we signed two contracts for building and civil engineering works both of which contain work clauses against social dumping. These contracts also include a requirement for documentation and sanctions for failure to meet this requirement.

We do not consider that there are major risks of infringements of human rights in the tightly regulated industry in which we operate.

Anti-corruption and bribery

Naviair does not have a specific anti-corruption and bribery policy. A policy of this kind would not be relevant to Naviair, as all the activities and services we supply are regulated by ICAO, the EU and Danish authorities. There is thus no possibility of securing particularly advantageous conditions in our services, as all customers are treated alike. Similarly, when it comes to bidding, we are covered by EU procurement rules.

When we invite EU tenders for goods, services or building or civil engineering works, in addition to the mandatory grounds for exclusion in Article 45(1) (corruption, fraud, money laundering) of the procurement directive we also make use of the discretionary grounds for exclusion in Article 45(2) (bankruptcy; anti-competitive agreements; breach of environmental, social or labour laws) with a view to selecting suppliers with a high degree of professional and social integrity.

We do not accept any breaches of the legislation in the air traffic area or any other legislation relevant to our core business. Consequently, we have a set of internal guidelines that ensure that we comply with relevant legislation. We have appointed an internal Compliance Officer to ensure that we do so. The Compliance Officer carries out regular audits to ensure that the legislation is observed in accordance with our concepts, including anti-corruption.

Naviair continually needs to process personal information and therefore takes responsibility for processing it in accordance with the Danish Act on the Processing of Personal Data. In addition, the extent and nature of Naviair's processing of personal data is regularly monitored.

Finally, it is one of Naviair's principles not to accept gifts from suppliers, partners etc. In this area, we are aware of markedly high moral standards among our employees in complying with this.

In the light of the above, it is not considered that bribery or corruption is a major risk to either Naviair or society.

Corporate governance

The framework for Naviair's activities is set out in the Danish Act on Naviair. With our status as a company owned by the state, Naviair is ultimately subject to the authority of the Danish state represented by the Danish Ministry of Transport, Building, and Housing within the framework established by law.

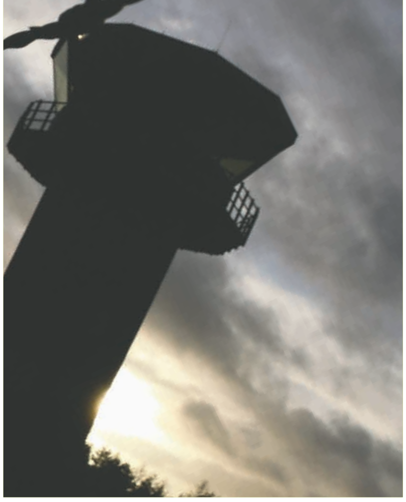
We plan our corporate governance so that it is adapted both to legislation and the nature of our company. Naviair is also subject to the Danish Companies Act, the Financial Statements Act and other legislation with the relevant adjustments applicable to Naviair. Naviair is also governed by the Danish Access to Public Administrative Documents Act and the Public Administration Act.

We comply with the Danish state's recommendations on corporate governance, where relevant. The recommendations comprise guidelines on the management of state-owned enterprises, including requirements, expectations and recommendations on corporate governance. A compilation of the recommendations can be found on the website of the Danish Ministry of Finance, www.fm.dk.
In addition, of the recommendations of the Committee on Corporate Governance described at www.corporategovernance.dk, we comply with those that are relevant to Naviair given Naviair's special corporate form.

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

The Board of Directors has nine members, six of whom – two women and four men – have been appointed by the Danish Minister for Transport, Building, and Housing. The other three members have been elected by the employees. The members of the Board of Directors collectively possess general business and leadership skills as well as insight into the aviation sector and society in general. An annual self-assessment procedure has been established for the Board of Directors. The Board's latest self-evaluation was in December 2016.

The Board of Directors meets at least once a quarter, in accordance with Naviair's Articles of Association. The Board held six meetings in the past year.



The chairmanship of the Board of Directors meets with the Danish Minister for Transport, Building, and Housing every quarter and at these meetings submits an extensive, detailed report on the company's strategic situation, follow-up on the company's operating results etc.

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

The Board of Directors and the Executive Board regularly review material risks and internal controls related to Naviair's activities and their potential impact on the financial reporting process.

The responsibility for maintaining adequate and effective internal controls and risk management in connection with the financial reporting lies with the Executive Board. The Executive Board monitors the financial position on a continuous basis, partly via monthly reporting. Furthermore, the Executive Board reports on the company's financial position to the Board of Directors ahead of each meeting of the Board of Directors. Procedures, accounting instructions etc. are described in the Naviair Management System.

The Board of Directors continuously monitors the financial reporting process, including that applicable legislation is being complied with and that the accounting policies are relevant. The Board has an Internal Audit Committee with two members.

At the end of 2016, Naviair's management team consisted of 14 women and 44 men. Women consequently accounted for 24 per cent of the management team.

The long-term aim of Naviair's "Policy for increasing the numbers of the underrepresented gender in Naviair's management teams" is to ensure that gender distribution on the management teams reflects the general gender distribution in the company of 30 per cent women and 70 per cent men.

At the annual employee appraisal interviews, we place great importance on encouraging employees to apply for managerial posts and participate in courses on preparation for management. In our endeavours to encourage women to apply for managerial posts, we also encourage everyone with management potential to consider the possibility of a career in management.

Due to the special nature of our work, many of our managers need professional insight into ATM in order to be able to do their jobs. Many managers consequently need to be recruited internally.

Special risks

In Naviair's assessment of general risks for 2017, two areas were identified as high risk: continuing low inflation and commercial or technical problems in Aireon.

A high risk means that the gravity is considered to be high and the likelihood is considered to be medium, or vice versa.

Concerning the inflation risk, the EU performance scheme means that Naviair's income is adjusted at the same rate as consumer prices (inflation). However, as wages rise faster than prices, low inflation may put pressure on Naviair's finances. This pressure may be aggravated in RP2, if the IMF's assessment of inflation is markedly higher than actual inflation and Naviair does not recognise this difference in full in its own projections. For example, continued inflation at 0.0 per cent for the rest of RP2 would mean a total reduction in income of DKK 271.6 million in the period 2015-2019.

