NAVIAIR

Naviair
Naviair Allé 1
DK 2770 Kastrup
CVR: 26059763

ANNUAL REPORT
2018

Contents

Company information

Naviair
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DK 2770 Kastrup

CVR: 26059763
Registered office: Kastrup, Denmark
Financial year: 01.01.2018-31.12.2018

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

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

Board of Directors
Anne Birgitte Lundholt, Chairman
Michael Fleischer, Deputy Chairman
Henrik Christoffersen *
Flemming Kim Hansen *
Per Møller Jensen
Helle Munksø *
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

Group structure

At 31 December 2018

Parent company

- **Naviair**

Consolidated subsidiaries

- **Naviair Surveillance A/S** *(100% ownership interest)*
- **Aireon Holdings LLC** *(4.4% ownership interest)*

Associates

- **NUAC HB** *(50% ownership interest)*
- **Entry Point North AB** *(33.3% ownership interest)*

Naviair's core activities can be divided into four key areas:

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 on 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.

Aalborg ATC, operations 2018

Airport, IFR: 24,222
Airport, VFR: 8,051

Aarhus ATC, operations 2018

Airport, IFR: 18,324
Airport, VFR: 13,090

Billund ATC, operations 2018

Airport, IFR: 43,645
Airport, VFR: 9,929

Roskilde ATC, operations 2018

Airport, IFR: 11,147
Airport, VFR: 63,980

!

All aircraft fly under Instrument Flight Rules (IFR) or Visual Flight Rules (VFR). When flying under IFR, the pilot will navigate exclusively using instruments, which means the aircraft can fly even in adverse weather conditions, unlike VFR flights, which are only permitted if weather conditions meet specific requirements.

We create value for aviation, society and trade and industry.

We ensure mobility and availability, supporting growth and safety in Denmark.

We provide safe, efficient ATM and always ensure that sufficient capacity is available to avoid delays caused by ATM.

Copenhagen ATCC, operations 2018

Airspace, IFR: 669,725

Greenland ATS, operations 2018

Airspace, IFR: 17,370
Airspace, VFR: 13,467

Copenhagen Information, operations 2018

Airspace: approx. 50,000

Vágar ATS, operations 2018

Airport, IFR: 3,778
Airport, VFR: 1,633

Copenhagen ATC, operations 2018

Airport, IFR: 266,207

Rønne ATC, operations 2018

Airport, IFR: 6,888
Airport, VFR: 2,447

We are in constant dialogue with our customers in order to fulfil the requirements and wishes of airlines and airports. We work closely with other ANSPs to provide the best service internationally.

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We are always ready to develop new solutions for the benefit of our customers, Denmark, and other Danish businesses. Our value creation is not only due to the commercial profit we make from our activities. We are also pleased to create value through development and growth for society as a whole and for the Danish business community by using our expertise in ATM and infrastructure to support the activities of other industries.

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We work proactively to ensure that Denmark and Danish businesses join us in taking the lead in the development of drone systems and drone technology. We therefore take an active role in interaction with relevant partners, joining – and supporting – the industrial clusters being established in this field in Denmark.

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We provide services in such areas as the operation and maintenance of technical equipment for airports, the sale of technical and operational data, and knowledge. Our ambition is to expand this service.

The three most popular destinations from Copenhagen

Oslo Gardermoen	6,810
Stockholm Arlanda	6,581
Aalborg	4,546

– number of flights

The three most popular destinations from Billund

Amsterdam	1,763
Oslo Gardermoen	1,411
Frankfurt	1,406

– number of flights

The three largest airports
– measured in terms of number of operations

- Copenhagen 266,207
- Roskilde 91,874
- Billund 74,570

– number of flights

The three largest airports
– measured in terms of MTOW

- Copenhagen 10,125,658
- Billund 1,096,909
- Aalborg 529,258

– number of service units

The three largest customers
– measured in terms of number of operations

SAS	20%
Norwegian	13%
KLM	7%

– percentage share of flights in Danish airspace

The three most used types of aircraft
– En route

Boeing 737-800	164,343
Airbus 320	84,937
Airbus 321	45,021

– number of flights

The three most used types of aircraft
– Copenhagen

Boeing 737-800	30,995
Airbus 320	22,386
Canadair Regional Jet 900	12,738

– number of flights

The three most used types of aircraft
– Billund

Boeing 737-800	4,043
Airbus 320	2,148
Fairchild Dornier 328JET	1,865

– number of flights

We believe that the various modes of transport will increasingly ”melt into” one another in the future, so that ATM and planning will increasingly be carried out jointly for all dimensions within transport. We therefore use our knowledge proactively to contribute to the planning of Denmark’s future infrastructure.

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Defence is vital for Denmark, and we consider it very important to play a part in supporting the development of the Danish Defence. We do this both through support for the upholding of Denmark’s sovereignty operationally in our national airspace and by underpinning cyber-security.

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We are a green, climate-conscious company. We put our responsibilities into practice through our support for the UN sustainable development goal no. 9 on sustainable and resilient infrastructure. Accordingly, it is our ambition for Naviair to eventually become an energy-neutral company, while also helping our customers to realise their wishes for green solutions.

The three busiest transit routes

Stockholm <-> London Heathrow ... 7,488
Stockholm <-> Amsterdam 6,285
Olso Gardermoen <-> Amsterdam .. 6,152

– number of flights

Management's review

Highlights in 2018

March
- Fifth rocket launch from Vandenberg Air Force Base in California carrying Aireon satellites – 45 of 75 satellites in total have now been placed in orbit.

Maj
- Carsten Fich takes up his new position as CEO, succeeding Morten Dambæk, who is retiring.
- UK NATS joins Aireon's group of owners. Besides Naviair, the group of owners now comprises NAV Canada, Iridium, IAA, ENAV and NATS.
- Sixth rocket launch carrying satellites for the Aireon system – 55 of 75 satellites in total have now been placed in orbit.

July
- Seventh and penultimate rocket launch carrying satellites for the Aireon system – 65 of 75 satellites in total have now been placed in orbit.

August
- Naviair puts new radar in service at Billund Airport.
- Naviair's Board of Directors decides to continue working on the ambition to establish Remote Tower Service at the local airports. The Board's decision includes authority to put the purchase of equipment out to tender in 2019.
- Aireon rolls out the world's first global emergency aircraft location service – Aireon Alert.

September
- NAV Portugal becomes the sixth member of the COOPANS Alliance, the leading technical-operational cooperation in Europe within harmonisation and standardisation of ATM. Naviair was among the founders of the COOPANS Alliance.

October
- Naviair posts 14 new ATCO trainee openings.
- EU grants total funding of DKK 46 million to Naviair towards two projects that will be instrumental in modernising European ATM. The two projects aim to ensure, among other things, efficient handling and quality assurance of future data distribution and the connection between information systems.

November
- Vágar Airport in the Faroe Islands terminates its agreement with Naviair on the provision of Aerodrome Flight Information Service with effect from 1 January 2020.
- The purchase of a new radar for Esbjerg is put out to tender.

