Annual Report 2019

Naviair, Naviair Allé 1 | DK 2770 Kastrup | CVR: 26059763

Contents

Company information

Naviair
Naviair Allé 1
DK 2770 Kastrup

CVR: 26059763
Registered office: Kastrup
Financial year: 01.01.2019-31.12.2019

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

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

Board of Directors
Anne Birgitte Lundholt, Chairman
Per Møller Jensen, Deputy Chairman
Esben Jean-Pierre Blum *
Michael Fleischer
Flemming Kim Hansen *
Peter Labusz *
Birthe Høegh Rask **
Christina Rasmussen **

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

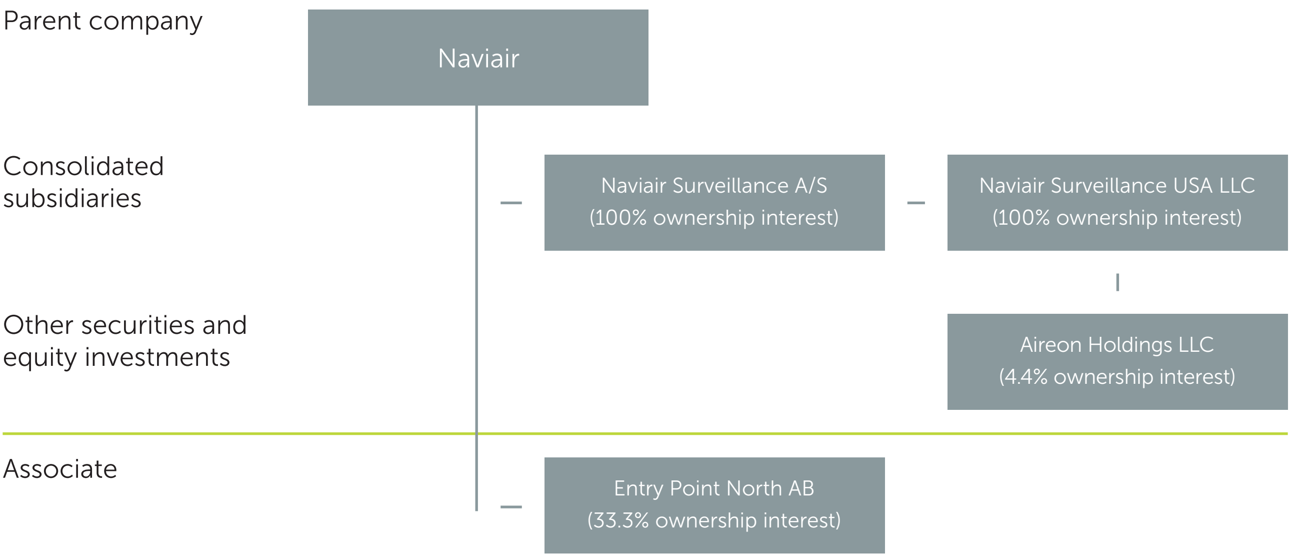
Executive Board
Carsten Fich, CEO
Søren Stahlfest Møller, Deputy CEO & CFO

Auditors
PricewaterhouseCoopers
Strandvejen 44
DK 2900 Hellerup

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

Company information

Group structure
at 31 December 2019



Naviair's core activities

Air Traffic Management (ATM) in Danish airspace

From the ATCC in Copenhagen, we provide area control services (En route) and approach control service to Copenhagen Airport.

From the tower in Copenhagen, we provide aerodrome control service.

From the towers in Roskilde, Billund, Aarhus, Aalborg and Bornholm, we provide local aerodrome and approach control services.

Flight Information Services (FIS) in Denmark and the North Atlantic area

From the ATCC in Copenhagen, we provide Flight Information Services and briefing service.

From the ATCC in Nuuk, we provide Flight Information Services and briefing service.

From the tower on Vágar in the Faroe Islands, we provide Aerodrome Flight Information Service.

Aeronautical Information Service (AIS)

We provide Aeronautical Information Publications (AIPs) in Denmark, Greenland and the Faroe Islands.

Technical support and maintenance

We are responsible for technical support and maintenance of our own navigation systems, communications systems, surveillance systems and other ATM equipment in Denmark Greenland and the Faroe Islands.

From our technical bases in Copenhagen, Billund and Aalborg, we sell technical support and maintenance to aviation customers.

Our strategy

In February 2019, the Board of Directors adopted Naviair's new strategy, which was given the name "Rejsen 2023" (Journey to 2023).

The aim of the strategy is to ensure that we will become even better at facilitating mobility and availability in airspace, while also supporting growth and safety in Denmark. Our ambition is to retain all the strengths and good qualities that already exist at Naviair and use them as a basis for our own development and make use of the many new opportunities around us to grow our business.

Naviair will be facing a number of exciting challenges in the years ahead:

- We need to maintain our capacity so that we can continue to ensure delay-free air traffic in Danish airspace, while also providing the usual high standard of service to our customers. We must do this without increasing our costs, even though air traffic is expected to grow by 9-10 per cent during the strategy period.
- We must meet the EU demands to reduce our unit costs by approximately 10 per cent in the period from now until 2024.
- We want to invest in new activities.
- We will establish a system that will ensure that the expected intensive drone traffic can be managed safely and efficiently while it is being integrated with traditional air traffic.
- We fill focus our efforts on fulfilling the UN Global Goals and thus improve our own sustainability as well as helping to promote sustainable aviation.

Naviair's mission and vision

Naviair's mission

We will facilitate availability and mobility in airspace to support growth and safety in Denmark

Naviair's vision

We will challenge one another to strike the right balance between capacity, service and costs to improve availability in Denmark.

We will develop the infrastructure so that aviation can widen its reach and thus contribute to increased mobility in Denmark.

In order to deliver on our strategy, we have established five indicators defining the strategy's focus areas. We have also defined an Operating Model, which describes the connection between the strategy and the way we structure our business, allocate responsibilities, make decisions and act in our everyday work.

Our indicators are broken down into a number of initiatives. It is our ambition to implement these initiatives in the period between now and 2023.

Among other things, these initiatives will help us to develop a customer programme within our core business, optimise our operating model, adapt our safety culture to the complex traffic of the future and make our support activities more efficient. In order to extend our core business, we will work on introducing Remote Tower Service at local airports, strengthen our cooperation with the Danish Defence and expand our activities in Greenland.

In order to expand our sustainable activities, we have set up an environmental organisation that will both improve what we do in our own organisation and work on promoting sustainable aviation in areas where we can make a contribution.

At Naviair, our focus is always on capacity, safety and sound finances.

We have set up a drone department that will realise our ambition to build an efficient platform for managing drone traffic in Denmark over the next few years.

Lastly, we aim to gather together the vast knowledge of ATM and airspace in Naviair's possession in order to become the national knowledge centre that both customers and other players will be able to draw on for the benefit of growth and welfare in Denmark.

Naviair's indicators and Operating Model

Naviair's five indicators

Stronger core
Deliver greater satisfaction, safety and capacity at lower unit costs

Extended core
Focused growth of the core business within selected options

Sustainable transition
Improve Naviair's own sustainability and promote sustainable aviation

Drone infrastructure
Develop and operate UTM in Denmark to enable the growth of drone traffic

Vision for Danish airspace
Develop the role as manager of Denmark's airspace infrastructure

Operating Model

Organisation & competencies

Culture, leadership & job satisfaction

Business Excellence

Technology & data

669,375

en route operations in
Danish airspace in 2019

Management's review

Highlights in 2019

January
The last ten of a total of 75 Aireon satellites have been placed in orbit following a successful launch from Vandenberg Air Force Base in California.

Naviair puts the supply of Remote Tower System out to tender.

February
The Board of Directors adopts a new strategy for Naviair, which is given the name "Rejsen 2023" (Journey to 2023).

March
The EU defines performance requirements for the period 2020-2024.

April
Aireon puts the world's first global aircraft surveillance system into operation. Where surveillance previously covered only 30 per cent of the globe, it is now possible to cover all parts via Aireon's satellite-based system. Naviair is a co-owner and partner in Aireon.

Radar 8 in Roskilde is decommissioned.

Naviair appoints a Head of Environment & Sustainability and starts work on setting up a Sustainability Committee.

New drone department is set up to handle the development and implementation of a UTM system that will be able to control future drone traffic and integrate it with traditional air traffic.

May
Naviair hosts Eurocontrol's international conference on flight safety. Managers from approximately 100 ANSPs attend the conference, which is held in Copenhagen.