Naviair is in discussion with the European Commission about a solution that will alleviate the worst consequences of possible very low inflation and has adjusted the capital structure so that falling income will not threaten the company' survival. In 2016, we implemented a cost-cutting programme that will reduce our current expenditure by almost DKK 25 million per year.

For Aireon, there may be technical risks in connection with the launching of satellites and that the project may therefore be delayed, resulting in earnings coming later than anticipated. At the same time, there is a financial risk associated with the conclusion of contracts with companies wishing to buy Aireon's services. A lower number of contracts than expected will make it difficult to maintain the anticipated income. However, Naviair is helping by actively promoting Aireon and we have also ensured that the capital structure is robust enough for risks associated with Aireon not to threaten Naviair's survival.

Naviair's principal income is directly dependent on the volume of en route traffic in Danish airspace and traffic to and from the airports that we serve. Our largest commercial risk is consequently an unexpected drop in the volume of traffic. Our finances are seriously affected when air traffic is adversely impacted by, for instance, market trends, changes in traffic patterns, unusual situations, new/increased air travel taxes or airline bankruptcies.

At Naviair, we need to be able to meet our customers' capacity requirements at all times, and we consequently cannot implement cost reductions overnight in response to situations in which we experience a sharp decline in income. This is partly because we rely on specialised employees on our staff. Training ATCOs so that they can be issued with the certificate required to work in accordance with Danish rules and procedures is costly and takes up to three years on average.

The risk of negative consequences resulting from a temporary decline in income is mitigated partly by a high degree of cost consciousness and partly by maintaining sound financial resources.

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

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

Outlook for 2017

The anticipated development in air traffic in 2017 is based on Eurocontrol's latest low forecast from September 2016. Modest growth is anticipated for En route – Denmark, whereas a slight fall is expected for TNC Copenhagen.

Income for En route – Denmark is expected to be higher in 2017 than in 2016, partly because of the expected growth in traffic and partly because of a 2.5 per cent increase in Naviair's share of the en route unit rate. Income for TNC Copenhagen is expected to be slightly lower than in 2016, partly as the result of a 1.0 per cent price reduction and partly because less traffic is expected than in 2016. As a result of the 2016 cost-cutting programme, staff costs are expected to be lower than in 2016.

In 2017, a relatively small increase in the negative impact of "Adjustment of charges for over-/under-recoveries" is expected, compared with 2016, mainly as a result of inflation adjustment.

Naviair expects to report a better profit for 2017 than for 2016.

Naviair's management

Board of Directors

Anne Birgitte Lundholt (Chairman)
Chairman of the Boards of Directors of Bornholms Erhvervsfond and FOF Danmark. Member of the Board of Directors of Svaneke Bryghus A/S. CEO, ABL ApS

Helle Munksø
Senior ATCO
Elected by the employees

Michael Fleischer
(Deputy Chairman)
Former colonel and pilot at the Danish Air Force. Chairman of Bevtoft Købmand ApS

Birthe Høegh Rask
Senior Vice President, Finance, Terma A/S. Member of the Board of Directors of Terma Aerostructures A/S

Henrik Christoffersen
Senior ATCO
Elected by the employees

Uwe Teichert
Chairman of the Boards of Directors of Larsen og Ipsen Holding A/S and ASX 4078 Aps. Member of the Board of Directors of Arkitekt-gruppen A/S

Flemming Kim Hansen
Senior Engineer, ATM Systems
Elected by the employees

Kurt Thyregod-Nielsen
Managing Director, Pingvino ApS. Chairman of the Board of Directors of Gurli og Paul Madsens Fond.
MBA

Helge Mortensen
Former government minister

Executive Board

Morten Peter Dambæk
CEO
Member of the Board of Directors of NUAC HB

Søren Stahlfest Møller
CFO
Member of the Boards of Directors of NUAC HB, Entry Point North AB and SL-Fonden

Other senior executives

Claus Skjærbæk
COO

Bent Fog
Director, Technical Maintenance

Susanne Isaksen
Director, International Affairs

Mikael Ericsson
Director, ATM Projects & Engineering

Bo Pedersen
Director, Communications & Public Affairs

Merete Lorents Sørensen
Director, Human Resources

Thorsten Elkjær
Director, Tower & Approach Services

Anna Eva Villefrance
Director, Flight Information Services & Aeronautical Information Services

Michael Thomsen
Director, Legal Affairs

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the annual report of Naviair for the financial year 1 January - 31 December 2016.

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

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

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

Copenhagen, 16 March 2017

On the Executive Board

Morten Peter Dambæk CEO	Søren Stahlfest Møller CFO

On the Board of Directors

Anne Birgitte Lundholt Chairman	Michael Fleischer Deputy Chairman	Henrik Christoffersen *
Flemming Kim Hansen *	Helge Mortensen	Helle Munksø *
Birthe Høegh Rask	Uwe Teichert	Kurt Thyregod-Nielsen

**) Elected by the employees*

Independent auditors' report

To the Danish Ministry of Transport, Building, and Housing and the Board of Directors of Naviair

Report on the financial statements

Opinion

We have audited the financial statements of Naviair for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are presented in accordance with the Danish Act on Naviair and the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of Naviair's financial position at 31 December 2016 and of the results of Naviair's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice as the audit is performed on the basis of the provisions of the Danish Act on Naviair. Our responsibilities under these standards and requirements are described in detail in the "Auditor's responsibility for the audit of the financial statements" section of the auditors' report.

The Auditor General is independent of Naviair pursuant to Section 1(6) of the Danish Auditor General Act and the approved auditor is independent of Naviair pursuant to international ethics standards for accountants (IESBA code of ethics) and the additional requirements applicable in Denmark. We have fulfilled our other ethical responsibilities in accordance with these provisions and requirements.