Naviair handles approximately 800,000 flights per year using all sizes of aircraft.

Key figures and financial ratios

Naviair's financial performance since 1 January 2014 can be described using the key figures and financial ratios below:

	Group				
(DKK million)	**2018**	**2017**	**2016**	**2015**	**2014**
Income statement					
Revenue	957.7	937.8	906.3	920.2	941.6
Operating profit	93.2	89.2	66.5	77.6	133.1
Net financials	-2.7	-9.6	-26.6	-40.6	-43.2
Profit for the year	70.3	65.6	18.2	29.7	70.7
Balance sheet					
Fixed assets	1,387.4	1,357.5	1,307.2	1,249.3	1,264.5
Current assets	431.9	346.6	276.6	354.3	522.0
Balance sheet total	1,819.3	1,704.1	1,583.8	1,603.6	1,786.5
Interest-bearing debt	200.0	200.0	200.0	336.6	536.6
- of which subordinated loan capital	200.0	200.0	200.0	336.6	536.6
Equity	1,101.8	1,032.0	966.8	949.1	919.1
Cash flow statement					
Cash flows from.					
- operating activities	157.9	223.3	238.5	120.1	276.8
- investing activities	-222.9	-143.2	-159.1	-89.7	-179.7
- financing activities	-	-	-136.6	-200.0	-
The year's investments in property, plant and equipment	-93.1	-92.9	-76.6	-41.7	-93.9
Net increase (decrease) in cash and cash equivalents	-65.0	80.1	-57.2	-169.6	97.1
Cash and cash equivalents at 31 December	81.7	146.7	66.6	123.8	293.4
Average number of employees	631	625	646	637	641
Financial ratios (%)					
Operating margin	9.7	9.5	7.3	8.4	14.1
Return on capital employed	5.1	5.2	4.2	4.8	7.5
Solvency ratio excl. subordinated loan capital	60.6	60.6	61.0	59.2	51.4
Solvency ratio incl. subordinated loan capital	71.6	72.3	73.7	80.2	81.5
Return on equity	6.6	6.6	1.9	3.2	8.0
Other financial ratios					
Gearing	-0.4	-0.8	-0.4	-0.7	-1.2
Interest cover ratio	14.0	12.5	5.6	4.1	5.0

Financial ratios are prepared in accordance with the recommendations and guidelines of the Danish Finance Society.

Parent company				
2018	**2017**	**2016**	**2015**	**2014**
957.8	937.8	906.3	920.2	941.6
93.5	89.2	66.7	77.7	133.1
-3.0	-2.1	-26.1	-41.4	-46.6
67.8	67.4	23.4	28.7	67.2
1,266.5	1,243.0	1,210.6	1,210.6	1,247.5
549.0	453.4	368.1	383.7	530.8
1,815.5	1,696.4	1,578.7	1,594.3	1,778.3
200.0	200.0	200.0	336.6	536.6
200.0	200.0	200.0	336.6	536.6
1,098.1	1,030.2	962.9	939.5	910.8
163.6	223.2	144.9	102.0	266.8
-222.9	-124.0	-101.6	-70.4	-171.1
-	-	-136.6	-200.0	-
-93.1	-92.9	-76.6	-41.7	-93.9
-59.2	99.2	-93.3	-168.4	95.7
70.3	129.5	30.3	123.6	292.1
631	625	646	637	641
9.8	9.5	7.4	8.4	14.1
5.2	5.3	4.2	4.9	7.5
60.5	60.7	61.0	58.9	51.2
71.5	72.5	73.7	80.0	81.4
6.4	6.8	2.5	3.1	7.7
-0.4	-0.7	-0.2	-0.7	-1.2
14.6	13.3	5.7	4.2	5.0

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.

However, 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 90.5 million compared with DKK 79.5 million in 2017.

Because of the EU rules on price adjustment, the charges for En route – Denmark and TNC Copenhagen were reduced in 2018 compared with 2017. At the same time, air traffic through Danish airspace showed only moderate growth in 2018. These factors led to an overall reduction in revenue from En route and TNC Copenhagen of approximately DKK 30 million compared with 2017.

Profit before adjustment of charges for over-/under-recoveries and tax was DKK 104.4 million compared with DKK 124.3 million in 2017.

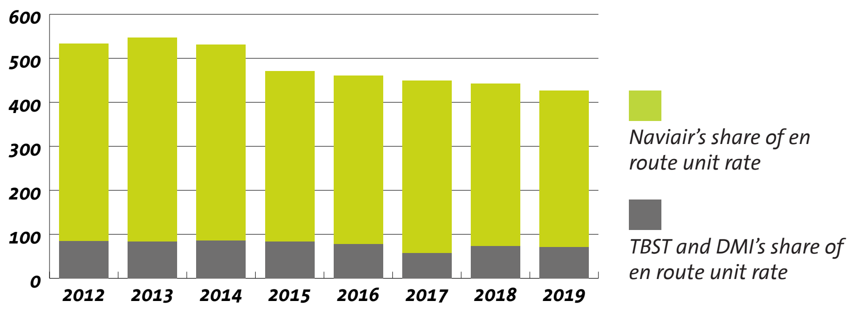
Profit on ordinary activities before tax exceeded the latest outlook as expressed in Naviair's half-yearly report. This was partly due to more traffic than expected and non-recurring income related to NAV Portugal joining COOPANS.
Profit was satisfactory.

Unit rates
The en route unit rate for Danish airspace was DKK 443 per service unit in 2018. The unit rate will be lowered to DKK 425 in 2019. Naviair's share represents 83.4 per cent (DKK 355) of this figure, while the rest goes to the Danish Transport, Construction and Housing Authority and the Danish Meteorological Institute (DMI).

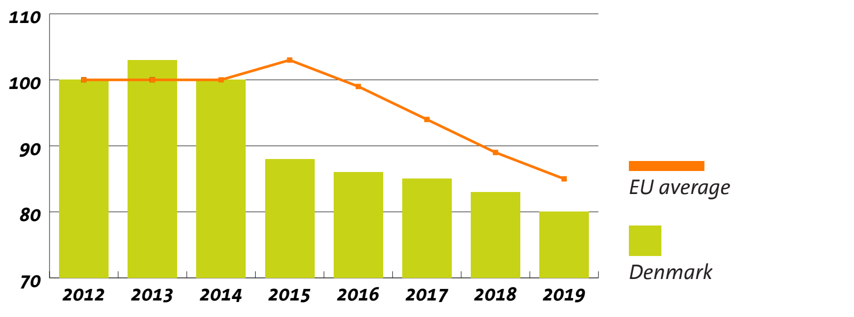
The en route unit rate has been reduced year on year since 2013. Overall, the rate has been reduced from DKK 548 per service unit in 2013 to DKK 425 in 2019.

The en route unit rate has thus been reduced by 22.3 per cent overall in six years. The price reductions are the result of an unwavering focus on savings and efficiency improvements.