Naviair signs contract for the supply of a new radar in Esbjerg.

August
While air traffic in Europe suffered major delays during the summer period, Naviair reported zero delays in Danish airspace for the tenth consecutive year.

Naviair posts 12 new ATCO trainee openings.

September
Operation of the ATCC in Copenhagen reverts to Naviair from NUAC HB. At the same time, NUAC HB goes into solvent liquidation, and the close cooperation with Swedish LFV continues directly between the two companies without a subsidiary acting as ATM operator in the joint Danish-Swedish airspace – the DK-SE FAB.

November
New radar in Roskilde put into service.

Naviair appoints supplier of technical Remote Tower System.

Naviair signs agreement under which it will take over the technical operation of DMI's five weather radars on 1 January 2020.

The Ministry of Transport and Housing verifies that Naviair's existing designation includes the UTM area.

Naviair launches Lean project.

December
The Faroe Islands asks Naviair to continue providing Aerodrome Flight Information Service at Vágar for a further six months from 1 January 2020.

Key figures and financial ratios

Naviair's financial performance since 1 January 2015
can be described using the key figures and financial ratios below:

GROUP

(DKK million)	2019	2018	2017	2016	2015
Income statement					
Revenue	937.2	957.7	937.8	906.3	920.2
Operating profit	39.6	93.2	89.2	66.5	77.6
Net financials	1.5	-2.7	-9.6	-26.6	-40.6
Profit for the year	**37.4**	**70.3**	**65.6**	**18.2**	**29.7**
Balance sheet					
Fixed assets	1,399.1	1,387.4	1,357.5	1,307.2	1,249.3
Current assets	480.6	431.9	346.6	276.6	354.3
Balance sheet total	1,879.7	1,819.3	1,704.1	1,583.8	1,603.6
Interest-bearing debt	200.0	200.0	200.0	200.0	336.6
- of which subordinated loan capital	200.0	200.0	200.0	200.0	336.6
Equity	1,134.6	1,101.8	1,032.0	966.8	949.1
Cash flow statement					
Cash flows from:					
- operating activities	140.5	157.9	223.3	238.5	120.1
- investing activities	-162.3	-222.9	-143.2	-159.1	-89.7
- financing activities	-	-	-	-136.6	-200.0
The year's investments in property, plant and equipment	-73.5	-93.1	-92.9	-76.6	-41.7
Net increase (decrease) in cash and cash equivalents	-21.9	-65.0	80.1	-57.2	-169.6
Cash and cash equivalents at 31 December	59.8	81.7	146.7	66.6	123.8
Average number of employees	630	631	625	646	637
Financial ratios (%)					
Operating margin	4.2	9.7	9.5	7.3	8.4
Return on capital employed	2.1	5.1	5.2	4.2	4.8
Solvency ratio excl. subordinated loan capital	60.4	60.6	60.6	61.0	59.2
Solvency ratio incl. subordinated loan capital	71.0	71.6	72.3	73.7	80.2
Return on equity	3.3	6.6	6.6	1.9	3.2
Other financial ratios					
Gearing	-0.4	-0.4	-0.8	-0.4	-0.7
Interest cover ratio	8.5	14.0	12.5	5.6	4.1

Financial ratios are prepared in accordance with the recommendations and guidelines of DFA Society Denmark.

PARENT COMPANY

2019	2018	2017	2016	2015
937.3	957.8	937.8	906.3	920.2
39.9	93.5	89.2	66.7	77.7
-3.2	-3.0	-2.1	-26.1	-41.4
31.5	**67.8**	**67.4**	**23.4**	**28.7**
1,271.5	1,266.5	1,243.0	1,210.6	1,210.6
603.1	549.0	453.4	368.1	383.7
1,874.6	1,815.5	1,696.4	1,578.7	1,594.3
200.0	200.0	200.0	200.0	336.6
200.0	200.0	200.0	200.0	336.6
1,129.6	1,098.1	1,030.2	962.9	939.5
147.3	163.6	223.2	144.9	102.0
-162.3	-222.9	-124.0	-101.6	-70.4
-	-	-	-136.6	-200.0
-73.5	-93.1	-92.6	-76.6	-41.7
-15.0	-59.2	99.2	-93.3	-168.4
55.3	70.3	129.5	30.3	123.6
630	631	625	646	637
4.3	9.8	9.5	7.4	8.4
2.1	5.2	5.3	4.2	4.9
60.3	60.5	60.7	61.0	58.9
70.9	71.5	72.5	73.7	80.0
2.8	6.4	6.8	2.5	3.1
-0.4	-0.4	-0.7	-0.2	-0.7
8.9	14.6	13.3	5.7	4.2

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:

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

Operating and financial review

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

As a general rule, in the annual report we only comment on the group's accounting figures. 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 41.0 million compared with DKK 90.5 million in 2018.

The lower profit in 2019 reflected the fact that a DKK 113.5 million provision was made in 2019 to reduce rates in 2021 as a result of more traffic than expected in the performance plan as well as low inflation in 2019 and the preceding years. The provision was DKK 37.7 million higher than the corresponding provision in the 2018 financial statements. Profit was also eroded by growing costs for recruitment and training of operational employees.

Profit benefited from an increased payment of DKK 20.0 million from the Danish State to cover previously incurred costs and increased activity in the State-funded area.

At approximately DKK 30 million, profit exceeded expectations, reflecting the increased payments from the State and general cost restraint.

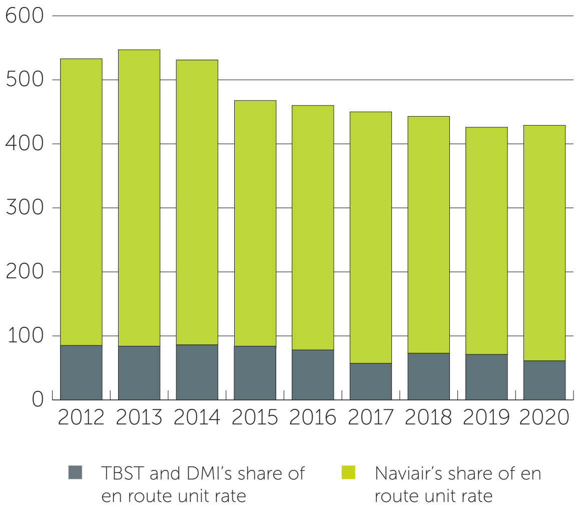
Profit is considered to be satisfactory.

Unit rates

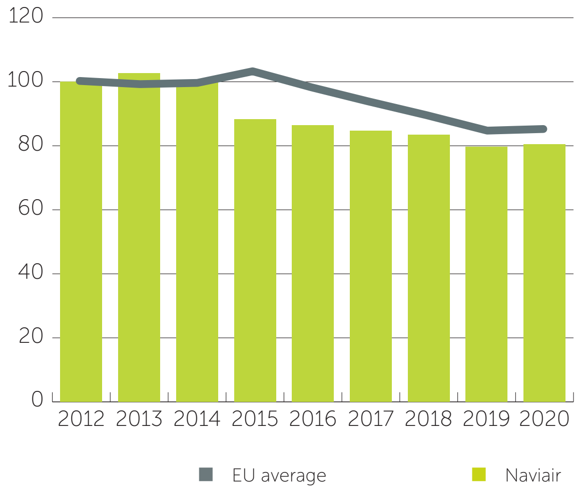
The en route unit rate for Danish airspace was DKK 425 per service unit in 2019. The unit rate will increase to DKK 429 in 2020. Naviair's share represents 85.6 per cent (DKK 368) of this figure, while the rest goes to the Danish Transport, Construction and Housing Authority and the Danish Meteorological Institute (DMI).

From 2013 to 2019, the en route rate was reduced from DKK 548 per service unit to DKK 429. In 2020, the rate will be increased by DKK 4 compared with 2019. The rate increase is being introduced as part of the transition to reference period 3 of the performance scheme. The cost level for 2020 features increasing operating expenses for staff and recruitment as well as transition costs. However, previous years' low inflation and higher traffic growth mean that customers have been over-charged, neutralising the increase. This over-recovery will be reversed by reducing the rate in

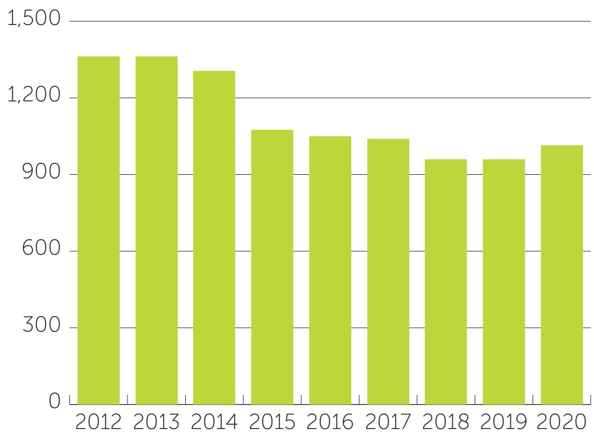
Unit rate, En route (DKK)



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



Unit rate, TNC CPH (DKK)



DMI's share is DKK 7-8

6,771

departures from Copenhagen to Oslo/Gardermoen – the most popular destination from Copenhagen.