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

Management's responsibility for the financial statements

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

In preparing the financial statements, Management is responsible for assessing Naviair's ability to continue as a going concern; for disclosing, as applicable, matters related to going concern; and for preparing financial statements on a going concern basis, unless Management either intends to liquidate Naviair or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of accounting information taken on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Naviair's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Naviair's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Naviair to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

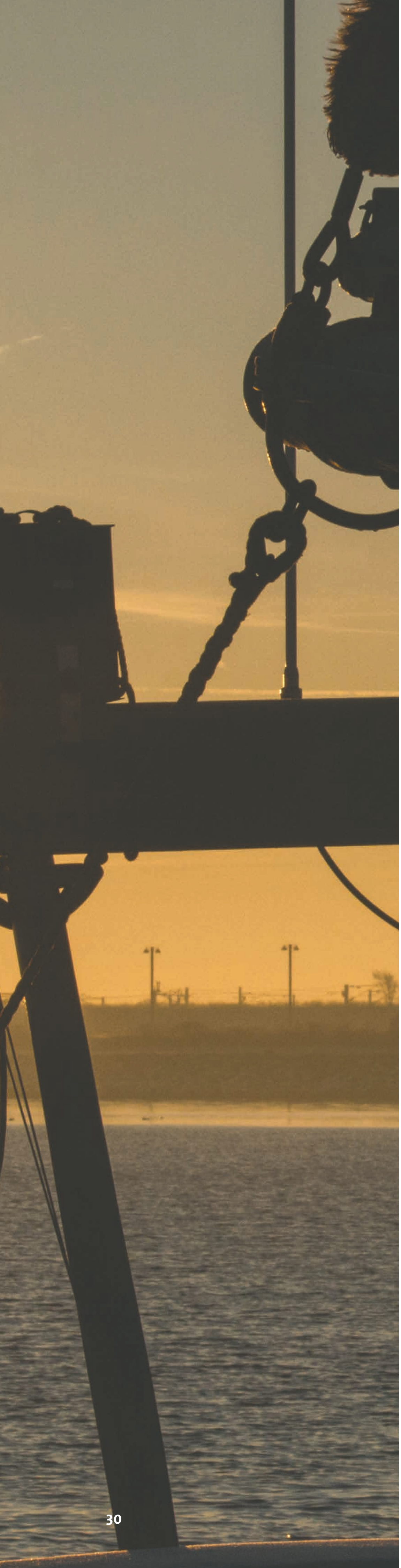
Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not include the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the provisions of the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.



Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions comprised by the financial reporting comply with appropriations granted, legislation and other regulations as well as agreements concluded and normal practice; and that sound financial considerations have been applied in the management of the funds and the operation of the enterprises comprised by the financial statements.

In connection with our audit of the financial statements, it is our responsibility, in accordance with good public auditing practice, to select relevant subject matter for the compliance audit and the performance audit. In a compliance audit, we test the selected subject matter to obtain reasonable assurance as to whether the transactions comprised by the financial reporting comply with appropriations granted, legislation and other regulations as well as agreements concluded and normal practice. In a performance audit, we make an assessment to obtain reasonable assurance as to whether the systems, processes or transactions examined support sound financial considerations in the management of the funds and the operation of the enterprises comprised by the financial statements.

If, based on the work performed, we conclude that material critical comments should be made, we are required to report this.

We have no material critical comments to report in this connection.

Copenhagen, 16 March 2017

Deloitte
CVR: 33 96 35 56

Erik Lynge Skovgaard Jensen
State Authorised Public Accountant

Rigsrevisionen
(National Audit Office of Denmark)
CVR: 77 80 61 13

Lone Lærke Strøm
Auditor General

Malene Sau Lan Leung
Director

Accounting policies

The annual report for 2016 of Naviair, a company owned by the Danish state, is presented in accordance with the provisions of the Danish Financial Statements Act for reporting class D.

Unless otherwise stated, the accounting policies for the parent company and the group are identical.

Change to the accounting policies

The accounting policies have been changed in the following area compared with last year:

Naviair's primary ATM system, COOPANS, was previously classified as plant under property, plant and equipment. The system consists of both hardware and software with different useful lives. From 2016 onwards, the software part has been reclassified to a new asset class called ATM system under intangible assets.

Effect of policy change

The overall financial effect of the policy change described above is as follows.

The changes do not affect either useful lives, profit for the year or equity. Apart from the above change, the annual report has been presented using the same accounting policies as last year.

Financial effect of policy changes

	Group		*Parent company*	
(DKK '000)	**2016**	**2015**	**2016**	**2015**
Plant and equipment (lower)	-585,129	-605,600	-585,129	-605,600
Property, plant and equipment under construction (lower)	-23,401	-23,007	-23,401	-23,007
ATM system (higher)	585,129	605,600	585,129	605,600
Intangible assets under construction (higher)	23,401	23,007	23,401	23,007

Recognition and measurement in general

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

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

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

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

Income is recognised in the income statement as earned, and expenses are recognised at the amounts that relate to the financial year.

Foreign currency translation

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

On initial recognition, transactions in foreign currencies are translated at the exchange rate at the transaction date. Receivables, liabilities other than provisions and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Any differences arising between the exchange rate at the transaction date and the exchange rates at the payment and balance sheet dates respectively are recognised in the income statement as net financials. Items of property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currencies are translated using historical rates.

Consolidated financial statements

The consolidated financial statements comprise the parent company and the subsidiary (Naviair Surveillance A/S) controlled by the parent company. The parent company is considered to control an enterprise when it holds, directly or indirectly, more than 50 per cent of the voting rights or is able to control or actually controls the enterprise in some other way. Enterprises in which the group holds, directly or indirectly, between 20 per cent and 50 per cent of the voting rights and over which it has significant influence, but not control, are accounted for as associates. These include NUAC HB and Entry Point North AB.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries. On preparation of the consolidated financial statements, identical items are aggregated, and intragroup income and expenses, balances and dividends are eliminated. Gains and losses arising from transactions between the consolidated enterprises are also eliminated. The financial statements used in the preparation of the consolidated financial statements are prepared in accordance with the group's accounting policies.

Subsidiaries' items are fully consolidated in the consolidated financial statements.

Income statement

Revenue

Revenue related to air traffic control is recognised in the income statement in the period in which the flights have taken place. Other income is recognised when delivery to the buyer has been made.

The adjustment for the year of over-/under-recoveries from en route and terminal activities is recognised as revenue. Regulatory over-/under-recoveries are recognised in the balance sheet as provisions or receivables, respectively.

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

Work performed for own account and capitalised

Work performed for own account and capitalised comprises staff costs and other internal expenses incurred during the financial year and recognised in the cost of self-constructed intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature in relation to Naviair's core activity.