Unit rate, En route (DKK)



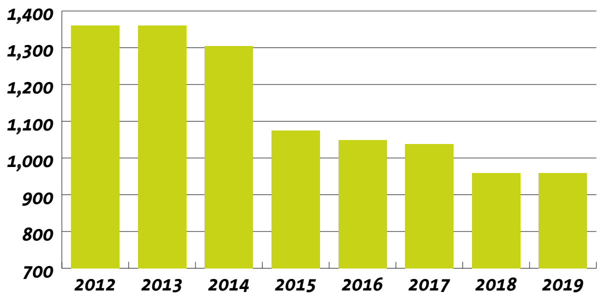
European development in en route unit rates
(2012 = 100)



Unit rate, TNC CPH (DKK)

The unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) for 2019 is set at DKK 959, in line with the rate for 2018.

Naviair has been reducing the unit rate for TNC Copenhagen year on year since 2013, from DKK 1,361 per service unit to DKK 959 in 2019. The unit rate has thus been reduced by 29.5 per cent in total over six years.



DMI's share is DKK 7-8

Traffic

The growth in air traffic through Danish airspace continued in 2018, with the number of en route operations increasing by 3.6 per cent to 669,725 compared with 646,675 in 2017. Expressed as service units, growth in the en route area was 2.6 per cent compared with 2017.

Copenhagen Airport saw an upturn in the number of departures and arrivals in 2018 following a negative period in 2017. The number of operations increased by 2.7 per cent in 2018, to 266,207, from 259,310 operations in 2017. For TNC Copenhagen, this led to a 4.0 per cent increase in service units compared with 2017.

The number of departures and arrivals at Billund Airport in 2018 increased by 2.2 per cent to 43,645 operations compared with 42,706 in 2017.

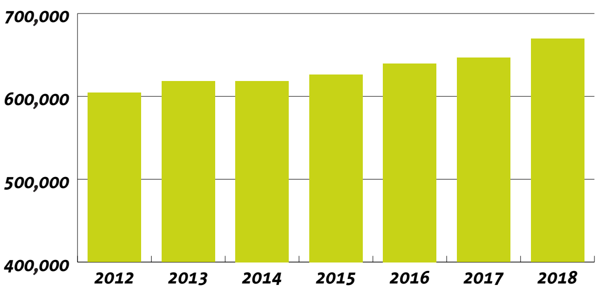
Domestic flights expressed as number of operations continued the downward spiral with new decreases from 2017 to 2018, when the number of operations decreased by 7.8 per cent.

We maintained our usual, high efficiency in ATM in 2018. In the Danish-Swedish Functional Airspace Block (FAB), the average delay per operation – at just 0.04 minutes per operation – was close to zero in 2018. This was far below the maximum accepted delay of 0.09 minutes per operation set in the RP2 performance plan for the Danish-Swedish FAB. Naviair thus maintained its ATM with almost no delays, 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 2018 was 1.73 minutes. The average delay in Danish airspace, for which Naviair is responsible, was as low as 0.01 minute per operation; however, our systems suffered brief failures twice in 2018: in February, when an average delay of 0.09 minutes was generated, and in August, when a brief system fault generated an average delay of 0.03 minutes.

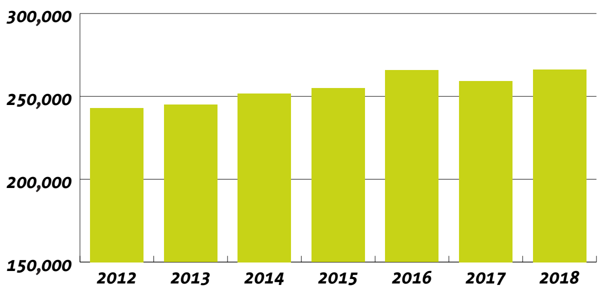
The high efficiency was maintained at Copenhagen Airport, where, again in 2018, air traffic was handled without any delays for which Naviair was jointly responsible. Delays due to weather conditions totalled 0.06 minutes per arrival at Copenhagen Airport, where the maximum accepted average delay is 0.11 minutes per arrival.

Our overall use of capacity consequently remains highly efficient and fully satisfactory. It is our ambition to maintain delay-free service and to ensure that average delays are always kept at the lowest possible level.

Operations, En route
En route operations, Danish airspace



Operations, TNC Copenhagen
Departures and arrivals, Copenhagen Airport



The busiest day in 2018 was Thursday 14 June, when Naviair handled 2,191 en route flights.

Operating income from ordinary activities

Revenue, consisting of income from our areas of activity, was DKK 957.7 million in 2018 compared with DKK 937.8 million in 2017. Revenue was consequently on a par with 2017, primarily reflecting an increase in traffic and a corresponding fall in rates. Revenue included DKK 11.1 million in government grants for operating projects compared with DKK 10.1 million in 2017.

Other operating income was DKK 301.3 million compared with DKK 298.2 million in 2017. This item comprises services provided to NUAC under the supply contract. This income should be viewed in the context of services provided by NUAC under the supply contract under Naviair's other operating expenses. Other operating income and other operating expenses were in balance.

Other external expenses

Other external expenses amounted to DKK 197.0 million compared with DKK 193.8 million in 2017. 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 585.7 million compared with DKK 578.6 million in 2017. Total staff costs increased by DKK 7.1 million, primarily reflecting pay increases under collective agreements.

The average number of employees was 631 in 2018, up from 625 in 2017, partly reflecting the fact that we have increased the number of ATCO trainees to ensure our future capacity in the operational area.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses were DKK 96.5 million compared with DKK 89.7 million in 2017, partly reflecting increased investments in intangible assets compared with 2017, and partly completed projects in 2018. Investments in intangible assets and property, plant and equipment were DKK 123.3 million, DKK 4.0 million more than in 2017.

Balance sheet

Naviair's balance sheet total stood at DKK 1,819.3 million at 31 December 2018 compared with DKK 1,704.1 million at 31 December 2017. The DKK 115.2 million increase mainly reflected increases in property, plant and equipment and receivables.

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 154.0 million, an increase of DKK 12.8 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 2018 was DKK 1,101.8 million and was made up of contributed capital of DKK 600 million, retained earnings of DKK 485.6 million and reserve for net revaluation according to the equity method of DKK 16.3 million.

Besides contributed capital, the Danish state has provided Naviair with subordinated loan capital amounting to DKK 200 million at 31 December 2018. 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 187.7 million, and cash flows from operating activities were an inflow of DKK 157.9 million.

The solvency ratio including subordinated loan capital was 71.6 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.

