Naviair
Naviair Allé 1
DK 2770 Kastrup
CVR: 26059763

ANNUAL REPORT
2017

Contents

Company information

Naviair
Naviair Allé 1
DK 2770 Kastrup

CVR-nr.: 26059763
Registered office: Kastrup
Financial year: 01.01.2017-31.12.2017

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.

Co-financed by the European Union
Connecting Europe Facility

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

Board of Directors
Anne Birgitte Lundholt, Chairman
Michael Fleischer, Deputy Chairman
Henrik Christoffersen *
Flemming Kim Hansen *
Per Møller Jensen
Helle Munksø *
Birthe Høegh Rask **
Christina Rasmussen **
Uwe Teichert

**) Elected by the employees*
***) Member of the Audit Committee under the Board of Directors*

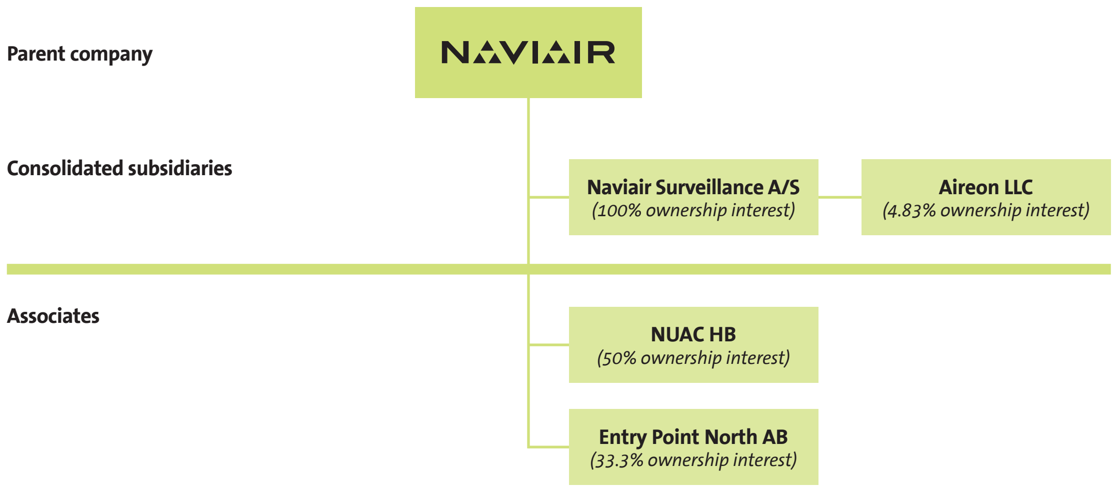
Executive Board
Morten Peter Dambæk, CEO
Søren Stahlfest Møller, CFO

Auditors
Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK 0900 Copenhagen C

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

Group structure

At 31 December 2017



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 2013 can be described using the key figures and financial ratios below:

KEY FIGURES *(DKK million)*	Group 2017	2016	2015	2014	2013
Income statement					
Revenue	937.8	906.3	920.2	941.6	904.0
Operating profit	89.2	66.5	77.6	133.1	102.0
Net financials	-9.6	-26.6	-40.6	-43.2	-42.6
Profit for the year	65.6	18.2	29.7	70.7	51.4
Balance sheet					
Fixed assets	1,357.5	1,307.2	1,249.3	1,264.5	1,183.4
Current assets	346.6	276.6	354.3	522.0	485.4
Balance sheet total	1,704.1	1,583.8	1,603.6	1,786.5	1,668.8
Interest-bearing debt	200.0	200.0	336.6	536.6	536.6
- of which subordinated loan capital	200.0	200.0	336.6	536.6	536.6
Equity	1,032.0	966.8	949.1	919.1	848.8
Cash flow statement					
Cash flows from:					
- operating activities	223.3	238.5	120.1	276.8	291.0
- investing activities	-143.2	-159.1	-89.7	-179.7	-92.0
- financing activities	0.0	-136.6	-200.0	0.0	-100.0
The year's investments in property. plant and equipment	-92.9	-76.6	-41.7	-93.9	-91.4
Net increase (decrease) in cash and cash equivalents	80.1	-57.2	-169.6	97.1	99.0
Cash and cash equivalents at 31 December	146.7	66.6	123.8	293.4	196.4
Average number of employees	625	646	637	641	667
Financial ratios (%)					
Operating margin	9.5	7.3	8.4	14.1	11.3
Return on capital employed	5.2	4.2	4.8	7.5	6.1
Solvency ratio excl. subordinated loan capital	60.6	61.0	59.2	51.4	50.9
Solvency ratio incl. subordinated loan capital	72.3	73.7	80.2	81.5	83.0
Return on equity	6.6	1.9	3.2	8.0	6.3
Other financial ratios					
Gearing	-0.8	-0.4	-0.7	-1.2	-0.9
Interest cover ratio	12.5	5.6	4.1	5.0	4.5

Parent company				
2017	**2016**	**2015**	**2014**	**2013**
937.8	906.3	920.2	941.6	904.0
89.2	66.7	77.7	133.1	102.0
-2.1	-26.1	-41.4	-46.6	-42.6
67.4	23.4	28.7	67.2	51.4
1,243.0	1,210.6	1,210.6	1,247.5	1,178.1
453.4	368.1	383.7	530.8	485.4
1,696.4	1,578.7	1,594.3	1,778.3	1,663.5
200.0	200.0	336.6	536.6	536.6
200.0	200.0	336.6	536.6	536.6
1,030.2	962.9	939.5	910.8	843.6
223.2	144.9	102.0	266.8	291.0
-124.0	-101.6	-70.4	-171.1	-92.0
0.0	-136.6	-200.0	0.0	-100.0
-92.9	-76.6	-41.7	-93.9	-91.4
99.2	-93.3	-168.4	95.7	99.0
129.5	30.3	123.6	292.1	196.4
625	646	637	641	667
9.5	7.4	8.4	14.1	11.3
5.3	4.2	4.9	7.5	6.1
60.7	61.0	58.9	51.2	50.7
72.5	73.7	80.0	81.4	83.0
6.8	2.5	3.1	7.7	6.3
-0.7	-0.2	-0.7	-1.2	-0.9
13.3	5.7	4.2	5.0	4.5