Other external expenses

Other external expenses comprise expenses related to the company's core activities, including expenses for operation of operational systems and equipment, training and education, administration, premises, bad debts etc. Expenses related to projects that do not meet the criteria for recognition in the balance sheet are also recognised as other external expenses.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets consist of depreciation, amortisation and impairment losses for the year determined on the basis of the set residual values and useful lives of the individual assets and impairment tests carried out, respectively. Government grants for depreciable capital expenditure projects are recognised as the relevant assets are depreciated.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature in relation to Naviair's core activity.

Income from investments in associates

Parent company

Income from investments in associates comprises dividends and similar received from the individual associates during the financial year.

Group

Income from investments in associates comprises the proportionate share of the individual associates' profits/losses after elimination of intragroup profits and losses.

Other financial income

Financial income comprises interest income; realised and unrealised foreign exchange gains on securities, liabilities other than provisions and transactions denominated in foreign currencies etc. as well as surcharges and repayments under the Danish on-account tax scheme.

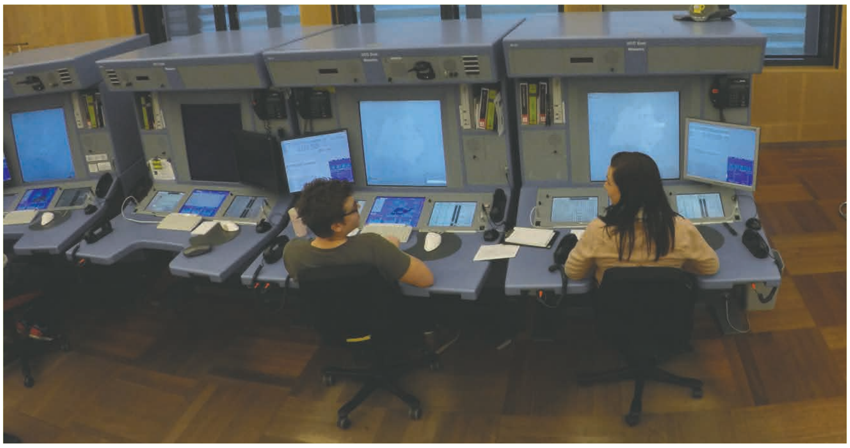
Other financial expenses

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

Income tax

Income tax expense, consisting of current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to profit for the year, and directly in equity with the portion attributable to entries directly to equity.

The company is taxed jointly with its Danish subsidiary. Current Danish income tax is allocated among the jointly taxed enterprises in proportion to their taxable income (full allocation with reimbursement in respect of tax losses).



Balance sheet

Intangible assets

Intangible assets comprise IT projects in progress and completed IT projects as well as other intellectual property rights acquired.

The cost of intangible assets comprises expenses, including salaries and amortisation, that are directly or indirectly attributable to those assets.

Indirect production costs in the form of indirectly attributable staff costs and amortisation and depreciation on intangible assets and property, plant and equipment used in the process, are recognised in cost on the basis of man-hour consumption on each project. Interest expense on loans to finance the construction of intangible assets is recognised in cost if it relates to the construction period.

Intangible assets are measured at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets, which are 3-15 years.

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

Property, plant and equipment

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

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

Indirect costs in the form of indirectly attributable staff costs and amortisation and depreciation on intangible assets and property, plant and equipment used in the construction process, are recognised in cost on the basis of man-hour consumption on each asset. Interest expense on loans to finance the construction of items of property, plant and equipment is recognised in cost if it relates to the construction period.

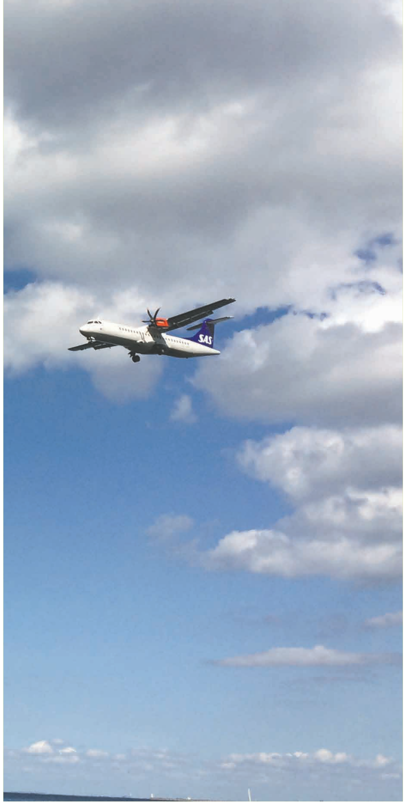
The basis of depreciation is the cost less the estimated residual value at the end of the asset's useful life. The residual value of these fixed assets has been estimated at nil, as they are user-specific to such an extent that it is expected that they will not have any saleable value at the end of their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

Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

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

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

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



Investments in group enterprises Parent company

Investments in group enterprises are measured at cost. Such investments are written down to the recoverable amount if this is lower than the carrying amount.

Investments in associates

Parent company

Investments in associates are measured at cost. Such investments are written down to the recoverable amount if this is lower than the carrying amount.

Group

Investments in associates are recognised and measured using the equity method. Accordingly, the investments are measured at the proportionate share of the companies' net asset values after addition or deduction of unamortised positive or negative goodwill and after deduction or addition of unrealised, proportionate intragroup gains and losses.

In connection with the distribution of profit for the year, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method within equity.

Other securities and equity investments

Other equity investments recognised in investments are measured at cost.

Regulatory over-/under-recoveries

Regulatory over-/under-recoveries are recognised as provisions or receivables, respectively, with set-off in the income statement under revenue. The balance is the amount which the company expects to reimburse or charge through the coming years' rates for business areas subject to regulatory price adjustments.

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

Naviair has two business areas that are subject to such regulatory price adjustment.

Full cost recovery

The basis for the calculation is the difference between recoverable expenses and charges/income collected from users in accordance with agreements with the counterparties. The difference is recognised as an adjustment to previously collected charges/income in subsequent years. Excessive charges/income consequently equate to a debt to users (provisions), while charges/income that are too low result in an increase in the amount that may be recovered (receivable).