2020 and 2021. The rate must consequently be expected to increase again in 2022.

The en route unit rate has decreased by 21.7 per cent overall since 2013, despite the small increase in 2020.

The unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) for 2020 has been set at DKK 1,013, compared with DKK 959 in 2019. The rate has been increased for the same reason as for En route, i.e. the transition to reference period 3. An over-recovery from previous years of the same order as for the en route rate that could neutralise the increase has not accumulated, which is why the increase here appears greater than for the en route rate.

Despite the latest increase, the rate for TNC Copenhagen is still 25.6 per cent lower than in 2013, when it was DKK 1,361 per service unit.

Traffic

Air traffic in Danish airspace declined by 0.1 per cent in 2019, to 669,375 controlled flights compared with 669,725 in 2018. This is the first decline in air traffic since 2012, reflecting a decrease in domestic flights and flights to/from Denmark that cannot be offset by more flights through Danish airspace. Expressed in service units, there was continued growth, as the aircraft are generally larger today. Growth in the en route area was 4.2 per cent compared with 2018.

Copenhagen Airport saw a small downturn in the number of departures and arrivals in 2019. The number of operations decreased by 1.0 per cent in 2019, to 263,434, from 266,207 in 2018. The 0.1 per cent increase in the number of service units in TNC Copenhagen compared with 2018 also reflected the use of larger aircraft. The decline in the number of operations was mainly due to declines on destinations in Spain, Sweden, Finland and on domestic routes.

The number of departures and arrivals at Billund Airport in 2019 increased by 5.7 per cent to 46,120 operations compared with 43,645 in 2018.

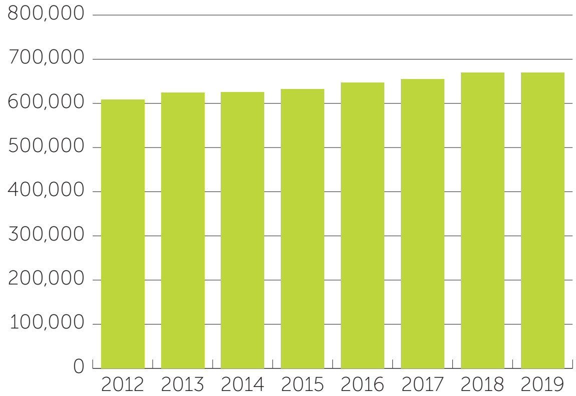
Domestic flights expressed as number of operations continued the downward spiral, with new decreases from 2018 to 2019, when the number of operations was down 0.4 per cent.

We maintained our usual, high efficiency in ATM in 2019. In the joint Danish-Swedish Functional Airspace Block, the average delay per operation – at just 0.07 minutes per operation – was close to zero in 2019. Naviair thus maintained its ATM with almost no delays for the tenth consecutive year, and our efficiency level is among the highest in Europe. Many countries have recorded significant increases in delays in recent years. The average level of delays in Europe in 2019 was 1.66 minutes. The average delay in Danish airspace, for which Naviair is responsible, was as low as 0.00 minute per operation.

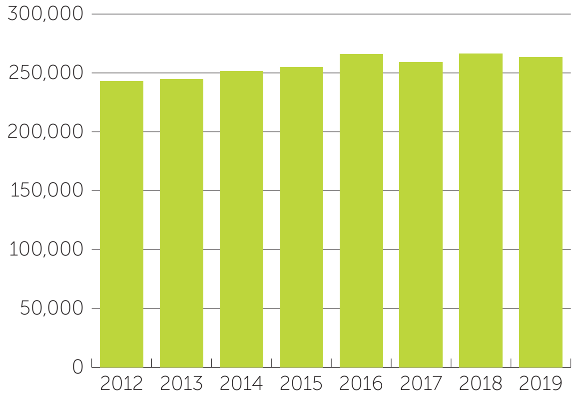
The high efficiency was also maintained at Copenhagen Airport, where, again in 2019, air traffic was managed without any delays for which Naviair was jointly responsible. Delays due to weather conditions and work activities on the runway totalled 0.07 minutes per arrival at Copenhagen Airport, where the maximum accepted average delay is 0.11 minutes per arrival.

Our efficiency level remains very high. Use of capacity is described as fully satisfactory. In the years to come, our aim is also to maintain delay-free ATM.

Operations, En route
En route operations, Danish airspace



Operations, TNC Copenhagen
Departures and arrivals, Copenhagen Airport



Operating income from ordinary activities

Revenue, consisting of income from our areas of activity, was DKK 937.2 million in 2019 compared with DKK 957.7 million in 2018. Revenue was consequently almost in line with 2018. Revenue included DKK 8.8 million in government grants for operating projects compared with DKK 11.1 million in 2018.

Other operating income was DKK 207.1 million compared with DKK 301.3 million in 2018. This item comprises services provided to NUAC HB 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. It should be noted that the supply contract with NUAC HB was terminated on 1 September 2019, resulting in lower operating income and expenses than in 2018. Other operating income and other operating expenses were in balance.

Other external expenses

Other external expenses amounted to DKK 215.2 million compared with DKK 197.0 million in 2018. The increase was driven by, among other things, the general price trend and costs for preparing the digitisation of aerodrome and approach control services.

Staff costs

Staff costs were DKK 597.8 million compared with DKK 585.7 million in 2018. Total staff costs thus increased by DKK 12.1 million, primarily reflecting pay increases under collective agreements.

The number of employees averaged 630 in 2019, compared with 631 in 2018.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses were up at DKK 101.5 million from DKK 96.5 million in 2018, reflecting completed infrastructure projects. Investments in intangible assets and property, plant and equipment were DKK 112.4 million, DKK 10.9 million less than in 2018.

Balance sheet

Naviair's balance sheet total stood at DKK 1,879.7 million at 31 December 2019 compared with DKK 1,819.3 million at 31 December 2018. The DKK 60.4 million increase was mainly due to the positive result and the higher regulatory over-recovery. The resulting operating cash inflow was used for further investments in securities, among other things.

The amount payable by the airlines to Naviair in the form of regulatory under-recovery of charges amounted to nil. The amount payable by Naviair to the airlines in the form of regulatory over-recovery of charges was DKK 185.9 million, an increase of DKK 31.9 million. Naviair's balance with the airlines is adjusted annually on the basis of the actual development in traffic and actual inflation.

Naviair's equity at 31 December 2019 was DKK 1,134.6 million and was made up of contributed capital of DKK 600,0 million, retained earnings of DKK 511.6 million and reserve for net revaluation according to the equity method of DKK 23.0 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital amounting to DKK 200 million at 31 December 2019. The subordinated loan was provided on terms that mean that the loan can be accounted for as equity or capital ranking as equity at any time.

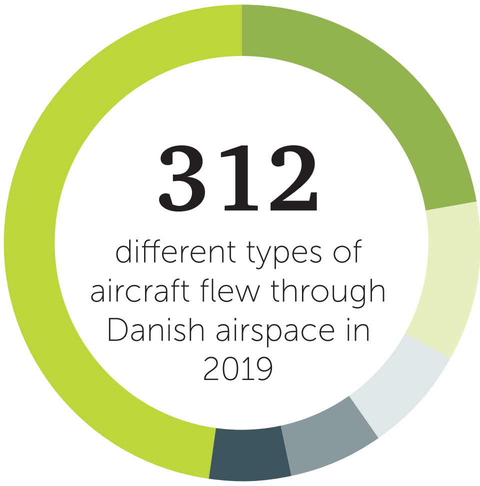
Cash flows from operations (ordinary activities) for the year were an inflow of DKK 162.8 million. There was a DKK 21.9 million decrease in cash, mainly due to the purchase of securities.

The solvency ratio including subordinated loan capital was 71.0 per cent.

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.