The parent company's profit by cost base

Cost base statement 2018 *(DKK '000)*	**En route Denmark**	**En route Domestic Greenland**	**En route North Atlantic**	**TNC Copenhagen**	**Other**	**Total**
Income [1]	**674,170**	**23,291**	**36,860**	**168,013**	**69,294**	**971,628**
NUAC HB income	289,680	107	107	10,453	989	301,336
NUAC HB costs	-295,107	-118	-118	-11,558	-1,094	-307,995
NUAC HB net profit (loss)	**-5,427**	**-11**	**-11**	**-1,105**	**-105**	**-6,659**
Other external expenses	-111,630	-14,552	-21,329	-36,458	-12,737	-196,706
Staff costs [2]	-380,137	-6,997	-7,327	-118,762	-51,240	-564,463
EBITDA	**176,976**	**1,731**	**8,193**	**11,688**	**5,212**	**203,800**
Depreciation, amortisation and impairment losses	-77,560	-1,654	-4,573	-11,562	-1,110	-96,459
EBIT	**99,416**	**77**	**3,620**	**126**	**4,102**	**107,341**
Net financials	-1,699	-77	-181	-705	-300	-2,962
Profit (loss) [3]	**97,717**	**0**	**3,439**	**-579**	**3,802**	**104,379**

1) Revenue excl. adjustment of over-/under-recoveries
2) Staff costs less work performed for own account and capitalised
3) Profit (loss) for the year before adjustment of over-/under-recoveries of charges amounting to a loss of DKK 13.9 million and tax amounting to an expense of DKK 22.7 million

Performance requirements

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

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

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

Performance targets for the third reference period, RP3, from 2020 to 2024, are expected to be adopted in mid-2019.

Customers

In 2018, our five largest en route customers were:

- SAS (15.6%)
- Norwegian (14.1%)
- KLM (7.7%)
- Ryanair (6.5%)
- British Airways (4.5%)

En route activities accounted for 69.4 per cent of our revenue before adjustment of over-/under-recovery of charges in 2018.

In 2018, our five largest aerodrome control service customers at Copenhagen Airport were:

- SAS (35.4%)
- Norwegian (17.0 %)
- Ryanair (4.2%)
- EasyJet Airline (3.6%)
- Lufthansa (2.4%)

Aerodrome control service at Copenhagen Airport accounted for 17.3 per cent of our revenue before adjustment of over-/under-recovery of charges in 2018.

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 1,100 customers subscribed to the newsletter about our publications in 2018.

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.

We held our latest customer meetings at the end of 2018 and the beginning of 2019. Between October and January, we met with airlines and airports. Our customers generally express satisfaction both with the operational cooperation with Naviair and the service we provide.

International partnerships and alliances

Air travel 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. This enables 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 the work 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 ANSPs and meeting the requirements of the Single European Sky programme.

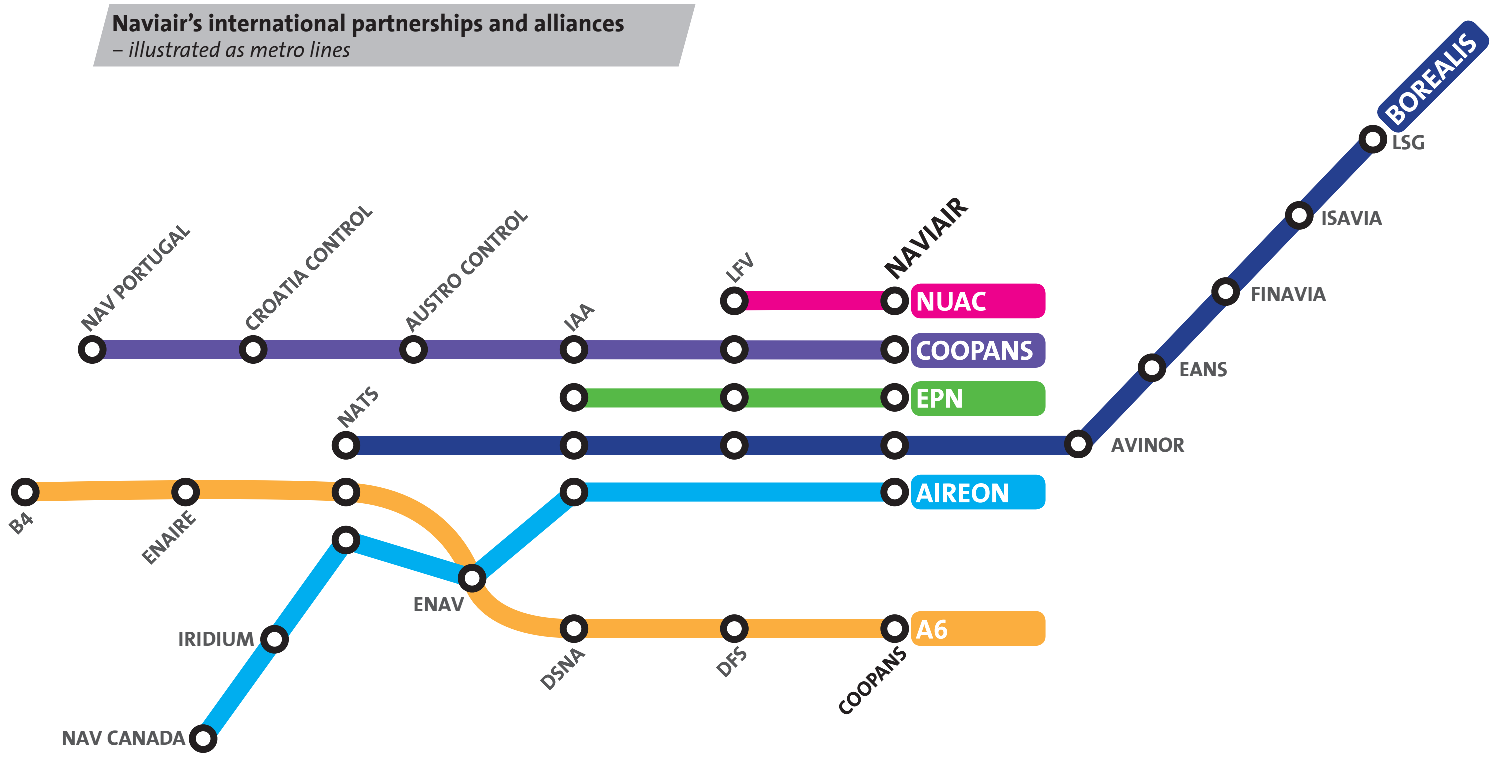
Our five most important partnerships are:

- NUAC
- COOPANS
- Entry Point North (EPN)
- Borealis
- Aireon

NUAC

NUAC was established in 2009 as the first – and is still the only – integrated operating company in Europe that is responsible for en route ATM in a joint FAB. Through our co-ownership of NUAC, we work together with Swedish LFV on the operation of the three ATCCs in Denmark and Sweden, which NUAC operates as a subcontractor on behalf of Naviair and LFV. NUAC only has 12 employees, with the remaining approximately 630 employees being on secondment to NUAC from Naviair and LFV. The three ATCCs and other equipment used by NUAC are owned by Naviair and LFV, but made available to NUAC.

Naviair's international partnerships and alliances
– illustrated as metro lines



COOPANS

COOPANS is an international partnership consisting of Naviair, Austro Control, Croatia Control, the Irish Aviation Authority (IAA), LFV and NAV Portugal.