Services regulated under EU performance schemes

For en route activities in Denmark and TNC Copenhagen, Naviair has been entitled, since 1 January 2012, to carry forward over-/under-recoveries in accordance with the provisions under the EU regulation on performance schemes for ANSPs, including the provisions on inflation adjustment and on risk-sharing relating to the development in traffic.

Receivables

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

Prepayments

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

Cash

Cash comprises cash at bank and in hand.

Deferred tax

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

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

Other financial liabilities

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

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

Pensions and availability pay

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

Income tax receivable and payable

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

Deferred income

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

Cash flow statement

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

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

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

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

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

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

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER *(DKK '000)*	Note	*Group* 2016	2015	*Parent company* 2016	2015
Revenue	1	906,336	920,151	906,348	920,164
Work performed for own account and capitalised	2	15,298	11,431	15,298	11,431
Other operating income	3	305,577	294,508	305,577	294,508
Other external expenses	4	-177,890	-187,782	-177,706	-187,671
Staff costs	5	-580,824	-563,062	-580,824	-563,062
Depreciation, amortisation and impairment losses	6	-94,286	-103,364	-94,286	-103,364
Other operating expenses	3	-307,672	-294,281	-307,672	-294,281
Operating profit		**66,539**	**77,601**	**66,735**	**77,725**
Income from investments in associates		883	2,055	0	0
Financial income	7	1,437	1,490	2,803	2,658
Financial expenses	8	-28,947	-44,100	-28,947	-44,100
Profit on ordinary activities before tax		**39,912**	**37,046**	**40,591**	**36,283**
Tax on profit on ordinary activities	9	-21,664	-7,348	-17,198	-7,632
Profit for the year	**10**	**18,248**	**29,698**	**23,393**	**28,651**

Balance sheet

ASSETS *(DKK '000)*	Note	*Group* 31.12.2016	 31.12.2015	*Parent company* 31.12.2016	 31.12.2015
Intangible rights acquired		4,042	1,454	4,042	1,454
ATM system		585,129	605,600	585,129	605,600
Intangible assets under construction		23,446	26,791	23,446	26,791
Intangible assets	11	**612,617**	**633,845**	**612,617**	**633,845**
Land and buildings		246,023	248,867	246,023	248,867
Plant and machinery		167,253	172,945	167,253	172,945
Fixtures and fittings, tools and equipment		6,312	4,881	6,312	4,881
Property, plant and equipment under construction		102,815	74,464	102,815	74,464
Property, plant and equipment	12	**522,403**	**501,157**	**522,403**	**501,157**
Investments in group enterprises		0	0	75,500	75,500
Investments in associates		11,201	10,889	79	79
Other securities and equity investments		160,962	103,457	0	0
Investments	13	**172,163**	**114,346**	**75,579**	**75,579**
Fixed assets		**1,307,183**	**1,249,348**	**1,210,599**	**1,210,581**
Trade receivables	14	163,542	159,143	163,124	159,143
Receivables from group enterprises		0	0	128,198	29,608
Receivables from associates		574	1,034	574	1,034
Other receivables	15	9,471	18,301	9,468	18,288
Regulatory under-recoveries	16	2,043	18,409	2,043	18,409
Prepayments	17	34,407	33,565	34,407	33,565
Receivables		**210,037**	**230,452**	**337,814**	**260,047**
Cash		**66,587**	**123,818**	**30,307**	**123,632**
Current assets		**276,624**	**354,270**	**368,121**	**383,679**
Assets		**1,583,807**	**1,603,618**	**1,578,720**	**1,594,260**

EQUITY AND LIABILITIES
(DKK '000)

		Group		Parent company	
	Note	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Contributed capital		600,000	600,000	600,000	600,000
Reserve for net revaluation according to the equity method		11,122	10,809	0	0
Retained earnings		355,665	338,300	362,871	339,478
Equity		**966,787**	**949,109**	**962,871**	**939,478**
Deferred tax	18	65,571	57,335	64,426	57,619
Provisions for regulatory over-recoveries	19	97,391	73,380	97,391	73,380
Provisions		**162,962**	**130,715**	**161,817**	**130,999**
Subordinated loan capital	20	200,000	336,600	200,000	336,600
Long-term liabilities other than provisions		**200,000**	**336,600**	**200,000**	**336,600**
Trade payables		43,447	33,995	43,421	33,984
Payables to associates		525	766	525	766
Income tax payable		6,562	0	6,562	0
Other payables	21	162,219	121,535	162,219	121,535
Deferred income		41,305	30,898	41,305	30,898
Short-term liabilities other than provisions		**254,058**	**187,194**	**254,032**	**187,183**
Liabilities other than provisions		**454,058**	**523,794**	**454,032**	**523,783**
Equity and liabilities		**1,583,807**	**1,603,618**	**1,578,720**	**1,594,260**

Contingent liabilities	22
Related parties and ownership	23
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Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY *(DKK '000)*	***Group***				***Parent company***		
	Contributed capital	**Reserve for net revaluation according to the equity method**	**Retained earnings**	**Total**	**Contributed capital**	**Retained earnings**	**Total**
Equity at 1 January 2016	600,000	10,809	338,300	949,109	600,000	339,478	939,478
Foreign exchange adjustments	0	-570	0	-570	0	0	0
Profit for the year	0	883	17,365	18,248	0	23,393	23,393
Equity at 31 December 2016	**600,000**	**11,122**	**355,665**	**966,787**	**600,000**	**362,871**	**962,871**

There have been no changes to contributed capital in the past five years.