Key figures and financial 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 eight areas:

Area control services (En route)
Area control services in Danish airspace from:
• ATCC in Copenhagen *

Briefing service from:
• ATCC in Copenhagen *

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

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

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

Flight Information Services
Flight Information Services from:
• ATCC in Copenhagen *

Flight Information Services from:
• Flight Information Centre in Nuuk

Briefing service from:
• Flight Information Centre in Nuuk

Aerodrome Flight Information Service
Aerodrome Flight Information Service from:
• Tower on Vágar

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

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

AIS service
(Aeronautical Information Services)
AIS service:
• Aeronautical Information Publications (AIPs) in Denmark

AIS service:
• Aeronautical Information Publications (AIPs) in Greenland and the Faroe Islands

Other, including commercial activities
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 know-how

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

Highlights in 2017

January

/ The unit rate in Danish airspace is reduced for the fourth successive year. The en route rate is lowered by 2.13 per cent and the unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) is reduced by 1.1 per cent compared with the rates in 2016.

/ Successful launch of the first ten satellites as part of the world's first global air traffic surveillance system. The system is expected to come into operation in 2018, when 66 ADS-B equipped satellites will be orbiting the Earth. Behind the system is the American company Aireon LLC. Naviair is a co-owner and partner in this company and an active player in the project.

June

/ Successful launch of a further ten satellites as part of the world's first global air traffic surveillance system.

/ Naviair hosts the 2017 international ATM conference of the international civil air navigation services organisation CANSO.

/ Global leaders from ANSPs in more than 50 countries participate. Naviair increases its ownership interest in the international ATS academy Entry Point North from 25 per cent to 33.3 per cent.

July

/ In its new aviation strategy, the government points out that Naviair can contribute to the development of Danish aviation by exploring the possibility of operating the local Danish airports without manned control towers.

/ The stake in Aireon LLC is increased from 4.14 per cent to 4.83 per cent in accordance with the partnership agreement.

September

/ Naviair has handled traffic with no delays since 2008. This report is Naviair's response to a letter to all European ANSPs in which the airline association A4E (Airlines for Europe) expresses its concern regarding considerable delays in European air traffic over the summer. However, Naviair reports that it was not responsible and points out that its regularity is among the best in Europe.

October

/ Successful launch of a further ten satellites as part of the world's first global air traffic surveillance system.

December

/ The Entry Point North ATS academy signs a contract with Belgian Belgocontrol for the supply of ATCO training to the company – initially until 2025.

/ Successful launch of a further ten satellites as part of the world's first global air traffic surveillance system.

Operating and financial review

Naviair presents an annual report for both the group and the parent company.

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 79.5 million compared with DKK 39.9 million in 2016.

Profit benefited from the growth in en route income, which, overall, was DKK 33.0 million higher in 2017 than in 2016. Profit also benefited from a DKK 12.0 million decrease in interest expense on the subordinated loan as well as dividend of DKK 4.8 million from Entry Point North.

Profit was depressed by DKK 46.0 million by provisions for future reductions in income as a result of real inflation being lower than expected due to the assumptions in the EU performance scheme for reference period 2 (RP2) having been set in 2014.

Profit before adjustment of charges for over-/under-recoveries and tax was DKK 124.3 million compared with DKK 80.3 million in 2016.

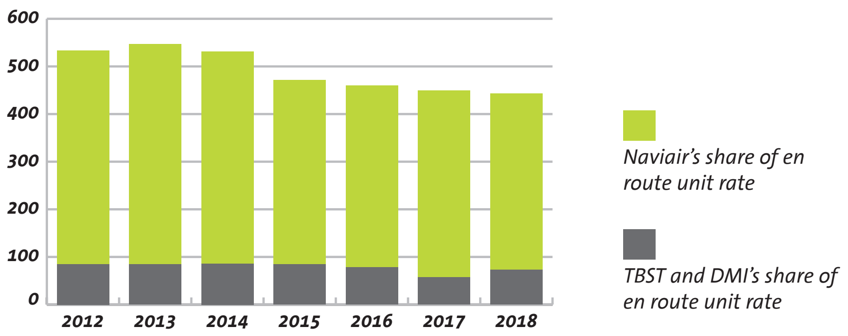
Profit on ordinary activities before tax exceeded the latest expectations expressed in Naviair's half-yearly report. Profit was satisfactory.

Unit rates

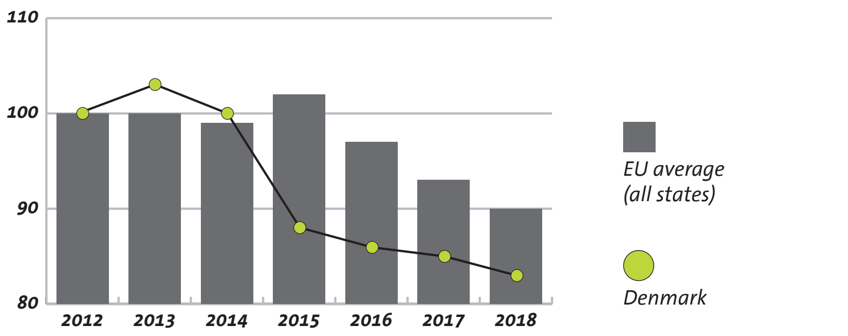
In 2017, the en route unit rate for Danish airspace was DKK 450 per service unit. The Danish en route unit rate will be lowered to DKK 443 in 2018. Naviair's share represents 83.5 per cent of this figure, while the rest goes to the Danish Transport, Construction and Housing Authority and the Danish Meteorological Institute (DMI).

Since 2013, 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 443 in 2018. This means it has been reduced by 19.0 per cent in total within five years. The price reductions are the result of a constant focus on savings and efficiency improvements. We expect that Naviair will be able to lower the rate still further throughout RP2 up to 2019 through cost-effective operation and development.