Most used types of aircraft in Danish airspace in 2019

- B738 (Boeing 737-800)
- A320 (Airbus A320)
- A321 (Airbus A321)
- A319 (Airbus A319)
- CRJ9 (Canadair Regional Jet 900)
- Other

COST BASE STATEMENT 2019 (DKK '000)	En route Denmark	En route Domestic Greenland	En route North Atlantic	TNC Copenhagen	Other	Total
Revenue incl. adjustment of over-/under-recoveries	**632,659**	**26,951**	**29,828**	**177,870**	**69,949**	**937,257**
NUAC HB costs net	-3,076	-10	-10	-577	-48	-3,721
Other external expenses	-126,198	-17,350	-17,368	-38,310	-15,608	-214,834
Staff costs less work performed for own account and capitalised	-384,381	-7,810	-8,061	-117,359	-59,704	-577,315
EBITDA	**119,004**	**1,781**	**4,389**	**21,624**	**-5,411**	**141,387**
Depreciation, amortisation and impairment losses	-80,359	-1,679	-4,644	-13,142	-1,656	-101,480
EBIT	**38,645**	**102**	**-255**	**8,482**	**-7,067**	**39,907**
Net financials	-6,065	-102	-256	-1,048	4,260	-3,211
Profit (loss) before tax	**32,580**	**0**	**-511**	**7,434**	**-2,807**	**36,696**

Performance requirements

Naviair has been subject to 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 ran through to the end of 2019. Naviair is subject to the performance plan for the Danish-Swedish Functional Airspace Block, which sets out performance targets in four areas: Safety, Capacity, Environment and Cost Efficiency. Naviair met the performance targets for the second reference period, just as we did at the end of the first reference period (2012-2014).

The performance plan for the third reference period covers the period from 2020 to 2024 and is expected to be approved by the EU Commission in the course of 2020. The plan comprises targets for Safety, Capacity, Environment and Cost Efficiency.

The performance plan assumes that we will maintain our existing high safety level. At the same time, the Capacity target lays down a maximum delay level that Naviair can impose on an individual flight. The maximum delay level is set at 0.07 min per en route flight and 0.10 min per landed flight at Copenhagen Airport. This level is considerably lower than the European average but higher than the delay level that Naviair has previously achieved because, as previously mentioned, our traffic has been managed entirely without delays for a number of years.

The Environment target is set on the basis of how far out of its way an aircraft flies in relation to the direct route. As Free Route Airspace was implemented in Danish airspace back in 2011, Naviair manages air traffic so that 99.8 per cent of all aircraft fly the most direct route with no detours. The potential for improvement is therefore very limited and the target for the period is to maintain the high level of direct flights. Among the 41 member countries of Eurocontrol, Denmark already delivers – through Naviair's ATM – the second-best performance for Environment measurement.

The Cost-Effectiveness target requires our costs per operation to be reduced by 1.9 per cent annually over the period. The target is an extension of the corresponding target in the most recent reference period and we will have to continue to focus on costs and efficiency in order to meet the target. At the start of the new reference period, Naviair is already considerably better than the European average in terms of cost-effectiveness. Our costs per Composite Flight Hour were EUR 355 in 2019, while the average for Europe as a whole was EUR 477.

Customers

In 2019, our five largest en route customers were:
- SAS
- Norwegian
- KLM
- Ryanair
- British Airways

En route activities accounted for 67.5 per cent of our revenue in 2019.

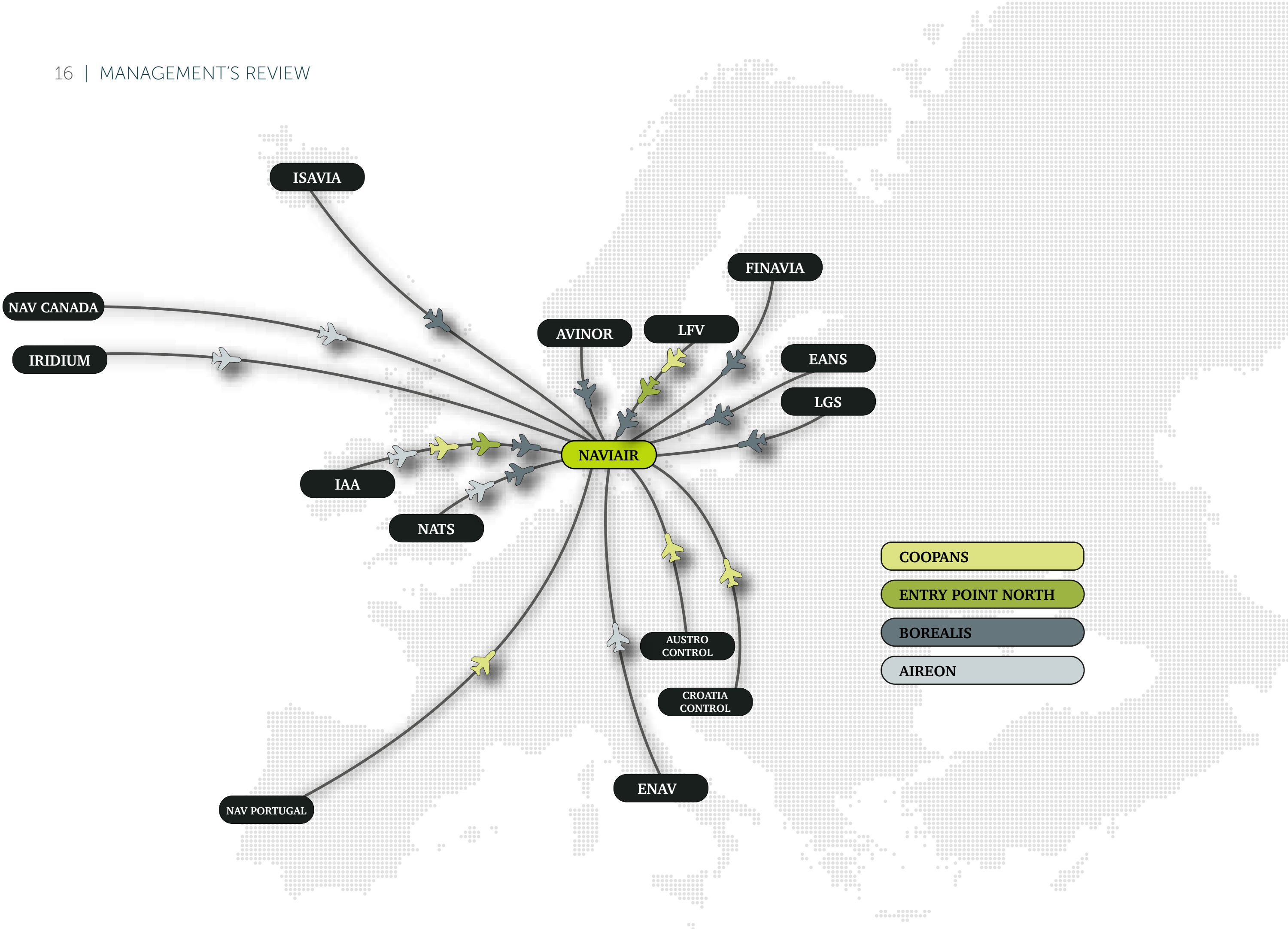
In 2019, our five largest aerodrome control service customers at Copenhagen Airport were:
- SAS
- Norwegian
- Ryanair
- EasyJet Airline
- Lufthansa

Aerodrome control service at Copenhagen Airport accounted for 19.0 per cent of our revenue in 2019.

From Copenhagen, we provide Aeronautical Information Service (AIS) comprising Aeronautical Information Publications (AIPs) for Denmark, Greenland and the Faroe Islands. We publish AIPs for all three areas as well as a Visual Flight Guide (VFG) for Denmark. We also publish Aeronautical Information Circulars (AICs), Supplements and Notices To Airmen (NOTAMs).
Approximately 1,400 customers subscribed to the newsletter about our publications in 2019.

We maintain an ongoing dialogue with our customers and familiarise ourselves with their needs and expectations so that we can offer them the best possible service. In 2019, we began work on setting up a new customer programme, which is intended to strengthen our relationship with our customers and give us better opportunities to create optimum value for them. In the first phases of the work, we segmented customers and formulated the value creation for each segment. We also drew up clear concepts that will incentivise Customer Excellence across all Naviair departments. In 2020, we will continue this work by embedding the concepts and establishing a new customer organisation.

We held our latest customer meetings with airlines and airports at the end of 2019 and the beginning of 2020. Our customers generally express satisfaction both with the operational cooperation with Naviair and the service we provide.