COOPANS was set up in 2006 as a cooperation between Naviair, IAA and LFV with the joint ambitions of cutting individual technical development costs and jointly harmonising and standardising technical equipment. COOPANS has been so successful that a further three European ANSPs have so far become paying partners, most recently NAV Portugal in 2018.

NAV Portugal will be buying a new ATM system in the coming years and consequently wished to join the technical alliance, which achieved a unique result as early as 2015 when the seven control centres in Denmark, Sweden, Ireland, Austria and Croatia were able to operate as fully harmonised at the same time as implementing regular, synchronised upgrading without any inconvenience to ATM. This is a unique development in European ATM, where the ANSPs in the other countries are still running their control centres with individual, technically very diverse systems.

We estimate that we cut our system development costs by at least 30 per cent compared with the costs each partner would incur if we had to develop the technology independently.

To this should be added our considerable savings in operating expenses as a result of joint work concepts and exchange of experience.

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

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, IAA and LFV. The academy provides tailored training courses to ANSPs in more than 20 countries.

Borealis

Together with LFV, we introduced Free Route Airspace (FRA) already in 2011, enabling airlines to freely plan their flights through the airspace in DK-SE FAB. Through our membership of Borealis, we are work-ing 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.

Co-financed by the European Union
Connecting Europe Facility

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 last ten were launched in January 2019. The path has now been paved for the world's first space-based global air traffic surveillance system to go live in the course of 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 far more precise surveillance data that will be available in the future will 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 anticipated considerable 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 like Air France Flight 447 in June 2009.

Aireon has signed final agreements on the sale of surveillance data with customers in several countries, and potential customers in a number of countries have expressed an interest in entering into final agreements when the system goes live.

Naviair is one of the partners in Aireon, with a 4.4 per cent ownership interest, 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%), ENAV (9.1%) the IAA (4.4%), and UK NATS (9.1%) as the most recent ANSP to join the group of owners.

A6
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

A well-informed and positive approach to corporate responsibility is a fully integral part of Naviair's activities and culture. This is underpinned by our safety and quality policy, which ensures that flight safety is our number one priority. The work on corporate social responsibility has an equally important place in Naviair's strategic targets as other initiatives in our overall strategy. Although we have not defined a code of ethics, we adhere to a number of internal guidelines that ensure job satisfaction and employee development and that we take no part in any breaches of human rights, corruption or violation of any type of legislation relevant to our activities.

We are working hard to make it easier, better and cheaper for our customers to use the airspace – while reducing their impact on the environment. One component of our CSR work is our ambition to have an effect on sustainable social development and demonstrate this in practice. We would like to be known in Denmark and beyond as a green, sustainable and responsible ANSP with a climate-friendly footprint.

For further information on our work on CSR, including environmental and climate initiatives, social and employee relationships and anti-corruption and bribery policies, see our CSR report at 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 state, Naviair is ultimately subject to the authority of the Danish state represented by the Danish Ministry of Transport, Building, and Housing, within the framework established by law.

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

We comply with the Danish state's recommendations on corporate governance, where relevant 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, Building, and Housing – including three women and two men. The other three members – one woman and two 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 the aviation industry 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 2018.

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

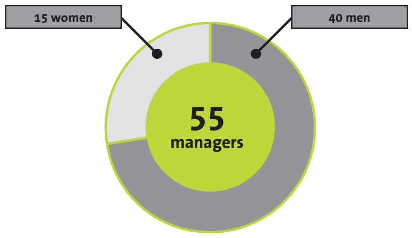
The chairmanship of the Board of Directors meets with the Danish Minister for Transport, Building, and Housing every quarter and at these meetings submits an extensive, detailed report on the company's strategic situation, follow-up on the company's operating results, etc.

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

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

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

The Board of Directors monitors the financial reporting process, including that applicable laws are being com-



plied with and that the accounting policies are relevant. The Board has an Internal Audit Committee with two members.

At the end of 2018, Naviair's management team consisted of 15 women and 40 men, including managers on secondment to NUAC. Women consequently accounted for 27 per cent of the overall management team.

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

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

Special risks

In Naviair's assessment of general risks for 2019, two areas were identified as high risk:

1. Aireon Holdings LLC
2. More stringent cost requirements in connection with EU regulation

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

For Aireon, the risk is that the project is still associated with commercial issues. There is a financial risk associated with the conclusion of contracts with companies wishing to buy Aireon's services. Fewer contracts than expected will make it difficult to maintain the anticipated income. However, Naviair is helping by actively promoting Aireon. At the same time, the robustness of our capital structure means that risks related to Aireon that may result in a need for write-downs will not threaten Naviair's survival.

With regard to cost requirements in connection with EU regulation in reference period 3, Naviair may be faced with increased savings, which may affect our ability to deliver delay-free traffic, as the economic pressure may impact the company's ability and opportunity to be in a position to make the necessary future recruitment and investment in technology that would help to ensure delay-free operations. However, up to the beginning of reference period 3 in 2020, we will be constantly working to ensure that Naviair and our customers will have the best possible conditions for ATM from 2020 onwards and we will make every imaginable effort to secure the right balance between capacity, delay-free operations and costs.

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

We need to be able to meet our customers' capacity requirements at all times. Naviair's financial flexibility is limited as we rely on specialised employees on our staff. Training ATCOs so that they can be issued with the certificate required to work in accordance with Danish rules and procedures is costly and takes up to three years on average. We consequently cannot adjust our costs overnight in response to situations in which we experience a sharp decline in income or an increase in air traffic. The risk of negative consequences resulting from a temporary decline in income is mitigated partly by a high degree of cost consciousness and partly by maintaining sound financial resources.

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

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

Outlook for 2019

For 2019, we expect limited growth in air traffic compared with 2018. Growth is expected both in En route – Denmark and traffic in TNC Copenhagen. The anticipated development in air traffic is based on Eurocontrol's latest forecast from September 2018.

Recent years' price reductions have a downward effect on Naviair's income. Income in 2019 will be considerably lower than in 2018, despite the anticipated limited growth in traffic. This is partly because total operating income is expected to decrease as a result of price reductions for En route that will not be offset by increased income from TNC Copenhagen, but also because operating expenses are growing, mainly reflecting higher staff costs due to, among other things, a major intake of new ATCO trainees and employees who re expected to return from leave. The result for 2019 is also expected to be affected by considerable growth in investments.

Overall, Naviair expects a modest profit for 2019.

Naviair's management

Board of Directors

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

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

Henrik Christoffersen
Senior ATCO
Elected by the employees

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

Per Møller Jensen
Senior Vice President, Brand & Marketing, Danske Bank A/S
Member of the Board of Directors of Green Mobility

Helle Munksø
Senior ATCO
Elected by the employees

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

Christina Rasmussen
Senior Vice President, Finance, Aktieselskabet William Demant

Executive Board

Carsten Fich
CEO
Member of the Boards of Directors of NUAC HB, Aireon Holdings LLC and H.J. Hansen Recycling Industry A/S

Søren Stahlfest Møller
Deputy CEO & CFO
Chairman of the Board of Directors of Entry Point North AB and member of the Board of Directors of NUAC HB

Other senior executives

Claus Skjærbæk
COO

Bent Fog
Director, Technical Maintenance

Susanne Isaksen
Director, International Affairs

Mikael Ericsson
Director, ATM Projects & Engineering

Bo Pedersen
Director, Communications & Public Affairs

Thorsten Elkjær
Director, Tower & Approach Services

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

Michael Thomsen
Director, Legal Affairs

With an average of 1,938 en route flights, Friday was the busiest weekday in 2018.