Unit rate, En route (DKK)



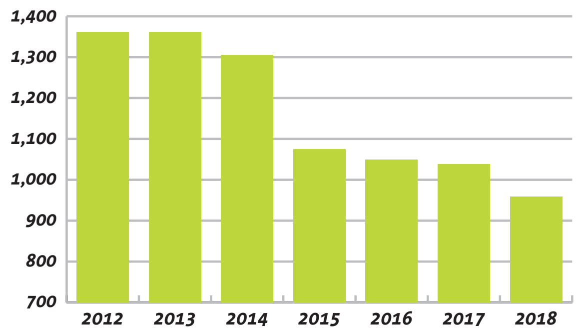
European development in en route unit rates
(2012 = 100)



The unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) for 2018 is set at DKK 959 compared with DKK 1,038 in 2017.

Since 2013, 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 959 in 2018. This means it has been reduced by 29.5 per cent from 2013 to 2018.

Unit rate, TNC CPH (DKK)



DMI's share was approximately DKK 8 in 2012-2017 and approximately DKK 7 in 2018

Traffic

The positive trend in the growth of air traffic through Danish airspace continued in 2017. The number of en route operations increased by 1.2 per cent to 654,888 compared with 646,902 in 2016. Expressed as service units, the number of service units in the en route area was consequently 2.7 per cent ahead of 2016.

Recent years' growth trend at Copenhagen Airport was broken. The number of departures and arrivals in 2017 was thus 2.4 per cent lower than in 2016, and the number of operations was down at 259,310 from 265,774 in 2016. For TNC Copenhagen, this led to a 2.3 per cent fall in the number of service units compared with 2016.

The number of departures and arrivals at Billund Airport in 2017 decreased by 1.0 per cent to 42,706 operations compared with 43,119 in 2016.

Domestic flights expressed as the number of operations decreased by 1.2 per cent in 2017 compared with 2016.

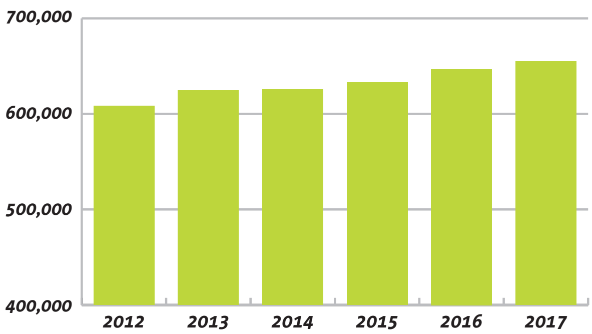
We maintained our efficient ATM in 2017. In the Danish-Swedish FAB (Functional Airspace Block), the delay per operation in 2017 averaged 0.02 minutes, i.e. below the maximum average delay of 0.10 minutes per operation set in the performance plan for the Danish-Swedish FAB.

In view of our ATM with almost no delays, our ATM can be characterised as extremely efficient again this year. We handled en route traffic in Danish airspace without any delays.

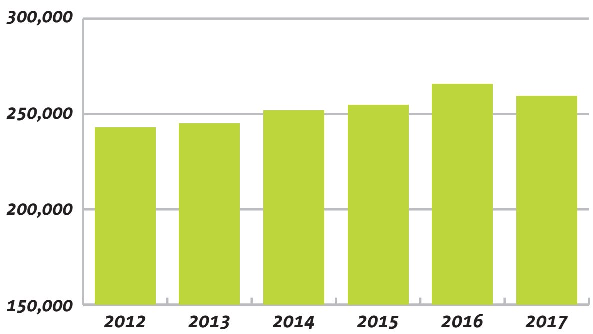
We also handled traffic at Copenhagen Airport without any delays for which Naviair was jointly responsible. Delays due to weather conditions totalled 0.03 minutes per arrival. The maximum accepted average delay is 0.11 minutes per arrival.

Our overall use of capacity remains highly efficient and fully satisfactory. We have a long tradition of providing service without delays and our attention is always sharply focused on ensuring that average delays are at the lowest possible level at any time and in any circumstances.

Operations, En route
En route operations, Danish airspace



Operations, TNC Copenhagen
Arrivals and departures, Copenhagen Airport



Operating income from ordinary activities

Revenue was DKK 937.8 million compared with DKK 906.3 million in 2016. Revenue constitutes the income generated by Naviair's eight areas of activity.

Revenue was up DKK 31.5 million on 2016. The increase mainly reflected a positive trend in en route traffic, with income increasing by DKK 33.0 million despite a reduction of the unit rate. TNC Copenhagen was affected by both the reduction of the unit rate and a decrease in traffic. Income was thus down DKK 5.7 million on 2016.

Revenue includes DKK 10.1 million in government grants for operating projects compared with DKK 4.2 million in 2016.

Other operating income amounted to DKK 298.2 million compared with DKK 305.6 million in 2016 and consists of services supplied to NUAC under the 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 193.8 million compared with DKK 177.9 million in 2016. The increase was driven by, among other things, preparation of digitisation of aerodrome and approach control services, increased IT costs and increased costs for ATCO training.

Staff costs

Staff costs were DKK 578.6 million compared with DKK 580.8 million in 2016. Staff costs were reduced by DKK 2.3 million in total.

The average number of employees in 2017 was 625 compared with 646 in 2016. The decrease in the number of employees and staff costs is mainly due to the effect of the alignment of resources in 2016.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses were DKK 89.7 million compared with DKK 94.3 million in 2016. Government grants meant that depreciation was reduced by DKK 1.9 million in total compared with DKK 1.6 million in 2016.

Balance sheet

Naviair's balance sheet total stood at DKK 1,704.1 million at 31 December 2017 compared with DKK 1,583.8 million at 31 December 2016. The DKK 120.3 million increase mainly reflects a DKK 80.1 million increase in cash and a DKK 46.2 million increase in property, plant and equipment.

The amount due to Naviair from the airlines in the form of regulatory under-recovery of charges was DKK 1.0 million, a reduction of DKK 1.0 million after the adjustment for the year. The amount payable by Naviair to the airlines in the form of regulatory over-recovery of charges was DKK 141.1 million, an increase of DKK 43.7 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 2017 was DKK 1,032.0 million and was made up of contributed capital of DKK 600 million, retained earnings of DKK 422.2 million and reserve for net revaluation according to the equity method of DKK 9.8 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital, which stood at DKK 200 million at 31 December 2017. 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 228.0 million, and cash flows from operating activities were an inflow of DKK 223.3 million.