International partnerships and alliances

Aviation and ATM are by nature activities that cross borders. Good international cooperation is a prerequisite for being able to find the best solutions and fulfilling our responsibility to ensure optimum mobility in and access to Danish airspace. We therefore give high priority to our international relationships and participate in a number of international alliances.

These international alliances enable us to influence international development in our part of the aviation industry and help to promote efficiency, harmonisation and development in all areas of ATM.

Together with our partners we lead European efforts in a number of fields to ensure international progress in the operational, technical and training areas. These efforts underpin our goal of always being among the best-performing ANSPs and meeting the requirements of the Single European Sky programme.

Cooperation about the joint Danish-Swedish airspace

Since 2009, we have been working intensively with Swedish LFV on en route traffic in the joint Danish-Swedish airspace. During the first ten years, part of the cooperation has been carried out in a jointly owned, integrated operating company, NUAC HB, which has been responsible for the operation of the ATCCs in Stockholm, Malmö and Copenhagen.

The cooperation in NUAC HB has led to the realisation of a number of important synergies. These include the introduction of Free Route Airspace (FRA) in Danish-Swedish airspace already in 2011. The Danish-Swedish airspace thus became the first airspace block to introduce FRA. The benefits of this cooperation included considerable savings resulting from taking out joint insurance.

However, in recent years it has become clear that it will be difficult to achieve further synergies through a joint, integrated operating company. The operation of the ATCCs therefore reverted to LFV and Naviair on 1 September 2019. NUAC HB went formally into solvent liquidation on 31 December 2019. At the same time, the employees who had been on secondment to NUAC HB returned to jobs in LFV and Naviair.

After the solvent liquidation of NUAC HB, the cooperation between LVF and Naviair has continued directly between the two companies. The management teams of LFV and Naviair are working together to optimise the operation of the joint Danish-Swedish airspace and identify new areas of cooperation that will benefit both parties. Cooperation is currently coordinated directly between the management teams of LFV and Naviair.

COOPANS

COOPANS is an international partnership consisting of Naviair, Austro Control, Croatia Control, the Irish Aviation Authority, LFV and NAV Portugal. The COOPANS partners are working jointly to standardise and harmonise the technical equipment used for ATM.

NAV Portugal, the latest member to join COOPANS, will be buying a new ATM system in the coming years. The other five partners have already implemented full harmonisation of their ATCCs in Denmark, Sweden, Ireland, Austria and Croatia. This is a unique development in European ATM, where the ANSPs in the other countries are still running their ATCCs with individual, technically very diverse systems.

We estimate that we cut our system development costs considerably 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.

The COOPANS cooperation 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.

Entry Point North

Since its establishment in 2006, the Air Traffic Service academy Entry Point North has developed into one of the most successful academies offering ATM training and courses. Entry Point North is situated at Malmö Airport and is jointly owned by Naviair, the Irish Aviation Authority and LFV. The academy provides tailored training courses to ANSPs in more than 20 countries.

Borealis

Together with LFV, we introduced Free Route Airspace already in 2011, enabling airlines to freely plan their flights through the Danish-Swedish airspace. Through our membership of Borealis, we are working together with a number of other ANSPs in Northern Europe to extend FRA across Northern Europe. FRA makes it easier for airlines to optimise their flights by planning the shortest, most fuel-efficient flight times.

Aireon

Aireon is a US LLC. Its 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.

A total of 75 Aireon ADS-B-equipped satellites have been placed in orbit in recent years. The Aireon system went live in April 2019, allowing ATCOs and other aviation stakeholders to track flight movements in real time across the globe for the first time ever. Until now, ground-based surveillance equipment has only been able to cover approximately 30 per cent of the globe, meaning that ATCOs have relied exclusively on the periodic position, course, altitude and speed updates from pilots to track outside of radar coverage. The first users of the Aireon system were NAV Canada and UK NATS, which use the system to support cross-Atlantic ATM between Europe and Canada.

During the course of 2019, a number of other ATM companies around the world have entered into agreements on joining the system.

Naviair is one of the partners in Aireon, with a 4.4 per cent ownership interest.

The far more precise surveillance data mean that use of the airspace over oceans and remote areas can be optimised and that air traffic can be managed far more efficiently than before. This, in turn, will mean considerable fuel savings for airlines, resulting in significant environmental benefits in the form of reduced emissions from aircraft.

NAV Canada estimates that airlines en route over the North Atlantic will make fuel savings of at least DKK 650 million in total. Airspace capacity will also increase, creating space for the growth in air traffic anticipated by the aviation industry.

In addition, the Aireon system will contribute to improvements in the safety area, as in the future aircraft will be far less likely to vanish without a trace.

Naviair is one of the partners in Aireon, with a 4.4 per cent stake, and is thus among the global frontrunners when it comes to developing aviation. The other owners are the US telecommunications company Iridium Communications Inc. (35.8%) and the ANSPs NAV Canada (37.2%), Italian ENAV (9.1%), the Irish Aviation Authority (4.4%) and UK NATS (9.1%).

A6 Alliance

The A6 Alliance is a coalition of the largest ANSPs in Europe. COOPANS is a member of the alliance.

The A6 Alliance works with SESAR and is a part of both SESAR Joint Undertaking, which works on the development of new systems and procedures for modernising the European ATM system, and SESAR Deployment Manager, which works on the implementation of the new systems and procedures in Europe.

The A6 Alliance was founded in 2011. The members of A6 are responsible for more than 80 per cent of European airspace and more than 70 per cent of investments in the future European ATM infrastructure.

Corporate social responsibility report

The statutory corporate social responsibility report and the report on the gender composition of governance bodies, in accordance with sections 99(a) and (b) of the Danish Financial Statements Act, are included in the separate "Corporate Social Responsibility Report". In the CSR Report, Naviair reports on how we worked on our non-financial business goals in 2019, and how we performed during the year. For an in-depth, quantified description of our CSR performance in 2019, reference is therefore made to the CSR Report.

For further information, see www.naviair.dk/ar.

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 Danish state, Naviair is ultimately subject to the authority of the Danish state represented by the Ministry of Transport 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 for a company with our activities. 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 eight members, five of whom have been appointed by the Danish Minister for Transport – including three women and two men. The other three members – three men – 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 aviation 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 2019.

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 every quarter and at these meetings gives 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, 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 Naviair's Financial Reporting Manual.

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

Special risks

We regularly access the risks to which our company may be exposed. In our assessment of general risks for Naviair in 2020, we identified three risk areas that warrant special mention. These are changes in air traffic, shortage of ATCOs and cyber attacks.

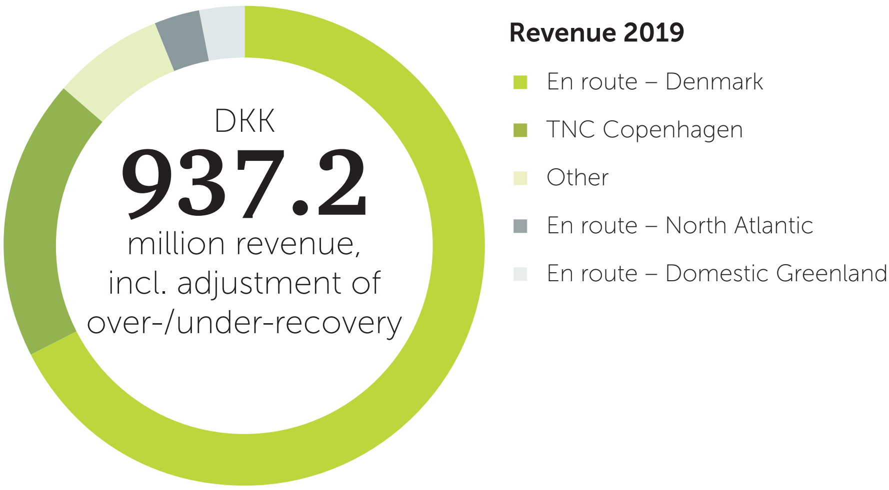
In order for a risk to be classified as high, it must both be probable that the area will be affected and that the risk will have serious consequences if it materialises.

With respect to air traffic, a downturn in air traffic in 2020 or subsequent years would have a negative impact on Naviair's income. We still expect a small increase in en route traffic, but the growth forecast is subject to major uncertainty, partly due to the climate impact of aviation.

Naviair's principal income is directly dependent on the volume of en route traffic in Danish airspace and traffic to and from the airports we serve. The greatest commercial risk for Naviair is therefore associated with falling or stagnating air traffic. Our finances are affected by changes in air traffic and are therefore dependent on market trends, changes in traffic patterns, unusual situations, new/increased air travel taxes and airline bankruptcies.