Cash flow statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DEC *(DKK '000)*	Note	*Group* 2016	*Group* 2015	*Parent company* 2016	*Parent company* 2015
Operating profit		66,539	77,601	66,735	77,725
Depreciation, amortisation and impairment losses		101,588	107,306	101,588	107,306
Other provisions		24,011	-9,383	24,011	-9,383
Working capital movements	25	80,714	-6,240	-19,286	-25,675
Cash flows from operations		**272,852**	**169,284**	**173,048**	**149,973**
Financial income received		1,437	1,490	2,803	2,658
Financial expenses paid		-28,947	-44,100	-28,946	-44,100
Income tax paid		-6,862	-6,544	-2,024	-6,544
Cash flows from operating activities		**238,480**	**120,130**	**144,881**	**101,987**
Purchase of intangible assets		-25,003	-3,349	-25,003	-3,349
Purchase of property, plant and equipment		-76,603	-67,056	-76,603	-67,056
Purchase of investments		-57,505	-19,337	0	0
Cash flows from investing activities		**-159,111**	**-89,742**	**-101,606**	**-70,405**
Repayments on subordinated loan capital		-136,600	-200,000	-136,600	-200,000
Cash flows from financing activities		**-136,600**	**-200,000**	**-136,600**	**-200,000**
Net increase (decrease) in cash and cash equivalents		**-57,231**	**-169,612**	**-93,325**	**-168,418**
Cash and cash equivalents at 1 January		123,818	293,430	123,632	292,050
Cash and cash equivalents at 31 December		**66,587**	**123,818**	**30,307**	**123,632**

*Outside Naviair's ATCC in Kastrup.
The control centre handled 646,902
operations in 2016.*

Notes

1 Revenue

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
En route – Denmark, charges	616,128	607,619	616,128	607,619
TNC Copenhagen, charges	175,994	168,865	175,994	168,865
Local airports	49,205	47,238	49,205	47,238
North Atlantic, charges	39,830	39,772	39,830	39,772
Areas covered by the Danish Appropriations Act	36,304	34,714	36,304	34,714
Other trade receivables	29,252	29,346	29,264	29,359
Adjustment of over-/under-recoveries charges	-40,377	-7,403	-40,377	-7,403
	906,336	**920,151**	**906,348**	**920,164**

2 Work performed for own account and capitalised

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Capitalised direct payroll	14,004	10,511	14,004	10,511
Capitalised indirect production costs	1,294	920	1,294	920
	15,298	**11,431**	**15,298**	**11,431**

3 Other operating income and other operating expenses

Other operating income comprises services provided to NUAC HB under supply contract, including primarily secondment of employees to NUAC HB. Other operating expenses comprise services provided by NUAC AB under supply contract, including primarily operation of the ATCC in Kastrup and related operational support.

4 Other external expenses

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Other expenses	177,890	187,782	177,706	187,671
	177,890	**187,782**	**177,706**	**187,671**
Fees to auditors appointed at company meeting:				
Deloitte, audit fees	412	369	386	344
Deloitte, consultancy fees	408	226	408	226
Deloitte, other assurance engagements	76	30	76	30
National Audit Office of Denmark, audit fees	365	377	365	377
	1,261	**1,002**	**1,235**	**977**

5 Staff costs

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Wages and salaries	494,037	477,605	494,037	477,605
Pensions	84,764	83,365	84,764	83,365
Other social security costs	2,023	2,092	2,023	2,092
	580,824	**563,062**	**580,824**	**563,062**
Of which remuneration to the Executive Board and the Board of Directors:				
Salaries to the Executive Board	2,921	2,762	2,921	2,762
Pensions to the Executive Board	567	485	567	485
Remuneration to the Board of Directors	1,359	1,200	1,359	1,200
	4,847	**4,447**	**4,847**	**4,447**

Salary and pension totalled DKK 2,093 thousand for the CEO and DKK 1,395 thousand for the CFO. The remuneration of the Chairman of the Board of Directors was DKK 324 thousand, the remuneration of the Deputy Chairman DKK 216 thousand and the remuneration of other members DKK 108 thousand. Remuneration to members of the Audit Committee totalled DKK 97 thousand.

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Average number of employees	**646**	**637**	**646**	**637**

6 Depreciation, amortisation and impairment losses

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Intangible assets acquired	1,921	2,564	1,921	2,564
ATM system	44,310	45,958	44,310	45,958
Land and buildings	16,613	19,126	16,613	19,126
Plant and machinery	36,248	36,449	36,248	36,449
Fixtures and fittings, tools and equipment	2,496	3,209	2,496	3,209
Payment received under bank guarantee in respect of impairment loss on surveillance equipment	-5,700	0	-5,700	0
Government grants for capital expenditure projects	-1,602	-3,942	-1,602	-3,942
	94,286	**103,364**	**94,286**	**103,364**

Depreciation and impairment losses on plant and equipment in 2016 totalled DKK 36,248 thousand, with impairment losses representing DKK 6,255 thousand. The impairment losses included DKK 5,700 thousand in respect of impairment loss on surveillance equipment, which in turn was financed by the payment received under the bank guarantee.

7 Financial income

(DKK '000)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Foreign exchange gains	1,303	1,257	1,303	1,257
Interest income group enterprises	0	0	1,366	1,168
Interest income associates	2	2	2	2
Other interest income	132	157	132	157
Non-taxable interest and percentage supplement	0	74	0	74
	1,437	**1,490**	**2,803**	**2,658**

8	**Financial expenses**	*Group*		*Parent company*	
	(DKK '000)	**2016**	**2015**	**2016**	**2015**
	Foreign exchange losses	2,380	1,833	2,380	1,833
	Other interest expense	31,385	47,690	31,385	47,690
	Capitalisation of interim interest	-4,818	-5,423	-4,818	-5,423
		28,947	**44,100**	**28,947**	**44,100**

9	**Income tax expense**	*Group*		*Parent company*	
	(DKK '000)	**2016**	**2015**	**2016**	**2015**
	Current tax for the year	8,586	0	8,930	0
	US tax paid	4,838	0	0	0
	Change in deferred tax in respect of prior years	8,236	7,351	6,806	7,635
	Adjustment of prior year taxes	4	-3	1,462	-3
		21,664	**7,348**	**17,198**	**7,632**

10	**Proposed distribution of profit**	*Group*		*Parent company*	
	(DKK '000)	**2016**	**2015**	**2016**	**2015**
	Reserve for net revaluation according to the equity method	883	2,055	0	0
	Retained earnings	17,365	27,643	23,393	28,651
		18,248	**29,698**	**23,393**	**28,651**