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 2018.

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

We consider the accounting policies applied to be appropriate and, in our opinion, the financial statements give a true and fair view of the company's financial position and of the results of the company's operations and cash flows. In our opinion, the Management's review gives a fair review of the development in the company's and the group's operations and financial matters, the results for the year, the company's financial position, the financial position as a whole of the entities included in the consolidated financial statements as well as a description of the significant risks and uncertainty factors pertaining to the company and the group.

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

Copenhagen, 28 February 2019

On the Executive Board

Carsten Fich
CEO

Søren Stahlfest Møller
Deputy CEO & CFO

On the Board of Directors

Anne Birgitte Lundholt
Chairman

Michael Fleischer
Deputy Chairman

Henrik Christoffersen *

Flemming Kim Hansen *

Per Møller Jensen

Helle Munksø *

Birthe Høegh Rask **

Christina Rasmussen **

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

June was the first time ever

For the first time ever, in 2018 Naviair managed a whole month with an average of over 2,000 daily en route flights. The average in June was actually 2,034 flights per day.

Independent auditors' report

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

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

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Naviair, a company owned by the Danish state, for the financial year 1 January – 31 December 2018 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 2018 and of the results of the group's and Naviair's operations and cash flows for the financial year 1 January – 31 December 2018 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.

0.01 minutes – or just 0.6 seconds! That is the insignificant average en route delay per aircraft under our responsibility. So we run a more or less delay-free operation.

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, 28 February 2019

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

Naviair reported no delays in en route traffic on 361 of the 365 days in the year.

Accounting policies

The 2018 annual report of Naviair, a company owned by the Danish state, is presented in accordance with the provisions of the Danish Financial Statements Act for reporting class D.

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

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

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

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

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

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

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

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

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

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

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

Income statement

Revenue
Revenue related to air traffic control is recognised in the income statement in the period in which the flights have taken place. Other income is recognised when delivery to the buyer has been made. Income related to the award of government grants for operating projects is recognised in the income statement as the associated costs are recognised.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other securities and equity investments
Other 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.

Naviair's technical department carried out 224 updates/upgrades of operational systems in 2018.

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 pen-sion 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.

The three busiest domestic routes

København <-> Aalborg	9,077
København <-> Rønne	5,517
København <-> Karup	4,050

– *number of flights*

In 2018, no less than 322 different types of aircraft (IFR) flew through Danish airspace.

Naviair has responsibility for the flights of more than 100 million passengers per year.

INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER *(DKK '000)*	Note	Group 2018	 2017	Parent company 2018	 2017
Revenue	1	957,745	937,799	957,757	937,810
Work performed for own account and capitalised	2	21,252	21,205	21,252	21,205
Other operating income	3	301,336	298,214	301,336	298,214
Other external expenses	4	-196,971	-193,842	-196,706	-193,782
Staff costs	5	-585,715	-578,566	-585,715	-578,566
Depreciation, amortisation and impairment losses	6	-96,459	-89,716	-96,459	-89,716
Other operating expenses	3	-307,995	-305,926	-307,995	-305,926
Operating profit		**93,193**	**89,168**	**93,470**	**89,239**
Income from investments in associates		6,929	3,810	0	4,766
Financial income	7	4,225	940	10,813	7,530
Financial expenses	8	-13,817	-14,385	-13,775	-14,385
Profit on ordinary activities before tax		**90,530**	**79,533**	**90,508**	**87,150**
Income tax expense	9	-20,227	-13,966	-22,689	-19,775
Profit for the year	10	**70,303**	**65,567**	**67,819**	**67,375**

Balance sheet

ASSETS *(DKK '000)*	Note	Group 31.12.2018	Group 31.12.2017	Parent company 31.12.2018	Parent company 31.12.2017
Intangible rights acquired		2,571	2,623	2,571	2,623
ATM system		550,631	553,048	550,631	553,048
Intangible assets under construction		28,391	38,443	28,391	38,443
Intangible assets	11	**581,593**	**594,114**	**581,593**	**594,114**
Land and buildings		271,679	255,425	271,679	255,425
Plant and machinery		267,366	145,487	267,366	145,487
Fixtures and fittings, tools and equipment		5,880	6,020	5,880	6,020
Property, plant and equipment under construction		59,606	161,628	59,606	161,628
Property, plant and equipment	12	**604,531**	**568,560**	**604,531**	**568,560**
Investments in group enterprises		0	0	75,500	75,500
Investments in associates		21,109	14,620	4,833	4,833
Other securities and equity investments		180,177	180,177	0	0
Investments	13	**201,286**	**194,797**	**80,333**	**80,333**
Fixed assets		**1,387,410**	**1,357,471**	**1,266,457**	**1,243,007**
Trade receivables	14	156,835	144,669	156,835	144,669
Receivables from group enterprises		0	0	128,556	123,920
Receivables from associates		869	890	869	890
Other receivables	15	55,488	18,150	55,485	18,147
Regulatory under-recoveries	16	0	1,021	0	1,021
Prepayments	17	37,390	35,167	37,390	35,167
Receivables		**250,582**	**199,897**	**379,135**	**323,814**
Securities		**99,589**	**0**	**99,589**	**0**
Cash		**81,723**	**146,722**	**70,324**	**129,548**
Current assets		**431,894**	**346,619**	**549,048**	**453,362**
Assets		**1,819,304**	**1,704,090**	**1,815,505**	**1,696,369**

EQUITY AND LIABILITIES *(DKK '000)*	Note	**Group** 31.12.2018	**Group** 31.12.2017	**Parent company** 31.12.2018	**Parent company** 31.12.2017
Contributed capital		600,000	600,000	600,000	600,000
Reserve for net revaluation according to the equity method		16,276	9,787	0	0
Retained earnings		485,562	422,188	498,065	430,246
Equity		**1,101,838**	**1,031,975**	**1,098,065**	**1,030,246**
Deferred tax	18	75,018	73,154	75,018	67,187
Provisions for regulatory over-recoveries	19	153,955	141,105	153,955	141,105
Provisions		**228,973**	**214,259**	**228,973**	**208,292**
Subordinated loan capital	20	200,000	200,000	200,000	200,000
Long-term liabilities other than provisions		**200,000**	**200,000**	**200,000**	**200,000**
Trade payables		62,562	36,392	62,536	36,367
Payables to associates		0	245	0	245
Income tax payable		11,583	15,683	11,583	15,683
Other payables	21	144,608	160,340	144,608	160,340
Deferred income		69,740	45,196	69,740	45,196
Short-term liabilities other than provisions		**288,493**	**257,856**	**288,467**	**257,831**
Liabilities other than provisions		**488,493**	**457,856**	**488,467**	**457,831**
Equity and liabilities		**1,819,304**	**1,704,090**	**1,815,505**	**1,696,369**