Naviair's financial flexibility is limited, as we are bound by a relatively high proportion of fixed costs in the form of specialist staff and specially developed systems. 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.

However, we mitigate the risk of negative consequences resulting from a temporary decline in income partly by a high degree of cost consciousness and partly by maintaining sound financial resources.



A shortage of ATCOs is one of the main causes of lack of capacity in several places in Europe. The reason for this is that many ATCOs have chosen to retire in recent years, while at the same time there has been increasing international demand for ATCOs – especially in Asia and the Middle East, where they try to attract European ATCOs, for instance by offering particularly high salaries and tax-free residence. Naviair is therefore exposed to the risk of a disproportionate number of ATCOs choosing to work in places other than Denmark. In the light of this, we pay particular attention to ensuring that we always have sufficient ATCOs to handle the demand for capacity in Danish airspace. We have therefore increased our intake of trainee ATCOs in recent years.

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 is subject to the circular on critical infrastructure, and we are working systematically to reduce and minimise the risk of cyber attacks. We have set up a Cyber and Information Security Committee that continuously monitors the threat landscape and puts the spotlight on cyber security.

Technical and commercial risks related to Naviair's investment in Aireon LLC have previously been judged to be high. However, the technical risks have been largely eliminated after all satellites have been placed in orbit and the company has become operational. The signing of sales contracts is on schedule, so the commercial risks have also been reduced, as contracts signed in 2020 and 2021 will show whether the plan can be followed in full. It is considered that there is a very small risk of the investment being lost, although there is still uncertainty about the valuation of the investment.

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 2020

For 2020, we expect the growth in air traffic to be very limited compared with 2019. The outlook is based on Eurocontrol's latest forecast from September 2019.

Nevertheless, Naviair's earnings are expected to increase as a result of the moderate price increases set for 2020 in our performance plan for the period from 2020 to 2024. At the same time, the strategic initiatives implemented in 2019 are expected to have a positive effect on the result as early as 2020. Continuing strict cost management will also contribute to a positive result.

Increased staff costs resulting from a large intake of trainee ATCOs will pull In the opposite direction. Growing investment activity will also have a negative effect on the 2020 result.

Overall, we expect a profit for 2020 of the order of DKK 50-70 million, which is considerably better than in 2019.

46,120

departures and arrivals at Billund Airport in 2019

Naviair's management

Board of Directors

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

Per Møller Jensen (Deputy Chairman)
Senior Vice President, Brand & Marketing, Danske Bank A/S
Member of the Board of Directors of GreenMobility

Esben Jean-Pierre Blum
Senior ATCO
Elected by the employees

Michael Fleischer
Former colonel and pilot with the Danish Air Force
Chairman of Bevtoft Købmand ApS
CEO, FLEAIR IVS

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

Peter Labusz
ATCO
Elected by the employees

Birthe Høegh Rask
Chief Specialist, Performance Management, Terma A/S. Member of the Board of Directors' Audit Committee.

Christina Rasmussen
Vice President, Finance, Demant Enterprise A/S. Member of the Board of Directors' Audit Committee.

Executive Board

Carsten Fich
CEO

Søren Stahlfest Møller
Deputy CEO & CFO
Chairman of the Board of Directors of Entry Point North AB.

Other senior executives

Jesper Skou
COO

Morten Søndergaard
Director, Technical Maintenance

Pernille Juel Sefort
Director, Human Resources

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 2019.

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

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, 3 March 2020

On the Executive Board

Carsten Fich
CEO

Søren Stahlfest Møller
Deputy CEO & CFO

On the Board of Directors

Anne Birgitte Lundholt
Chairman

Flemming Kim Hansen *

Per Møller Jensen
Deputy Chairman

Peter Labusz *

Esben Jean-Pierre Blum *

Birthe Høegh Rask **

Michael Fleischer

Christina Rasmussen **

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

630

Average number of employees in 2019

Independent auditors' report

To the Danish Minister for Transport 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 2019 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 2019 and of the results of the group's and Naviair's operations and cash flows for the financial year 1 January – 31 December 2019 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 the 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 the 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, 3 March 2020

PricewaterhouseCoopers
CVR: 33771231

Jesper Møller Langvad
State Authorised Public Accountant
MNE: mne21328

Jesper Randall Petersen
State Authorised Public Accountant
MNE: mne34352

Rigsrevisionen
(National Audit Office of Denmark)

CVR: 77806113

Lone Lærke Strøm
Auditor General

Malene Sau Lan Leung
Director

156,990

flights in Danish airspace in 2019 using Boeing 737-800 – the most used type of aircraft in Danish airspace.

Accounting policies

The 2019 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 and the Danish Act on Naviair.

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 future 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, including 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 securities and equity investments recognised in investments are measured at fair value.

Other equity investments include an investment in an unlisted company. As the fair value of this unlisted company cannot be determined reliably, the investment has been measured at cost.

Regulatory over-/under-recoveries

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 risk-sharing relating to the development in traffic.

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).

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.

Securities

Securities comprise the holding of government and/or mortgage bonds, which is measured at fair value.

Cash

Cash comprises cash at bank and in hand.

Deferred tax

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

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

Other financial liabilities

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

Pensions and availability pay

Naviair pays pension contributions to the Danish state in respect of civil servants and employees employed under collective agreement on special terms (former civil servants), and the Danish state has therefore taken over the pension obligations in respect of these employees. The pension 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.

6

Towers

From the towers in Aarhus, Aalborg, Billund, Bornholm and Roskilde, Naviair provides local aerodrome and approach control services, while from the tower in Copenhagen, we provide aerodrome control service.

10%

Naviair must meet the EU demands to reduce our unit costs by approximately 10 per cent in the period from now until 2024.

Income statement

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER (DKK '000)	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Revenue	1	937,245	957,745	937,257	957,757
Work performed for own account and capitalised	2	20,459	21,252	20,459	21,252
Other operating income	3	207,051	301,336	207,051	301,336
Other external expenses	4	-215,171	-196,971	-214,834	-196,706
Staff costs	5	-597,774	-585,715	-597,774	-585,715
Depreciation, amortisation and impairment losses	6	-101,480	-96,459	-101,480	-96,459
Other operating expenses	3	-210,772	-307,995	-210,772	-307,995
Operating profit		**39,558**	**93,193**	**39,907**	**93,470**
Income from investments in associates		15,774	6,929	4,434	0
Financial income	7	2,703	4,225	9,285	10,813
Financial expenses	8	-16,990	-13,817	-16,930	-13,775
Profit on ordinary activities before tax		**41,045**	**90,530**	**36,696**	**90,508**
Income tax expense	9	-3,694	-20,227	-5,155	-22,689
Profit for the year	10	**37,351**	**70,303**	**31,541**	**67,819**

Balance sheet

ASSETS (DKK '000)	Note	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
Intangible rights acquired		4,750	2,571	4,750	2,571
ATM system		528,196	550,631	528,196	550,631
Intangible assets under construction		43,503	28,391	43,503	28,391
Intangible assets	11	**576,449**	**581,593**	**576,449**	**581,593**
Land and buildings		266,242	271,679	266,242	271,679
Plant and machinery		295,807	267,366	295,807	267,366
Fixtures and fittings, tools and equipment		5,298	5,880	5,298	5,880
Property, plant and equipment under construction		47,322	59,606	47,322	59,606
Property, plant and equipment	12	**614,669**	**604,531**	**614,669**	**604,531**
Investments in group enterprises		0	0	75,500	75,500
Investments in associates		27,841	21,109	4,833	4,833
Other securities and equity investments		180,177	180,177	0	0
Investments	13	**208,018**	**201,286**	**80,333**	**80,333**
Fixed assets		**1,399,136**	**1,387,410**	**1,271,451**	**1,266,457**
Trade receivables	14	172,662	156,835	172,662	156,835
Receivables from group enterprises		0	0	127,080	128,556
Receivables from associates		0	869	0	869
Other receivables	15	59,532	55,488	59,523	55,485
Prepayments	16	39,004	37,390	39,004	37,390
Receivables		**271,198**	**250,582**	**398,269**	**379,135**
Securities		**149,548**	**99,589**	**149,548**	**99,589**
Cash		**59,848**	**81,723**	**55,289**	**70,324**
Current assets		**480,594**	**431,894**	**603,106**	**549,048**
Assets		**1,879,730**	**1,819,304**	**1,874,557**	**1,815,505**