The solvency ratio including subordinated loan capital was 72.3 per cent. Investments in intangible assets and property, plant and equipment were DKK 119.2 million in 2017, DKK 17.6 million more than in 2016.

The parent company's profit by cost base

The two largest cost bases, En route – Denmark and TNC 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 cost base. Costs are broken down by direct allocation to the cost bases, partly through time recording on tasks or using sharing keys.

The parent company's profit by cost base

Cost base statement 2017 *(DKK '000)*	**En route Denmark**	**En route Domestic Greenland**	**En route North Atlantic**	**TNC Copenhagen**	**Billund**	**Other**	**Total**
Income [1]	677,661	21,998	41,866	173,252	20,655	47,114	982,546
NUAC HB income	286,293	109	109	10,692	322	689	298,214
NUAC HB costs	-292,701	-121	-121	-11,861	-357	-765	-305,926
NUAC HB net profit (loss)	**-6,408**	**-12**	**-12**	**-1,169**	**-35**	**-76**	**-7,712**
Other external expenses	-105,005	-13,741	-27,969	-31,901	-2,988	-12,178	-193,782
Staff costs [2]	-378,241	-6,483	-7,031	-115,364	-17,106	-33,136	-557,361
EBITDA	**188,007**	**1,762**	**6,854**	**24,818**	**526**	**1,724**	**223,691**
Depreciation, amortisation and impairment losses	-72,017	-1,648	-4,567	-10,685	-287	-512	-89,716
EBIT	**115,990**	**114**	**2,287**	**14,133**	**239**	**1,212**	**133,975**
Net financials	-29,365	-114	-280	-17,063	-19	44,752	-2,089
Profit (loss) [3]	**86,625**	**0**	**2,007**	**-2,930**	**220**	**45,964**	**131,886**

1) Revenue excl. adjustment of over-/under-recoveries
2) Staff costs less work performed for own account and capitalised
3) Profit (loss) for the year before adjustment of over-/under-recoveries of charges amounting to a loss of DKK 44.7 million and tax amounting to an expense of DKK 19.8 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 through to the end of 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 at the end of 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 2017, Naviair's five largest en route customers were SAS (16.2%), Norwegian Air Shuttle & Norwegian Air Intl. (13.4%), KLM (7.9%), Ryanair (6.2%) and British Airways (5.2%). En route activities accounted for 69.0 per cent of our revenue in 2017.

Naviair's five largest customers in the aerodrome control service area at Copenhagen Airport in 2017 were SAS (37.2%), Norwegian Air Shuttle & Norwegian Air Intl. (15.4%), Ryanair (4.7%), easyJet Airline (3.1%) and Lufthansa (2.4%). Aerodrome control service at Copenhagen Airport accounted for 17.6 per cent of our revenue in 2017.

We provide AIS (Aeronautical Information Service) from Copenhagen, comprising Aeronautical Information Publications (AIPs) for Denmark, Greenland and the Faroe Islands. We publish AIPs 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 2017.

We monitor the needs and expectations of our customers through regular contact in order to be able to provide the best possible service at any time. At regular meetings with customers, we chart their satisfaction with our service and products and keep them informed about conditions and developments in Naviair.
We held our latest customer meetings at the end of 2017. Between October and December, we met with 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 13 direct employees, while the remaining 622 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, the seven control centres in Denmark, Sweden, Ireland, Austria and Croatia are fully harmonised and undergo synchronised upgrading on a regular basis.
The next upgrade is scheduled for May 2018. Like previous upgrades, the upgrade is expected to be 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. For example, in the period from January to March 2018, the colours on the ATCO screens will be changed so that they are identical in all ATCCs in the COOPANS Alliance.

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 training academy (Air Traffic Service)
Entry Point North is situated at Malmö Airport and is jointly owned by Naviair, the Irish Aviation Authority and LFV. The academy was established in 2006 as the first transnationally owned academy offering ATM training.
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 three 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. In 2017, Entry Point North signed a contract with the Belgian ANSP Belgocontrol for the provision of training until 2025.

Aireon LLC

Aireon LLC is headquartered in Virginia, USA.
Besides Naviair (4.8% ownership interest), the other joint venture partners are the US telecommunications company Iridium Communications Inc. (39.3 %) and the ANSPs Nav Canada (40.9%), ENAV (10.1%) and the Irish Aviation Authority (4.8%).

Aireon is in the process of setting up the world's first global air traffic surveillance system. The new system is satellite-based, whereas all previous surveillance systems have been ground-based.

The existing surveillance equipment currently covers less than 30 per cent of the Earth's surface. When the new system is put into operation in the course of the next year it will be possible for the first time to collect data all over the world on all ADS-B equipped aircraft. For the areas of the world that have not hitherto been covered, this means, among other things, that ATM will in future be able to work with smaller safety distances between aircraft, allowing air traffic to be handled more efficiently than is currently possible.
The new system will result in both improved safety and major savings for airlines in the form of lower fuel consumption. The system will also be beneficial for the environment, because reduced flight times will result in lower emissions of environmentally harmful substances from aircraft.
Aireon's system comprises 66 satellites and a further number of spare satellites. The first 40 satellites had been sent up by the end of 2017 and tests have shown that they are far more efficient than anticipated before the launch.

Aireon's business strategy is based on the sale of air traffic surveillance data, mainly to 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 countries, including the USA, Curaçao, the UK, South Africa, Singapore, New Zealand and ASECNA, which represents 18 African countries. Naviair is actively helping Aireon's sale of services and the development of operational concepts to underpin Aireon's business strategy.

Aireon's liquidity is under pressure as a result of 18 months' delay to the originally planned satellite launch programme. The investors' payment for the penultimate tranche was linked to the launch of the first satellite but had to be put forward to December 2016, despite the fact that at that point the first launch had not yet taken place. The fourth and last tranche was paid in summer 2017. It is envisaged that Aireon's liquidity problems can be overcome by means of a combination of short-term loans from investors, loans from international banks and an increase in the number of shareholders. It is expected that this will ensure that Aireon has sufficient capital until the system becomes operational.