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

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY *(DKK '000)*	Group				Parent company		
	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Total	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	600,000	9,787	422,188	1,031,975	600,000	430,246	1,030,246
Foreign exchange adjustments	0	-440	0	-440	0	0	0
Profit for the year	0	6,929	63,374	70,303	0	67,819	67,819
Equity at 31 December 2018	**600,000**	**16,276**	**485,562**	**1,101,838**	**600,000**	**498,065**	**1,098,065**

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

Cash flow statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DEC *(DKK '000)*	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Operating profit		93,193	89,168	93,470	89,239
Depreciation, amortisation and impairment losses		99,814	91,590	99,814	91,590
Other provisions		14,714	51,297	20,681	46,475
Working capital movements	25	-20,008	-4,039	-24,648	-178
Cash flows from operations		**187,713**	**228,016**	**189,317**	**227,126**
Financial income received		4,225	5,706	10,813	12,296
Financial expenses paid		-13,817	-14,385	-13,775	-14,385
Income tax paid		-20,267	4,011	-22,726	-1,798
Cash flows from operating activities		**157,854**	**223,348**	**163,629**	**223,239**
Purchase of intangible assets		-30,184	-26,344	-30,184	-26,344
Purchase of property, plant and equipment		-93,080	-92,900	-93,080	-92,900
Purchase of investments		0	-23,969	0	-4,754
Investments in securities		-99,589	0	-99,589	0
Cash flows from investing activities		**-222,853**	**-143,213**	**-222,853**	**-123,998**
Repayments on subordinated loan capital		0	0	0	0
Cash flows from financing activities		**0**	**0**	**0**	**0**
Net increase (decrease) in cash and cash equivalents		**-64,999**	**80,135**	**-59,224**	**99,241**
Cash and cash equivalents at 1 January		146,722	66,587	129,548	30,307
Cash and cash equivalents at 31 December		**81,723**	**146,722**	**70,324**	**129,548**

Notes

1 Revenue	Group		Parent company	
(DKK '000)	2018	2017	2018	2017
En route – Denmark, charges	628,971	649,167	628,971	649,167
TNC Copenhagen, charges	163,581	170,250	163,581	170,250
Local airports	54,906	52,061	54,906	52,061
North Atlantic	36,719	41,719	36,719	41,719
Areas covered by the Danish Appropriations Act	35,419	33,978	35,419	33,978
Other trade receivables	52,020	35,360	52,032	35,371
Adjustment of over-/under-recoveries charges	-13,871	-44,736	-13,871	-44,736
	957,745	**937,799**	**957,757**	**937,810**

2 Work performed for own account and capitalised	Group		Parent company	
(DKK '000)	2018	2017	2018	2017
Capitalised direct payroll	19,521	19,721	19,521	19,721
Capitalised indirect production costs	1,731	1,484	1,731	1,484
	21,252	**21,205**	**21,252**	**21,205**

3 Other operating income and other operating expenses

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

4 Other external expenses	Group		Parent company	
(DKK '000)	2018	2017	2018	2017
Audit fees, external auditor				
Audit fees, external auditor	446	434	420	408
Consultancy fees, external auditor	232	799	232	799
Other assurance engagements, external auditor	85	100	85	100
National Audit Office of Denmark, audit fees	280	380	280	380
	1,043	**1,713**	**1,017**	**1,687**

5 Staff costs

(DKK '000)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Wages and salaries	498,270	496,143	498,270	496,143
Pensions	85,302	80,603	85,302	80,603
Other social security costs	2,143	1,820	2,143	1,820
	585,715	**578,566**	**585,715**	**578,566**
Of which remuneration to the Executive Board and the Board of Directors:				
Salaries to the Executive Board	5,315	3,224	5,315	3,224
Pensions to the Executive Board	684	575	684	575
Remuneration to the Board of Directors	1,452	1,409	1,452	1,409
	7,451	**5,208**	**7,451**	**5,208**

Salary and pension for the current CEO for the period 1 May - 31 December 2018 totalled DKK 1,485 thousand.
Salary and pension for the former CEO for the period 1 January - 31 July 2018 was DKK 2,730 thousand, including severance pay, fixed-term employment DKK 1,188 thousand, holiday pay on termination of employment DKK 149 thousand, performance-based pay DKK 107 thousand, and anniversary bonus DKK 8 thousand.
Salary and pension for the Deputy CEO & CFO totalled DKK 1,785 thousand, including performance-based pay DKK 71 thousand. The remuneration of the Chairman of the Board of Directors was DKK 359 thousand, the remuneration of the Deputy Chairman DKK 243 thousand and the remuneration of other members DKK 118 thousand. Remuneration to members of the Audit Committee totalled DKK 106 thousand.

	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Average number of employees	**631**	**625**	**631**	**625**

6 Depreciation, amortisation and impairment losses

(DKK '000)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Intangible assets acquired	2,362	2,056	2,362	2,056
ATM system	40,343	42,746	40,343	42,746
Land and buildings	20,144	18,831	20,144	18,831
Plant and machinery	33,221	25,067	33,221	25,067
Fixtures and fittings, tools and equipment	3,744	2,890	3,744	2,890
Government grants for capital expenditure projects	-3,355	-1,874	-3,355	-1,874
	96,459	**89,716**	**96,459**	**89,716**

7 Financial income

(DKK '000)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Foreign exchange gains	3,340	787	3,338	787
Interest income group enterprises	0	0	6,590	6,590
Interest income associates	2	2	2	2
Other interest income	877	151	877	151
Non-taxable interest and percentage supplement	6	0	6	0
	4,225	**940**	**10,813**	**7,530**

8 Financial expenses	Group		Parent company	
(DKK '000)	**2018**	**2017**	**2018**	**2017**
Foreign exchange losses	1,939	966	1,937	966
Other interest expense	19,209	19,069	19,169	19,069
Non-deductible interest and percentage supplement	239	0	239	0
Capitalisation of interim interest	-7,570	-5,650	-7,570	-5,650
	13,817	**14,385**	**13,775**	**14,385**

9 Income tax expense	Group		Parent company	
(DKK '000)	**2018**	**2017**	**2018**	**2017**
Current tax for the year	8,463	17,708	9,922	19,173
Change in deferred tax	9,910	0	9,910	0
Adjustment of prior year taxes	1,854	-3,742	2,857	602
	20,227	**13,966**	**22,689**	**19,775**

10 Proposed distribution of profit	Group		Parent company	
(DKK '000)	**2018**	**2017**	**2018**	**2017**
Reserve for net revaluation according to the equity method	6,929	3,810	0	0
Retained earnings	63,374	61,757	67,819	67,375
	70,303	**65,567**	**67,819**	**67,375**

