

Annual report 2019



Contents

HIGHLIGHTS	3
ABOUT AVINOR FLYSIKRING AS	4
IMPORTANT EVENTS IN 2019	4
ECONOMY AND FINANCE	6
CORPORATE GOVERNANCE AND COMPANY MANAGEMENT	9
TRAFFIC DEVELOPMENT	9
AIR SAFETY AND HSE.....	9
CORPORATE SOCIAL RESPONSIBILITY AND TASKS RELATING TO CORPORATE SOCIAL RESPONSIBILITY.....	10
PERSONNEL AND ORGANISATION	11
OUTLOOK AND FRAMEWORK CONDITIONS	12
ANNUAL ACCOUNTS FOR 2019 WITH NOTES	14

Annual Report 2019

HIGHLIGHTS

Avinor Flysikring AS provides tower services at airports, air traffic control services for traffic in Norwegian airspace and technical infrastructure for air navigation. It has divided its operations into the following primary areas:

- En-route navigation services
- Tower services
- Technology services

In 2019, Avinor Flysikring AS delivered safe and stable operations. Europe saw a continued sharp rise in air traffic in 2019, which has posed considerable capacity challenges within en-route navigation services in central Europe. The situation in Norway is different, with a decrease in service units in the en-route services segment (-3.4%). Among European air navigation service providers, Avinor Flysikring AS has some of the best punctuality and regularity in Europe, according to Eurocontrol. The company has several major projects with high levels of activity. The company has changed its pension scheme. As of 1 January 2019, all employees under the age of 53 were transferred to a new defined-contribution pension scheme.

Several internal and external audits of Avinor Flysikring AS have been carried out, including by the Norwegian Civil Aviation Authority. Any discrepancies that were found have been dealt with by implementing corrective measures.

In 2019, Avinor Flysikring AS took part in several national and international tenders. These tenders involved both tower services and technology services. Avinor Flysikring AS has established a subsidiary, Ninox Air Navigation Services S.L. in partnership with the Spanish company Gesnaer, with the goal of winning tenders for tower services in the Spanish market. Avinor Flysikring AS lost the tenders for Kristiansand Airport Kjevik and Ålesund Airport Vigra effective as of April 2020.

In 2019 Avinor Flysikring AS commenced the construction of the World's largest remote towers centre in Bodø, Norway, with the aim of operating a minimum of 15 airport towers remotely.

ABOUT AVINOR FLYSIKRING AS

Avinor Flysikring AS is a limited liability company wholly owned by Avinor AS. The company's head office is located in Oslo.

Avinor Flysikring AS is regulated by the Norwegian Ministry of Transportation and Communications.

A service-based price system has been introduced for en-route services in Europe, whereby the risk is shared with airspace users. Tower services in the Norwegian market are now subject to competition. Other air navigation services are based on a cost-based price model.

Avinor Flysikring AS has the objective of being a leading provider of air navigation services. Avinor Flysikring AS's business concept is to create value for its customers and society by providing in-demand air navigation services.

Designated provider

Avinor Flysikring AS is the designated provider of en-route services until 2024. In White Paper 30 (2016-2017), the Norwegian parliament decided to open up local air traffic control services (tower services and approach control) to competition at Avinor's own airports.

On 14 October 2019, the Norwegian Ministry of Transport and Communications amended the decision to designate Avinor Flysikring as a provider of air navigation services as a result of the remote towers solution being put into use. The most important changes to the role of designated provider mean that Avinor AS has begun transferring responsibility for the AFIS service to Avinor Flysikring AS. The period of the role as a designated provider is now and until further notice, with no defined notice period.

In February 2019, the Spanish company Saerco was chosen as the provider of air navigation services at Kristiansand Airport Kjevik and Ålesund Airport Vigra. The reason was that Saerco had won the tender competitions for the provision of air navigation services at the two airports. On 24 February 2020 the Norwegian Ministry of Transport and Communications appointed Saerco as a supplier of air navigation services at Vigra and Kjevik. At the same time, the ministry adjusted the terms of Avinor Flysikring's role as a designated provider by, for example, giving Avinor Flysikring AS the responsibility to take over the provision of the services if other service providers are no longer able to provide the services they are designated to provide.

Avinor Flysikring AS works on an ongoing basis to ensure that the company is prepared for a competitive air navigation market.