It is estimated that the investment will entail both a risk that the sale of data will not reach the expected level and a risk of further delays.

So far, 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 consequently a risk that the anticipated number of agreements will not be concluded or that their conclusion will be delayed.

There is still a risk that the system will not become operational on time. All 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, which are expected to take place in 2018. However, on projects of this size and complexity, there will always be a risk of technical issues. Any further delays may put pressure on Aireon's liquidity, which may in turn require further bridge financing. The risk of further delays has been reduced considerably, as many of the satellites are in place and tests show that they are functioning satisfactorily.

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 2017.

Naviair Surveillance A/S is 100 per cent 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 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.

For further information on our work on CSR, including Environmental and climate initiatives, Social and employee relationships and Anti-corruption and bribery policies, see www.naviair.dk.

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 – three women and three 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 2017.

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 2017, Naviair's management team consisted of 17 women and 52 men, including managers on secondment to NUAC. Women consequently accounted for 25 per cent of the overall management team.

The long-term aim of Naviair's "Policy for increasing the numbers of the underrepresented gender on 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.

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 2018, two areas were identified as high risk:

1. Commercial or technical issues in Aireon
2. More stringent cost requirements in connection with EU regulation

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

For Aireon, the risk is that the project is associated with both technical and commercial issues. The technical risks are related to satellite launches. The programme has already run into several rounds of delays, causing the remainder of the launch programme to be compressed into a shorter period. This entails a risk that further delays will mean postponing the planned start of the system's operation. At the same time, there is a financial risk associated with the conclusion of contracts with companies wishing to buy Aireon's services. Fewer contracts than expected will make it difficult to maintain the anticipated income. However, Naviair is helping by actively promoting Aireon. At the same time, the robustness of our capital structure means that risks related to Aireon that may result in a need for write-downs will not threaten Naviair's survival.

With regard to cost requirements in connection with EU regulation in RP3, Naviair may be faced with higher efficiency requirements that may affect our ability to deliver delay-free traffic, as the economic pressure may impact on the company's ability and opportunity to be in a position to make the necessary future investment in technology that would help to ensure delay-free operations. However, up to the beginning of RP3 in 2020, we will be constantly working to ensure that Naviair and our customers will have the best possible conditions for ATM from 2020 onwards and we will make every imaginable effort to secure the right balance between capacity, delay-free operations and costs.

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.

We need to be able to meet our customers' capacity requirements at all times. Naviair's financial flexibility is limited as 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. We consequently cannot adjust our costs overnight in response to situations in which we experience a sharp decline in income or an increase in air traffic. 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 2018

For 2018, we expect limited growth in air traffic compared with 2017. We only expect growth in En route – Denmark, while traffic in TNC Copenhagen is expected to remain unchanged compared with 2017. The anticipated development in air traffic is based on Eurocontrol's latest low forecast from September 2017.

Recent years' price reductions have a downward effect on Naviair's income. With the anticipated limited growth in traffic, income in 2018 will be lower than in 2017 as a result of price reductions of 1.5 per cent for En route – Denmark and 7.6 per cent for TNC Copenhagen. This will of course continue to make great demands on our ongoing focus on cost-consciousness and efficiency.

Lower prices and the prospect of limited traffic growth mean that Naviair anticipates that profit for 2018 will be lower than the profit for 2017.

Naviair's management

Board of Directors

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

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

Henrik Christoffersen
Senior ATCO
Elected by the employees

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

Per Møller Jensen
Senior Vice President, Marketing & Communications, Personal Banking, Danske Bank A/S

Helle Munksø
Senior ATCO
Elected by the employees

Birthe Høegh Rask
Senior Vice President, Finance, Terma A/S

Christina Rasmussen
Consultant, Coop Danmark A/S

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 Arkitektgruppen A/S

Executive Board

Morten Peter Dambæk
CEO
Member of the Boards of Directors of NUAC HB and Aireon LLC

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 2017.

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. In our opinion, the Management's review gives a fair review of the development in the company's and the group's operations and financial matters, the results for the year, the company's financial position, the financial position as a whole of the entities included in the consolidated financial statements as well as a description of the significant risks and uncertainty factors pertaining to the company and the group.

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

Copenhagen, 15 March 2018

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 *

Per Møller Jensen

Helle Munksø *

Birthe Høegh Rask **

Christina Rasmussen **

Uwe Teichert

**) Elected by the employees*
***) Member of the Audit Committee under the Board of Directors*

Independent auditors' report

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

Report on the consolidated financial statements and the parent company financial statements

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Naviair, a company owned by the Danish state, for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The consolidated financial statements and the parent company financial statements are presented in accordance with the Danish Financial Statements Act and the Danish Act on Naviair.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and Naviair's financial position at 31 December 2017 and of the results of the group's and Naviair's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act and the Danish Act on Naviair.

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

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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, see the Danish Act on Naviair, 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, see the Danish Act on Naviair, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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.

Report on other legal and regulatory requirements

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 that connection, Management is responsible for establishing systems and processes that support cost-effectiveness, productivity and efficiency.

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, 15 March 2018

Deloitte
CVR: 33963556

Erik Lynge Skovgaard Jensen
State Authorised Public Accountant
MNE: mne10089

Lars Hillebrand
State Authorised Public Accountant
MNE: mne26712

Rigsrevisionen
(National Audit Office of Denmark)
CVR: 77806113

Lone Lærke Strøm
Auditor General

Malene Sau Lan Leung
Director

Accounting policies

The 2017 annual report 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.

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 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. Income related to the award of government grants for operating projects is recognised in the income statement as the associated costs are recognised.

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 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 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 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 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, respectively, 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 is entitled 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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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 obligations in respect of other employees are 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.