EQUITY AND LIABILITIES (DKK '000)	Note	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
Contributed capital		600,000	600,000	600,000	600,000
Reserve for net revaluation according to the equity method		23,008	16,276	0	0
Retained earnings		511,573	485,562	529,606	498,065
Equity		**1,134,581**	**1,101,838**	**1,129,606**	**1,098,065**
Deferred tax	17	73,817	75,018	73,817	75,018
Provisions for regulatory over-recoveries	18	185,869	153,955	185,869	153,955
Provisions		**259,686**	**228,973**	**259,686**	**228,973**
Subordinated loan capital	19	200,000	200,000	200,000	200,000
Long-term liabilities other than provisions		**200,000**	**200,000**	**200,000**	**200,000**
Trade payables		52,426	62,562	52,228	62,536
Payables to associates		3,056	0	3,056	0
Income tax payable		2,864	11,583	2,864	11,583
Other payables	20	139,525	144,608	139,525	144,608
Deferred income		87,592	69,740	87,592	69,740
Short-term liabilities other than provisions		**285,463**	**288,493**	**285,265**	**288,467**
Liabilities other than provisions		**485,463**	**488,493**	**485,265**	**488,467**
Equity and liabilities		**1,879,730**	**1,819,304**	**1,874,557**	**1,815,505**

Contingent liabilities	21
Related parties and ownership	22
Events after the reporting period	23

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY (DKK '000)	Group: Contributed capital	Group: Reserve for net revaluation according to the equity method	Group: Retained earnings	Group: Total	Parent company: Contributed capital	Parent company: Retained earnings	Parent company: Total
Equity at 1 January 2019	600,000	16,276	485,562	1,101,838	600,000	498,065	1,098,065
Dividend received from associates	0	-4,434	0	-4,434	0	0	0
Foreign exchange adjustments	0	-174	0	-174	0	0	0
Profit for the year	0	11,340	26,011	37,351	0	31,541	31,541
Equity at 31 December 2019	**600,000**	**23,008**	**511,573**	**1,134,581**	**600,000**	**529,606**	**1,129,606**

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

Cash flow statement

		Group		Parent company	
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER (DKK '000)	Note	2019	2018	2019	2018
Purchase of investments		39,558	93,193	39,907	93,470
Depreciation, amortisation and impairment losses		107,387	99,814	107,387	99,814
Other provisions		30,713	14,714	30,713	20,681
Working capital movements	24	-14,830	-20,008	-13,520	-24,648
Cash flows from operations		**162,828**	**187,713**	**164,487**	**189,317**
Financial income received		7,137	4,225	13,719	10,813
Financial expenses paid		-16,990	-13,817	-16,930	-13,775
Income tax paid		-12,510	-20,267	-13,971	-22,726
Cash flows from operating activities		**140,465**	**157,854**	**147,305**	**163,629**
Purchase of intangible assets		-38,876	-30,184	-38,876	-30,184
Purchase of property, plant and equipment		-73,505	-93,080	-73,505	-93,080
Investments in securities		-49,959	-99,589	-49,959	-99,589
Cash flows from investing activities		**-162,340**	**-222,853**	**-162,340**	**-222,853**
Net increase (decrease) in cash and cash equivalents		**-21,875**	**-64,999**	**-15,035**	**-59,224**
Cash and cash equivalents at 1 January		81,723	146,722	70,324	129,548
Cash and cash equivalents at 31 December		**59,848**	**81,723**	**55,289**	**70,324**

Notes

1 Revenue

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
En route – Denmark, charges	628,000	628,971	628,000	628,971
TNC Copenhagen, charges	163,702	163,581	163,702	163,581
Local airports	55,280	54,906	55,280	54,906
North Atlantic	29,674	36,719	29,674	36,719
Areas covered by the Danish Appropriations Act	58,658	35,419	58,658	35,419
Other trade receivables	33,845	52,020	33,857	52,032
Adjustment of over-/under-recoveries charges	-31,914	-13,871	-31,914	-13,871
	937,245	**957,745**	**937,257**	**957,757**

2 Work performed for own account and capitalised

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Capitalised direct payroll	18,834	19,521	18,834	19,521
Capitalised indirect production costs	1,625	1,731	1,625	1,731
	20,459	**21,252**	**20,459**	**21,252**

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.

The supply contract with NUAC HB has been terminated, and the operation of the ATCC at Kastrup, including operational support, reverted to Naviair on 1 September 2019. NUAC HB went into solvent liquidation before the end of the year.

4 Other external expenses

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Fees to auditors:				
Audit fees, external auditor	446	446	420	420
Consultancy fees, external auditor	312	232	312	232
Other assurance engagements, external auditor	26	85	26	85
National Audit Office of Denmark, audit fees	108	280	108	280
	892	**1,043**	**866**	**1,017**

5 Staff costs	Group		Parent company	
(DKK ’000)	2019	2018	2019	2018
Wages and salaries	511,553	498,270	511,553	498,270
Pensions	83,948	85,302	83,948	85,302
Other social security costs	2,273	2,143	2,273	2,143
	597,774	**585,715**	**597,774**	**585,715**
Of which remuneration to the Executive Board and the Board of Directors:				
Salaries to the Executive Board	3,701	5,315	3,701	5,315
Pensions to the Executive Board	590	684	590	684
Remuneration to the Board of Directors	1,618	1,452	1,618	1,452
	5,909	**7,451**	**5,909**	**7,451**

Salary and pension for the CEO totalled DKK 2,400 thousand, including performance-based pay of DKK 141 thousand. Salary and pension for the Deputy CEO & CFO totalled DKK 1,890 thousand, including performance-based pay of DKK 99 thousand. The remuneration of the Chairman of the Board of Directors was DKK 408 thousand, the remuneration of the Deputy Chairman DKK 248 thousand and the remuneration of other members DKK 132 thousand. Remuneration to members of the Audit Committee totalled DKK 119 thousand.

Average number of employees	**630**	**631**	**630**	**631**

6 Depreciation, amortisation and impairment losses	Koncern		Parent company	
(DKK ’000)	2019	2018	2019	2018
Intangible assets acquired	1,641	2,362	1,641	2,362
ATM system	42,379	40,343	42,379	40,343
Land and buildings	21,665	20,144	21,665	20,144
Plant and machinery	38,078	33,221	38,078	33,221
Fixtures and fittings, tools and equipment	3,624	3,744	3,624	3,744
Government grants for capital expenditure projects	-5,907	-3,355	-5,907	-3,355
	101,480	**96,459**	**101,480**	**96,459**

7 Financial income	Group		Parent company	
(DKK ’000)	2019	2018	2019	2018
Foreign exchange gains	964	3,340	956	3,338
Interest income group enterprises	0	0	6,590	6,590
Interest income associates	2	2	2	2
Other interest income	1,737	877	1,737	877
Non-taxable interest and percentage supplement	0	6	0	6
	2,703	**4,225**	**9,285**	**10,813**

8 Financial expenses

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Foreign exchange losses	1,309	1,939	1,298	1,937
Capital losses on bonds	1,946	0	1,946	0
Other interest expense	19,560	19,209	19,511	19,169
Non-deductible interest and percentage supplement	0	239	0	239
Capitalisation of interim interest	-5,825	-7,570	-5,825	-7,570
	16,990	**13,817**	**16,930**	**13,775**

9 Income tax expense

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Current tax for the year	6,924	8,463	8,385	9,922
Change in deferred tax	-1,200	9,910	-1,200	9,910
Adjustment of prior year taxes	-2,030	1,854	-2,030	2,857
	3,694	**20,227**	**5,155**	**22,689**

10 Proposed distribution of profit

(DKK '000)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Reserve for net revaluation according to the equity method	11,340	6,929	0	0
Retained earnings	26,011	63,374	31,541	67,819
	37,351	**70,303**	**31,541**	**67,819**

11 Intangible assets

(DKK '000)	Intangible rights acquired	ATM system	Intangible assets under construction	Total
Cost at 1 January 2019	23,657	916,539	28,391	968,587
Additions	3,265	2,856	32,755	38,876
Transfers	555	17,088	-17,643	0
Cost at 31 December 2019	**27,477**	**936,483**	**43,503**	**1,007,463**
Amortisation and impairment losses at 1 January 2019	21,086	365,908	0	386,994
Amortisation charge	1,641	42,379	0	44,020
Amortisation and impairment losses at 31 December 2019	**22,727**	**408,287**	**0**	**431,014**
Carrying amount at 31 December 2019	**4,750**	**528,196**	**43,503**	**576,449**
Portion related to capitalised finance costs	0	27,560	2,479	30,039