11 Intangible assets

(DKK '000)	Intangible rights acquired	ATM system	Intangible assets under construction	Total
Cost at 1 January 2018	21,347	878,613	38,443	938,403
Additions	291	5,334	24,559	30,184
Transfers	2,019	32,592	-34,611	0
Cost at 31 December 2018	**23,657**	**916,539**	**28,391**	**968,587**
Amortisation and impairment losses at 1 January 2018	18,724	325,565	0	344,289
Amortisation charge	2,362	40,343	0	42,705
Amortisation and impairment losses at 31 December 2018	**21,086**	**365,908**	**0**	**386,994**
Carrying amount at 31 December 2018	**2,571**	**550,631**	**28,391**	**581,593**
Portion related to capitalised finance costs	0	28,486	1,232	29,718

12 Property, plant and equipment

(DKK '000)	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2018	596,683	593,281	25,158	161,628	1,376,750
Additions	6,738	39,573	238	46,531	93,080
Disposals	-969	-25,219	0	0	-26,188
Transfers	29,660	115,527	3,366	-148,553	0
Cost at 31 December 2018	**632,112**	**723,162**	**28,762**	**59,606**	**1,443,642**
Depreciation and impairment losses at 1 January 2018	341,258	447,794	19,138	0	808,190
Depreciation charge	20,130	33,221	3,744	0	57,095
Write-downs on scrapped assets	14	0	0	0	14
Disposals	-969	-25,219	0	0	-26,188
Depreciation and impairment losses at 31 December 2018	**360,433**	**455,796**	**22,882**	**0**	**839,111**
Carrying amount at 31 December 2018	**271,679**	**267,366**	**5,880**	**59,606**	**604,531**
Portion related to capitalised finance costs	6,170	15,403	0	977	22,550

Except for a few buildings with a total carrying amount of DKK 20.0 million at 31 December 2018, 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 151.3 million at 31 December 2018 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			Parent company		
	Investments in associates	Other securities and equity invest-ments	Total	Invest-ments in group enter-prises	Invest-ments in associates	Total
Cost at 1 January 2018	4,833	180,177	185,010	75,500	4,833	80,333
Additions	0	0	0	0	0	0
Cost at 31 December 2018	**4,833**	**180,177**	**185,010**	**75,500**	**4,833**	**80,333**
Revaluation at 1 January 2018	9,787	0	9,787	0	0	0
Dividends paid	0	0	0	0	0	0
Foreign exchange adjustments	-440	0	-440	0	0	0
Share of profit for the year	6,929	0	6,929	0	0	0
Revaluation at 31 December 2018	**16,276**	**0**	**16,276**	**0**	**0**	**0**
Carrying amount at 31 December 2018	**21,109**	**180,177**	**201,286**	**75,500**	**4,833**	**80,333**

(DKK '000)	Registered office	Corporate form	Ownership interest	Equity at 31 December 2018	Profit/loss 2018
Investments in group enterprises comprise:					
Naviair Surveillance A/S	Copenhagen	A/S	100.0	62,996	-4,445
Investments in associates comprise:					
Entry Point North AB	Malmø-Sturup	AB	33.3	57,111	22,390
NUAC HB	Malmö	HB	50.0	912	82
Other securities and equity investments comprise:					
Aireon Holdings LLC	Delaware, USA	LLC	4.4		

14	Trade receivables	Group		Parent company	
	(DKK '000)	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
	Trade receivables, gross	160,936	155,004	160,936	155,004
	Provision for bad and doubtful debts	-4,101	-10,335	-4,101	-10,335
		156,835	**144,669**	**156,835**	**144,669**

15	Other receivables	Group		Parent company	
	(DKK '000)	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
	VAT and duties	5,314	4,387	5,314	4,384
	Other receivables	50,174	13,763	50,171	13,763
		55,488	**18,150**	**55,485**	**18,147**

16	Regulatory under-recoveries *(DKK '000)*	Tower control other airports
	Regulatory under-recoveries at 1 January 2018	1,021
	Adjustment for the year	-1,021
	Regulatory under-recoveries at 31 December 2018	**0**
	Portion expected to be recovered within one year	-

17 Prepayments

(DKK '000)	Group 31.12.2018	Group 31.12.2017	Parent company 31.12.2018	Parent company 31.12.2017
Prepaid payroll	29,865	28,494	29,865	28,494
Other prepayments	7,525	6,673	7,525	6,673
	37,390	**35,167**	**37,390**	**35,167**

18 Deferred tax

(DKK '000)	Group 31.12.2018	Group 31.12.2017	Parent company 31.12.2018	Parent company 31.12.2017
Deferred tax relates to the following items:				
Property, plant and equipment	108,888	90,543	108,888	90,543
Limitation of deductibility carried forward, interest etc.	0	-4,686	0	-4,686
Over-recoveries charges	-33,870	-20,977	-33,870	-20,977
Tax loss carryforwards	0	8,274	0	2,307
	75,018	**73,154**	**75,018**	**67,187**

Provision for deferred tax at 31 December 2018 has been made at 22%, corresponding to the current tax rate.

19 Provisions for regulatory over-recoveries

(DKK '000)	En route Denmark	TNC Copenhagen	Tower control other airports	Total
Provisions for regulatory over-recoveries at 1 January 2018	70,085	68,445	2,575	141,105
Reversed during the year due to recognition in price	-25,457	-34,927	-2,575	-62,959
New over-recovery arising during the year	55,439	20,370	0	75,809
Provisions for regulatory over-recoveries at 31 December 2018	**100,067**	**53,888**	**0**	**153,955**
Portion expected to be reversed within one year	44,392	37,230	0	81,622

20 Subordinated loan capital

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

21 Other payables

	Group		Parent company	
(DKK '000)	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Holiday pay liability	88,205	86,417	88,205	86,417
Payroll, A-tax, social security contributions etc. payable	40,392	46,136	40,392	46,136
Other payables	16,011	27,787	16,011	27,787
	144,608	**160,340**	**144,608**	**160,340**

22 Contingent liabilities

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

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

As mentioned under Accounting policies, Naviair has recognised income from government grants for operating projects in revenue. As the rules and guidelines for recognising such income are not yet available from the European Commission, customary practice for recognising funding received has been applied. The outcome of these guidelines is subject to considerable uncertainty. If the European Commission decides that income received in connection with such projects is to be returned to users in the form of a rate reduction, an obligation may arise to reducethe 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 around DKK 113 million.
The remaining payment obligation under these contracts is approximately DKK 47 million.

23 Related parties and ownership

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

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

24 Events after the reporting period

There have been no events after the reporting period that affect the fair presentation of profit for the year or the balance sheet at 31 December 2018.

25 Cash flow statement – working capital movements

(DKK '000)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Changes in receivables etc.	-50,685	10,137	-55,321	13,997
Change in liabilities other than provisions etc.	30,677	-14,176	30,673	-14,175
	-20,008	**-4,039**	**-24,648**	**-178**

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Photo on front cover: Airbus 340 from SAS during take-off from runway 22R at Copenhagen Airport.

Photographer: Kasper Meldgaard

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