Income statement

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER *(DKK '000)*	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Revenue	1	937,799	906,336	937,810	906,348
Work performed for own account and capitalised	2	21,205	15,298	21,205	15,298
Other operating income	3	298,214	305,577	298,214	305,577
Other external expenses	4	-193,842	-177,890	-193,782	-177,706
Staff costs	5	-578,566	-580,824	-578,566	-580,824
Depreciation, amortisation and impairment losses	6	-89,716	-94,286	-89,716	-94,286
Other operating expenses	3	-305,926	-307,672	-305,926	-307,672
Operating profit		**89,168**	**66,539**	**89,239**	**66,735**
Income from investments in associates		3,810	883	4,766	0
Financial income	7	940	1,437	7,530	2,803
Financial expenses	8	-14,385	-28,947	-14,385	-28,947
Profit on ordinary activities before tax		**79,533**	**39,912**	**87,150**	**40,591**
Income tax expense	9	-13,966	-21,664	-19,775	-17,198
Profit for the year	**10**	**65,567**	**18,248**	**67,375**	**23,393**

Balance sheet

ASSETS *(DKK '000)*	Note	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
Intangible rights acquired		2,623	4,042	2,623	4,042
ATM system		553,048	585,129	553,048	585,129
Intangible assets under construction		38,443	23,446	38,443	23,446
Intangible assets	11	**594,114**	**612,617**	**594,114**	**612,617**
Land and buildings		255,425	246,023	255,425	246,023
Plant and machinery		145,487	167,253	145,487	167,253
Fixtures and fittings, tools and equipment		6,020	6,312	6,020	6,312
Property, plant and equipment under construction		161,628	102,815	161,628	102,815
Property, plant and equipment	12	**568,560**	**522,403**	**568,560**	**522,403**
Investments in group enterprises		0	0	75,500	75,500
Investments in associates		14,620	11,201	4,833	79
Other securities and equity investments		180,177	160,962	0	0
Investments	13	**194,797**	**172,163**	**80,333**	**75,579**
Fixed assets		**1,357,471**	**1,307,183**	**1,243,007**	**1,210,599**
Trade receivables	14	144,669	163,542	144,669	163,124
Receivables from group enterprises		0	0	123,920	128,198
Receivables from associates		890	574	890	574
Other receivables	15	18,150	9,471	18,147	9,468
Regulatory under-recoveries	16	1,021	2,043	1,021	2,043
Prepayments	17	35,167	34,407	35,167	34,407
Receivables		**199,897**	**210,037**	**323,814**	**337,814**
Cash		**146,722**	**66,587**	**129,548**	**30,307**
Current assets		**346,619**	**276,624**	**453,362**	**368,121**
Assets		**1,704,090**	**1,583,807**	**1,696,369**	**1,578,720**

EQUITY AND LIABILITIES *(DKK '000)*	Note	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
Contributed capital		600,000	600,000	600,000	600,000
Reserve for net revaluation according to the equity method		9,787	11,122	0	0
Retained earnings		422,188	355,665	430,246	362,871
Equity		**1,031,975**	**966,787**	**1,030,246**	**962,871**
Deferred tax	18	73,154	65,571	67,187	64,426
Provisions for regulatory over-recoveries	19	141,105	97,391	141,105	97,391
Provisions		**214,259**	**162,962**	**208,292**	**161,817**
Subordinated loan capital	20	200,000	200,000	200,000	200,000
Long-term liabilities other than provisions		**200,000**	**200,000**	**200,000**	**200,000**
Trade payables		36,392	43,447	36,367	43,421
Payables to associates		245	525	245	525
Income tax payable		15,683	6,562	15,683	6,562
Other payables	21	160,340	162,219	160,340	162,219
Deferred income		45,196	41,305	45,196	41,305
Short-term liabilities other than provisions		**257,856**	**254,058**	**257,831**	**254,032**
Liabilities other than provisions		**457,856**	**454,058**	**457,831**	**454,032**
Equity and liabilities		**1,704,090**	**1,583,807**	**1,696,369**	**1,578,720**

Contingent liabilities	22
Related parties and ownership	23
Events after the reporting period	24

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 2017	600,000	11,122	355,665	966,787	600,000	362,871	962,871
Dividend received from associates	0	-4,766	4,766	0	0	0	0
Foreign exchange adjustments	0	-379	0	-379	0	0	0
Profit for the year	0	3,810	61,757	65,567	0	67,375	67,375
Equity at 31 December 2017	**600,000**	**9,787**	**422,188**	**1,031,975**	**600,000**	**430,246**	**1,030,246**

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

Cash flow statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DEC *(DKK '000)*	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Operating profit		89,168	66,539	89,239	66,735
Depreciation, amortisation and impairment losses		91,590	101,588	91,590	101,588
Other provisions		51,297	24,011	46,475	24,011
Working capital movements	25	-4,039	80,714	-178	-19,286
Cash flows from operations		**228,016**	**272,852**	**227,126**	**173,048**
Financial income received		5,706	1,437	12,296	2,803
Financial expenses paid		-14,385	-28,947	-14,385	-28,946
Income tax paid		4,011	-6,862	-1,798	-2,024
Cash flows from operating activities		**223,348**	**238,480**	**223,239**	**144,881**
Purchase of intangible assets		-26,344	-25,003	-26,344	-25,003
Purchase of property, plant and equipment		-92,900	-76,603	-92,900	-76,603
Purchase of investments		-23,969	-57,505	-4,754	0
Cash flows from investing activities		**-143,213**	**-159,111**	**-123,998**	**-101,606**
Repayments on subordinated loan capital		0	-136,600	0	-136,600
Cash flows from financing activities		**0**	**-136,600**	**0**	**-136,600**
Net increase (decrease) in cash and cash equivalents		**80,135**	**-57,231**	**99,241**	**-93,325**
Cash and cash equivalents at 1 January		66,587	123,818	30,307	123,632
Cash and cash equivalents at 31 December		**146,722**	**66,587**	**129,548**	**30,307**

Notes

1	Revenue	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	En route – Denmark, charges	649,167	616,128	649,167	616,128
	TNC Copenhagen, charges	170,250	175,994	170,250	175,994
	Local airports	52,061	49,205	52,061	49,205
	North Atlantic	41,719	39,830	41,719	39,830
	Areas covered by the Danish Appropriations Act	33,978	36,304	33,978	36,304
	Other trade receivables	35,360	29,252	35,371	29,264
	Adjustment of over-/under-recoveries charges	-44,736	-40,377	-44,736	-40,377
		937,799	**906,336**	**937,810**	**906,348**