12 Property, plant and equipment

(DKK '000)	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equip-ment under construction	Total
Cost at 1 January 2019	632,112	723,162	28,762	59,606	1,443,642
Additions	4,296	24,403	151	44,655	73,505
Disposals	-3,005	-90,184	-1,115	0	-94,304
Transfers	11,932	42,116	2,891	-56,939	0
Cost at 31 December 2019	**645,335**	**699,497**	**30,689**	**47,322**	**1,422,843**
Depreciation and impairment losses at 1 January 2019	360,433	455,796	22,882	0	839,111
Depreciation charge	20,485	38,040	3,624	0	62,149
Write-downs on scrapped assets	1,180	38	0	0	1,218
Disposals	-3,005	-90,184	-1,115	0	-94,304
Depreciation and impairment losses at 31 December 2019	**379,093**	**403,690**	**25,391**	**0**	**808,174**
Carrying amount at 31 December 2019	**266,242**	**295,807**	**5,298**	**47,322**	**614,669**
Portion related to capitalised finance costs	6,480	16,689	0	493	23,662

Except for a few buildings with a total carrying amount of DKK 19.4 million at 31 December 2019, 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 146.7 million at 31 December 2019 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 invest-ments	Group: Total	Parent company: Invest-ments in group enter-prises	Parent company: Investments in associates	Parent company: Total
Cost at 1 January 2019	4,833	180,177	185,010	75,500	4,833	80,333
Additions	0	0	0	0	0	0
Cost at 31 December 2019	**4,833**	**180,177**	**185,010**	**75,500**	**4,833**	**80,333**
Revaluation at 1 January 2019	16,276	0	16,276	0	0	0
Dividends paid	-4,434	0	-4,434	0	0	0
Foreign exchange adjustments	-174	0	-174	0	0	0
Share of profit for the yeart	11,340	0	11,340	0	0	0
Revaluation at 31 December 2019	**23,008**	**0**	**23,008**	**0**	**0**	**0**
Carrying amount at 31 December 2019	**27,841**	**180,177**	**208,018**	**75,500**	**4,833**	**80,333**

(DKK '000)	Registered office	Corporate form	Ownership interest	Equity at 31 December 2019	Profit (loss) 2019
Investments in group enterprises comprise:					
Naviair Surveillance A/S	Copenhagen	A/S	100.0	57,468	-5,528
Naviair Surveillance USA LLC	Delaware, USA	LLC	100.0	180,244	-1
Investments in associates comprise:					
Entry Point North AB	Malmö-Sturup	AB	33.3	80,136	36,036
NUAC HB	Malmö	HB	50.0	0	-368
Other securities and equity investments comprise:					
Aireon Holdings LLC	Delaware, USA	LLC	4.4		

The supply contract with NUAC HB has been terminated, and the operation of the ATCC at Kastrup, including operational support, reverted to Naviair on 1 September 2019. NUAC HB went into solvent liquidation before the end of the year.

14 Trade receivables

(DKK '000)	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
Trade receivables, gross	178,073	160,936	178,073	160,936
Provision for bad and doubtful debts	-5,411	-4,101	-5,411	-4,101
	172,662	**156,835**	**172,662**	**156,835**

15 Other receivables

(DKK '000)	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
VAT and duties	3,925	5,314	3,916	5,314
Other receivables	55,607	50,174	55,607	50,171
	59,532	**55,488**	**59,523**	**55,485**

16 Prepayments

(DKK '000)	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
Prepaid payroll	29,549	29,865	29,549	29,865
Other prepayments	9,455	7,525	9,455	7,525
	39,004	**37,390**	**39,004**	**37,390**

17 Deferred tax

(DKK '000)	Group 31.12.2019	Group 31.12.2018	Parent company 31.12.2019	Parent company 31.12.2018
Deferred tax relates to the following items:				
Property, plant and equipment	114,708	108,888	114,708	108,888
Over-recoveries charges	-40,891	-33,870	-40,891	-33,870
	73,817	**75,018**	**73,817**	**75,018**

Provision for deferred tax at 31 December 2019 has been made at 22%, corresponding to the current tax rate.

18 Provisions for regulatory over-recoveries

(DKK '000)	En route Denmark	TNC Copenhagen	Total
Provisions for regulatory over-recoveries at 1 January 2019	100,067	53,888	153,955
Reversed during the year due to recognition in price	-44,392	-37,230	-81,622
New over-recovery arising during the year	87,935	25,601	113,536
Provisions for regulatory over-recoveries at 31 December 2019	**143,610**	**42,259**	**185,869**
Portion expected to be reversed within one year	61,969	18,501	80,470

The five largest

In 2019, our five largest en route customers were: SAS, Norwegian, KLM, Ryanair and British Airways.

19 Subordinated loan capital

Subordinated loan capital covers a bullet loan with the Danish state represented by the Ministry of Transport and Housing. No instalments are due on the loan until 2020, following which the question of instalments will be evaluated. At that time, based on an overall assessment of Naviair's financial position, liquidity and the extent of non-subordinated debt, Naviair's Board of Directors will decide the extent to which repayment of the loan is deemed prudent. 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.

20 Other payables

	Group		Parent company	
(DKK '000)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Holiday pay liability	88,213	88,205	88,213	88,205
Payroll, A-tax, social security contributions etc. payable	35,748	40,392	35,748	40,392
Other payables	15,564	16,011	15,564	16,011
	139,525	**144,608**	**139,525**	**144,608**

21 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.

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 to a value of approximately DKK 81 million. The remaining payment obligation under these contracts is approximately DKK 33 million.

22 Related parties and ownership

	Basis
Control	
Ministry of Transport and Housing, DK 1220 Copenhagen K	Owner, 100%
Other related parties	
Danish Transport, Construction and Housing Authority, DK 2300 Copenhagen S	Supervisory authority
Entry Point North AB	Associate
Naviair Surveillance A/S	Group enterprise
Naviair Surveillance USA LLC	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 Ministry of Transport and Housing, as described in the note on subordinated loan capital.
All transactions with related parties are made on an arm's length basis.

23 Events after the reporting period

There have been no events after the reporting period that affect the fair presentation of profit for the year or the balance sheet at 31 December 2019.

24 Cash flow statement – working capital movements

	Group		Parent company	
(DKK '000)	2019	2018	2019	2018
Changes in receivables etc.	-20,616	-50,685	-19,134	-55,321
Change in liabilities other than provisions etc.	5,786	30,677	5,614	30,673
	-14,830	**-20,008**	**-13,520**	**-24,648**

Our business

Read more about Naviair's business in our "Corporate Social Responsibility Report 2019" (in Danish only). The report can be downloaded at www.naviair.dk/ar

About Naviair

Naviair is a state-owned infrastructure company with status as a company owned by the Danish state represented by the Ministry of Transport and Housing. Naviair provides air navigation services, and most of the traffic in Danish airspace is managed by Naviair. Our core activity is ATM, and we have activities and locations in Denmark, the Faroe Islands and Greenland.

We create value for aviation, society and trade and industry by providing mobility and availability in Danish airspace. We have 630 employees, and we handle approximately 800,000 flights every year.

Anti-corruption and bribery

Naviair works in accordance with a number of internal guidelines that ensure that we do not – either directly or indirectly – contribute to bribery and corruption.

An energy-efficient Naviair

We want to reduce our energy consumption and increase the proportion of renewable energy at Naviair's facilities and for Naviair's technical installations.

Focus on sustainable transport

We want to reduce the use of fossil-fuel vehicles and promote car sharing and the use of public transport.

Focus on UN Global Goals

Using our strategy "Rejsen 2023" (Journey to 2023) as a springboard, we are focusing our efforts on Global Goals 7, 8, 9, 12, 13 and 15.

Naviair aims high

We have defined new strategies for how we must continuously strive to reduce our own consumption, be energy-efficient, provide sustainable solutions and reduce the impact of aviation on the climate.

Our contribution to a sustainable aviation industry

Through our services, we are indirectly contributing to minimising the impact of aviation on the climate.

Cooperation with Danish Aviation

Through strong collaborative relationships, we are contributing to our customers' and Danish Aviation's overall climate vision of becoming carbon neutral by 2050.

A Naviair in balance

We focus on people in our company and we are working on diversity, job satisfaction, management, skills development and our social responsibility

Focus on resource consumption and recycling

We are reducing Naviair's overall resource consumption and helping to optimise recycling of the resources consumed.

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