11	Intangible assets (DKK '000)	Intangible rights acquired	ATM system	Intangible assets under construction	Total
	Cost at 1 January 2016	16,201	0	3,784	19,985
	Reclassification of ATM system at beginning of year	0	851,735	23,007	874,742
	Additions	725	5,441	18,837	25,003
	Disposals	0	-7,626	0	-7,626
	Transfers	3,784	18,398	-22,182	0
	Cost at 31 December 2016	**20,710**	**867,948**	**23,446**	**912,104**
	Amortisation and impairment losses at 1 January 2016	14,747	0	0	14,747
	Reclassification of ATM system at beginning of year	0	246,135	0	246,135
	Amortisation charge	1,921	44,310	0	46,231
	Disposals	0	-7,626	0	-7,626
	Amortisation and impairment losses at 31 December 2016	**16,668**	**282,819**	**0**	**299,487**
	Carrying amount at 31 December 2016	**4,042**	**585,129**	**23,446**	**612,617**
	Portion related to capitalised finance costs	0	29,702	1,116	30,818

12	Property, plant and equipment (DKK '000)	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
	Cost at 1 January 2016	565,970	1,511,942	29,902	97,471	2,205,285
	Reclassification ATM system at beginning of year	0	-851,735	0	-23,007	-874,742
	Additions	3,930	21,441	1,862	49,370	76,603
	Disposals	-2,308	-100,712	-9,687	0	-112,707
	Transfers	9,839	9,115	2,065	-21,019	0
	Cost at 31 December 2016	**577,431**	**590,051**	**24,142**	**102,815**	**1,294,439**
	Depreciation & impairment losses, 1 Jan 16	317,103	733,397	25,021	0	1,075,521
	Reclassification ATM system at beginning of year	0	-246,135	0	0	-246,135
	Depreciation charge	16,613	29,993	2,496	0	49,102
	Write-downs on scrapped assets	0	6,255	0	0	6,255
	Disposals	-2,308	-100,712	-9,687	0	-112,707
	Depreciation & impairment losses, 31.12.2016	**331,408**	**422,798**	**17,830**	**0**	**772,036**
	Carrying amount at 31 December 2016	**246,023**	**167,253**	**6,312**	**102,815**	**522,403**
	Portion related to capitalised finance costs	70	3,551	0	11,410	15,031

Except for a few buildings with a total carrying amount of DKK 10.1 million at 31 December 2016, primarily constructed for navigation equipment at various locations across Denmark and in Greenland, Naviair's total building stock with a total carrying amount of DKK 150.2 million at 31 December 2016 consists of buildings on leased land. These include the entire Naviair headquarters with ATCC, simulator buildings and offices situated in Maglebylille, and the Tower at Copenhagen Airport, Kastrup. These buildings all sit on land owned by Copenhagen Airports A/S.

13 Investments

(DKK '000)	Group: Investments in associates	Group: Other securities and equity investments	Group: Total	Parent company: Investments in group enterprises	Parent company: Investments in associates	Parent company: Total
Cost at 1 January 2016	79	103,457	103,536	75,500	79	75,579
Additions	0	57,505	57,505	0	0	0
Cost at 31 December 2016	**79**	**160,962**	**161,041**	**75,500**	**79**	**75,579**
Revaluation at 1 January 2016	10,809	0	10,809	0	0	0
Foreign exchange adjustments	-570	0	-570	0	0	0
Share of profit for the year	883	0	883	0	0	0
Revaluation at 31 December 2016	**11,122**	**0**	**11,122**	**0**	**0**	**0**
Carrying amount at 31 December 2016	**11,201**	**160,962**	**172,163**	**75,500**	**79**	**75,579**

(DKK '000)	Registered office	Corporate form	Ownership interest	Equity at 31 December 2016	Profit/loss 2016
Investments in group enterprises comprise:					
Naviair Surveillance A/S	København	A/S	100 %	68,294	-6,028
Investments in associates comprise:					
Entry Point North AB	Malmø-Sturup	AB	25 %	43,507	3,224
NUAC HB	Malmø	HB	50 %	746	221

Other securities and equity investments

In February 2014, through a 100%-owned subsidiary Naviair Surveillance A/S, Naviair concluded an agreement to buy a total of 6.0% of the shares in the US company Aireon Limited Liability Company incorporated in Delaware, USA. The price for the 6.0% stake in Aireon LLC was agreed at USD 29.4 million, divided into a total of four tranches. At 31 December 2016, USD 26.5 million (approximately DKK 161 million) had been paid for 4.14%. The last tranche is due for payment in 2017. Aireon LLC is a joint venture made up of a telecommunications company and – besides Naviair – three other ANSPs that will set up the world's first satellite-based global aviation surveillance system in the coming years.

The investments are recognised in the annual report at cost.

The following risks are assessed to be linked to this investment:
- That the technical solution model will be overtaken by another technical solution model before the system is put into operation.
- That the technical solution model will not function as intended.
- That the sale of data will not reach the anticipated level.
- That short or long-term bridge financing is not obtained.
- That further delays will occur.

The following comments must be made on the above risks:
Aireon has only concluded preliminary agreements on data sales. Final agreements on data sales are not expected to be concluded until the system comes into operation. There is a risk that the anticipated number of agreements will not be concluded or that their conclusion will be delayed.

There is a risk that it will not be possible to put the system into operation on time. However, on a project of this size and complexity, there will always be a risk of technical problems.

Aireon's liquidity has been under pressure due to the delay in launching satellites. For this reason, the owners have brought forward the payment of tranche 3 from 2017 to 2016. Aireon is currently working on securing short-term bridge financing and subsequent long-term financing. Aireon is working with a major international bank on securing the bridge financing. It is expected that a bridging loan will provide Aireon with sufficient capital until such time as the system comes into operation. Further delays may put pressure on Aireon's liquidity, and this in turn may mean that further bridge financing will be required.

Naviair Surveillance A/S is 100% equity and loan-financed by the parent company Naviair. Any loss on the investment in Aireon LLC will thus have a negative impact on profit and equity in Naviair Surveillance A/S, the parent company and the group. Naviair currently considers that the investment will bring returns and therefore does not consider that a write-down related to the investment will be required as at 31 December 2016.

For further details on Aireon, reference is made to pages 14-16 of the Management's review.