2	Work performed for own account and capitalised	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	Capitalised direct payroll	19,721	14,004	19,721	14,004
	Capitalised indirect production costs	1,484	1,294	1,484	1,294
		21,205	**15,298**	**21,205**	**15,298**

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	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	Fees to auditors:				
	Deloitte, audit fees	434	412	408	386
	Deloitte, consultancy fees	799	408	799	408
	Deloitte, other assurance engagements	100	76	100	76
	National Audit Office of Denmark, audit fees	380	365	380	365
		1,713	**1,261**	**1,687**	**1,235**

5 Staff costs	Group		Parent company	
(DKK '000)	**2017**	**2016**	**2017**	**2016**
Wages and salaries	496,143	494,037	496,143	494,037
Pensions	80,603	84,764	80,603	84,764
Other social security costs	1,820	2,023	1,820	2,023
	578,566	**580,824**	**578,566**	**580,824**

Of which remuneration to the Executive Board and the Board Directors:				
Salaries to the Executive Board	3,224	2,921	3,224	2,921
Pensions to the Executive Board	575	567	575	567
Remuneration to the Board of Directors	1,409	1,359	1,409	1,359
	5,208	**4,847**	**5,208**	**4,847**

Salary and pension totalled DKK 2,142 thousand for the CEO, including performance-based pay of DKK 108 thousand, and DKK 1,658 thousand for the CFO, including performance-based pay of DKK 86 thousand.
The remuneration of the Chairman of the Board of Directors was DKK 330 thousand, the remuneration of the Deputy Chairman DKK 220 thousand and the remuneration of other members DKK 110 thousand. Remuneration to members of the Audit Committee totalled DKK 97 thousand.

Average number of employees	**625**	**646**	**625**	**646**

6 Depreciation, amortisation and impairment losses	Group		Parent company	
(DKK '000)	**2017**	**2016**	**2017**	**2016**
Intangible assets acquired	2,056	1,921	2,056	1,921
ATM system	42,746	44,310	42,746	44,310
Land and buildings	18,831	16,613	18,831	16,613
Plant and machinery	25,067	36,248	25,067	36,248
Fixtures and fittings, tools and equipment	2,890	2,496	2,890	2,496
Payment received under bank guarantee in respect of impairment loss on surveillance equipment	0	-5,700	0	-5,700
Government grants for capital expenditure projects	-1,874	-1,602	-1,874	-1,602
	89,716	**94,286**	**89,716**	**94,286**

In 2016, depreciation and impairment losses on plant and equipment totalled DKK 36,248 thousand, with impairment losses representing DKK 6,255 thousand.
Of these impairment losses, surveillance equipment accounted for DKK 5,700 thousand, which in turn was financed by the payment received under the bank guarantee.

7 Financial income	Group		Parent company	
(DKK '000)	**2017**	**2016**	**2017**	**2016**
Foreign exchange gains	787	1,303	787	1,303
Interest income group enterprises	0	0	6,590	1,366
Interest income associates	2	2	2	2
Other interest income	151	132	151	132
	940	**1,437**	**7,530**	**2,803**

8	**Financial expenses**	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	Foreign exchange losses	966	2,380	966	2,380
	Other interest expense	19,069	31,385	19,069	31,385
	Capitalisation of interim interest	-5,650	-4,818	-5,650	-4,818
		14,385	**28,947**	**14,385**	**28,947**

9	**Income tax expense**	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	Current tax for the year	17,708	8,586	19,173	8,930
	US tax paid	0	4,838	0	0
	Change in deferred tax	0	8,236	0	6,806
	Adjustment of prior year taxes	-3,742	4	602	1,462
		13,966	**21,664**	**19,775**	**17,198**

10	**Proposed distribution of profit**	Group		Parent company	
	(DKK '000)	**2017**	**2016**	**2017**	**2016**
	Reserve for net revaluation according to the equity method	3,810	883	0	0
	Retained earnings	61,757	17,365	67,375	23,393
		65,567	**18,248**	**67,375**	**23,393**

11 Intangible assets

(DKK '000)	Intangible rights acquired	ATM system	Intangible assets under construction	Total
Cost at 1 January 2017	20,710	867,948	23,446	912,104
Additions	637	258	25,449	26,344
Transfers	0	10,407	-10,452	-45
Cost at 31 December 2017	**21,347**	**878,613**	**38,443**	**938,403**
Amortisation and impairment losses at 1 January 2017	16,668	282,819	0	299,487
Amortisation charge	2,056	42,746	0	44,802
Amortisation and impairment losses at 31 December 2017	**18,724**	**325,565**	**0**	**344,289**
Carrying amount at 31 December 2017	**2,623**	**553,048**	**38,443**	**594,114**
Portion related to capitalised finance costs	0	28,087	1,955	30,042

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 2017	577,431	590,051	24,142	102,815	1,294,439
Additions	2,037	2,068	1,101	87,694	92,900
Disposals	-8,981	-71	-1,582	0	-10,634
Transfers	26,196	1,233	1,497	-28,881	45
Cost at 31 december 2017	**596,683**	**593,281**	**25,158**	**161,628**	**1,376,750**
Depreciation and impairment losses at 1 January 2017	331,408	422,798	17,830	0	772,036
Depreciation charge	18,434	25,067	2,890	0	46,391
Write-downs on scrapped assets	397	0	0	0	397
Disposals	-8,981	-71	-1,582	0	-10,634
Depreciation and impairment losses at 31 December 2017	**341,258**	**447,794**	**19,138**	**0**	**808,190**
Carrying amount at 31 December 2017	**255,425**	**145,487**	**6,020**	**161,628**	**568,560**
Portion related to capitalised finance costs	3,362	3,193	0	11,943	18,498

Except for a few buildings with a total carrying amount of DKK 10.0 million at 31 December 2017, 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 144.8 million at 31 December 2017 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 2017	79	160,962	161,041	75,500	79	75,579
Additions	4,754	19,215	23,969	0	4,754	4,754
Cost at 31 December 2017	**4,833**	**180,177**	**185,010**	**75,500**	**4,833**	**80,333**
Revaluation at 1 January 2017	11,122	0	11,122	0	0	0
Dividends paid	-4,766	0	-4,766	0	0	0
Foreign exchange adjustments	-379	0	-379	0	0	0
Share of profit for the year	3,810	0	3,810	0	0	0
Revaluation at 31 December 2017	**9,787**	**0**	**9,787**	**0**	**0**	**0**
Carrying amount at 31 December 2017	**14,620**	**180,177**	**194,797**	**75,500**	**4,833**	**80,333**

(DKK '000)	Registered office	Corporate form	Ownership interest	Equity at 31 December	Profit/loss 2017
Investments in group enterprises comprise:					
Naviair Surveillance	Copenhagen	A/S	100.0	67,441	-853
Investments in associates comprise:					
Entry Point North AB	Malmö-Sturup	AB	33.3	36,000	12,975
NUAC HB	Malmö	HB	50.0	864	142

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 ownership interest was 4.83% at 31 December 2017.

The investments are recognised in the annual report at cost.

Aireon's liquidity is under pressure as a result of 18 months' delay to the originally planned satellite launch programme. The investors' payment for the penultimate tranche was linked to the launch of the first satellite but had to be put forward to December 2016, despite the fact that at that point the first launch had not yet taken place. The fourth and last tranche was paid in summer 2017. It is envisaged that Aireon's liquidity problems can be overcome by means of a combination of short-term loans from investors, loans from international banks and an increase in the number of shareholders. It is expected that this will ensure that Aireon has sufficient capital until the system becomes operational.

It is estimated that the investment will entail both a risk that the sale of data will not reach the expected level and a risk of further delays.

So far, 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 consequently a risk that the anticipated number of agreements will not be concluded or that their conclusion will be delayed.

There is still a risk that the system will not become operational on time. All 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, which are expected to take place in 2018. However, on projects of this size and complexity, there will always be a risk of technical issues. Any further delays may put pressure on Aireon's liquidity, which may in turn require further bridge financing. The risk of further delays has been reduced considerably, as many of the satellites are in place and tests show that they are functioning satisfactorily. For further details on Aireon, reference is made to pages 13-15 of the Management's review.

14 **Trade receivables**

(DKK '000)	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
Trade receivables, gross	155,004	173,147	155,004	172,729
Provision for bad and doubtful debts	-10,335	-9,605	-10,335	-9,605
	144,669	**163,542**	**144,669**	**163,124**

15 **Other receivables**

(DKK '000)	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
VAT and duties	4,387	5,160	4,384	5,157
Other receivables	13,763	4,311	13,763	4,311
	18,150	**9,471**	**18,147**	**9,468**

16 **Regulatory under-recoveries**

(DKK '000)	**Tower control other airports**
Regulatory under-recoveries at 1 January 2017	2,043
Adjustment for the year	-1,022
Regulatory under-recoveries at 31 December 2017	**1,021**
Portion expected to be recovered within one year	1,021

17 Deferred income

(DKK '000)	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
Prepaid payroll	28,494	28,565	28,494	28,565
Other deferred income	6,673	5,842	6,673	5,842
	35,167	**34,407**	**35,167**	**34,407**

18 Deferred tax

(DKK '000)	Group 31.12.2017	Group 31.12.2016	Parent company 31.12.2017	Parent company 31.12.2016
Deferred tax relates to the following items:				
Property, plant and equipment	90,543	73,332	90,543	73,332
Limitation of deductibility carried forward, interest etc.	-4,686	3,188	-4,686	3,188
Over-/under-recoveries charges	-20,977	-12,094	-20,977	-12,094
Tax loss carryforwards	8,274	1,145	2,307	0
	73,154	**65,571**	**67,187**	**64,426**

Provision for deferred tax at 31 December 2017 has been made at 22%, corresponding to the current tax rate.

19 Provisions for regulatory over-recoveries

(DKK '000)	En route Denmark	TNC Copenhagen	Tower control other airports	Total
Provisions for regulatory over-recoveries at 1 January 2017	20,251	71,989	5,151	97,391
Reversed during the year due to recognition in price	-653	-20,250	-2,576	-23,479
New over-recovery arising during the year	50,487	16,706	0	67,193
Provisions for regulatory over-recoveries at 31 December 2017	**70,085**	**68,445**	**2,575**	**141,105**
Portion expected to be reversed within one year	25,457	34,927	2,575	62,959

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. Instalments on the loan are payable after ten years 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

	Group		Parent company	
(DKK '000)	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
Holiday pay liability	86,417	84,824	86,417	84,824
Payroll, A-tax, social security contributions etc. payable	46,136	44,308	46,136	44,308
Other payables	27,787	33,087	27,787	33,087
	160,340	**162,219**	**160,340**	**162,219**

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 in respect of availability pay consists of three years' salary, 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.

As mentioned under Accounting policies, Naviair has recognised income from government grants for operating projects in revenue. As the rules and guidelines for recognising such income are not yet available from the European Commission, customary practice for recognising funding received has been applied. The outcome of these guidelines is subject to considerable uncertainty. If the European Commission decides that income received in connection with such projects is to be returned to users in the form of a rate reduction, an obligation may arise to reduce the basis for calculating rates.

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 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 on upgrading of Naviair's ATM system and acquisition of aviation-related equipment and systems. The remaining payment obligation under these contracts is approximately DKK 66 million.

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 2017.

25 Cash flow statement – working capital movements

	Group		Parent company	
(DKK '000)	**2017**	**2016**	**2017**	**2016**
Changes in receivables etc.	10,137	20,068	13,997	-79,573
Change in liabilities other than provisions etc.	-14,176	60,646	-14,175	60,287
	-4,039	**80,714**	**-178**	**-19,286**

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Photo on front cover: *air greenland bound for Kangerlussuaq taxiing for takeoff at Copenhagen Airport.*

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