14	**Trade receivables**	***Group***		***Parent company***	
	(DKK '000)	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
	Trade receivables, gross	173,147	170,841	172,729	170,841
	Provision for bad and doubtful debts	-9,605	-11,698	-9,605	-11,698
		163,542	**159,143**	**163,124**	**159,143**

15	**Other receivables**	***Group***		***Parent company***	
	(DKK '000)	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
	VAT and duties	5,160	3,857	5,157	3,844
	Other receivables	4,311	14,444	4,311	14,444
		9,471	**18,301**	**9,468**	**18,288**

16	**Regulatory under-recoveries** *(DKK '000)*	**En route – Denmark**	**Tower control**	**Total**
	Regulatory under-recoveries at 1 January 2016	17,034	1,375	18,409
	Adjustment for the year	-17,034	668	-16,366
	Regulatory under-recoveries at 31 December 2016	**0**	**2,043**	**2,043**
	Portion expected to be recovered within one year	0	906	906
	Provisions for regulatory over-recoveries at 1 January 2016	0	73,380	73,380
	Adjustment for the year	20,251	3,760	24,011
	Provisions for regulatory over-recoveries at 31 December 2016	**20,251**	**77,140**	**97,391**
	Portion expected to be reversed within one year	14,616	22,093	36,709
	Total adjustment for the year	**-37,285**	**-3,092**	**-40,377**

17	**Deferred income**	*Group*		*Parent company*	
	(DKK '000)	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
	Prepaid payroll	28,565	27,882	28,565	27,882
	Other deferred income	5,842	5,683	5,842	5,683
		34,407	**33,565**	**34,407**	**33,565**

18	**Deferred tax**	*Group*		*Parent company*	
	(DKK '000)	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
	Deferred tax relates to the following items:				
	Property, plant and equipment	73,332	73,332	73,332	73,332
	Limitation of deductibility carried forward, interest etc.	3,188	-3,599	3,188	-3,599
	Over-/under-recoveries charges	-12,094	-12,094	-12,094	-12,094
	Tax loss carryforwards	1,145	-304	0	-20
		65,571	**57,335**	**64,426**	**57,619**

Provision for deferred tax at 31 December 2016 has been made at 22%, corresponding to the current tax rate.

19	**Provisions for regulatory over-recoveries** *(DKK '000)*	**En route – Denmark**	**Tower Control**	**Total**
	Regulatory under-recoveries at 1 January 2016	17,034	1,375	18,409
	Adjustment for the year	-17,034	668	-16,366
	Regulatory under-recoveries at 31 December 2016	**0**	**2,043**	**2,043**
	Portion expected to be recovered within one year	0	906	906
	Provisions for regulatory over-recoveries at 1 January 2016	0	73,380	73,380
	Adjustment for the year	20,251	3,760	24,011
	Provisions for regulatory over-recoveries at 31 December 2016	**20,251**	**77,140**	**97,391**
	Portion expected to be reversed within one year	14,616	22,093	36,709
	Total adjustment for the year	**-37,285**	**-3,092**	**-40,377**

20 Subordinated loan capital

Subordinated loan capital covers a bullet loan with the Danish state represented by the Ministry of Transport, Building, and Housing. No instalments are payable on the loan for ten years from the date of inception in 2010. After ten years, instalments on the loan are payable if, based on an overall assessment of Naviair's financial position, liquidity and the extent of non-subordinated debt, Naviair's Board of Directors deems it prudent to repay the loan at that time. Interest is fixed at 9% p.a., and the loan ranks after Naviair's other interest-bearing debt. According to the loan agreement, the loan consequently meets the criteria for recognition as equity or capital ranking as equity.

21 Other payables

(DKK '000)	*Group*		*Parent company*	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Holiday pay liability	84,824	84,978	84,824	84,978
Payroll, A-tax, social security contributions etc. payable	44,308	33,439	44,308	33,439
Other payables	33,087	3,118	33,087	3,118
	162,219	**121,535**	**162,219**	**121,535**

22 Contingent liabilities

Naviair has a liability of up to DKK 1.1 billion under the Danish Act on Civil Servant Pension's Section 32 on availability pay for civil servants and employees employed under collective agreement on special terms. The obligation consists of three months' salary during the termination period plus three years' pay, including pension.

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

Contractual obligations

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

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

Within the area of property, plant and equipment under construction, Naviair has entered into contracts to a value of approximately DKK 93 million on upgrading of Naviair's ATM system and acquisition of air navigation-related equipment and systems. The remaining payment obligation under these contracts is approximately DKK 66 million.

Through Naviair Surveillance A/S, Naviair has become a co-owner of Aireon LLC, USA, and in 2017 will acquire the remainder of a total ownership interest of 6.0 per cent, equivalent to a total investment of approximately DKK 180 million. At the end of 2016, Naviair had settled DKK 161.0 million of its total equity contribution, equivalent to an ownership interest of 4.14 per cent.

23 Related parties and ownership

Related parties and ownership	Basis
Control	
Danish Ministry of Transport, Building, and Housing DK 1220 Copenhagen K	Owner, 100%
Other related parties	
Danish Transport, Construction and Housing Authority, DK 2300 Copenhagen S	Supervisory authority
NUAC HB	Associate
Entry Point North AB	Associate
Naviair Surveillance A/S	Group enterprise
Danish Defence	Contract for aerodrome and approach control services at Aalborg Airport Cooperation agreement on joint ANS and ATM provision
Board of Directors and Executive Board	Managerial control

For information on Naviair's transactions with the Board of Directors and the Executive Board, reference is made to the note on staff costs. Naviair has raised a subordinated loan with the Danish Ministry of Transport, Building, and Housing, as described in the note on subordinated loan capital. All transactions with related parties are made on an arm's length basis.

24 Events after the reporting period

There have been no events after the reporting period that affect the fair presentation of profit for the year and the balance sheet at 31 December 2016.

25 Cash flow statement – working capital movements

	Group		*Parent company*	
(DKK '000)	**2016**	**2015**	**2016**	**2015**
Changes in receivables etc.	20,068	4,042	-79,573	-15,383
Change in liabilities other than provisions etc.	60,646	-10,282	60,287	-10,292
	80,714	**-6,240**	**-19,286**	**-25,675**

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Photo on front cover:
Airbus 321 on approach to runway 22L at Copenhagen Airport, Kastrup.
Photo: Communications & Public Affairs and Jesper Berg

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

Annual Report 2016

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