IMPORTANT EVENTS IN 2019

Investment in remotely operated towers

Avinor Flysikring AS is investing heavily in remote-controlled towers in co-operation with Avinor AS and Kongsberg Defence & Aerospace. The construction of the new Remote Towers Centre in Bodø commenced in January 2019. The building will be used for operations during the course of the autumn of 2020. In October 2019, the operation of the AFIS service at Røst Airport was transferred

to Avinor Flysikring's Remote Towers Centre in Bodø. In the autumn of 2019, Avinor Flysikring signed a letter of intent with the Royal Norwegian Air Force for testing remote towers for military use.

The Avinor group aims to implement remote-controlled tower services at 15 airports, with a centralised towers centre in Bodø. The first airports will be served by the existing contingency centre in Bodø until the main centre is commissioned in 2021.

Remote-controlled towers are a key investment that offers huge opportunities for Avinor Flysikring AS and the Norwegian aviation industry. The technology paves the way for safe and efficient operations at Norwegian airports and provides huge potential for the Avinor group.

New pension scheme

With effect from 1 January 2019, the company changed its pension scheme from a defined-benefit scheme in the Norwegian Public Service Pension Fund to a defined-contribution scheme. The company's defined-benefit scheme is closed to new members. All employees under the age of 53 as at 1 January 2019 have been mandatorily transferred to the new scheme. Other employees were given the option of transferring to the new defined-contribution scheme.

A new law on compulsory occupational pensions was passed by Stortinget (the Norwegian parliament) in June 2019, effective as of 1 January 2020. This will result in a plan change and adversely affect Avinor Flysikring AS's financial performance in 2019.

Further details of the changes and the financial impact of the above changes are given under "Financial results" below, and in note 18 to the annual accounts.

Focus on drones

Avinor Flysikring AS has set up a separate programme for activities related to drones. The objective of the programme is to become a leading player in the development and management of drone activity, ensuring safety in controlled airspace and leveraging and developing any commercial potential. A key activity is the implementation of a traffic management system for drones to increase safety and leverage commercial potential for Avinor Flysikring AS. The programme will co-ordinate activities with the Norwegian Civil Aviation Authority, the Norwegian Ministry of Transport and Communications, the Avinor group and other relevant stakeholders.

Reference period 3

The European Commission's Single European Sky regulations, package 2, were implemented in 2009, with a focus on such things as performance requirements for the supply of en-route services. In 2019, Avinor Flysikring submitted a performance plan for reference period 3 (2020-2024) (RP3) to the Norwegian Civil Aviation Authority. RP 3 will set important framework conditions for the supply of en-route navigation services in the future.

Restructuring 2019

Avinor Flysikring initiated a restructuring programme with the objective of reducing costs by NOK 250 million by 2021, compared to 2018. A number of measures have already been implemented, including a reduction in the number of employees in the HR and support units, as well as a structural reorganisation with fewer managers. New operating concepts within the company's operational units are being implemented in 2020 and 2021.

International investments

The Norwegian parliament's ownership report (White Paper 30) for Avinor Flysikring AS allows the company to invest in international markets. In 2019, Avinor Flysikring AS participated in tender competitions in air traffic and technology services in Wales, Switzerland, and Scotland. There was also a tender competition for the operation of control towers in Spain with a submission deadline in the winter of 2020. The contract in Wales was awarded to a British company, and in Switzerland the contract was awarded to an Austrian company. In Scotland, Avinor Flysikring took part in the tender as a subcontractor to the company Helios. In Spain, Avinor Flysikring AS has a partnership with the Spanish company Gesnaer. Together, the parties have established a joint subsidiary, Ninox Air Navigation Services.

ECONOMY AND FINANCE

Financial results

In 2019 Avinor Flysikring AS had an operating income of NOK 2,100 million, compared with NOK 2,107 million in 2018, and a loss after tax of NOK -77 million, compared with a profit of NOK 184 million in 2018.

Total operating expenses before depreciation/amortisation, changes in value, and other gains/losses amounted to NOK 2,062 million in 2019, compared with NOK 1,774 million in 2018. The increase in expenses between 2018 and 2019 is primarily due to a change in the company's pension scheme, as mentioned in the "New pension scheme" section above. The new law on public-sector occupational pensions is considered as a plan change and is thus recognised in the income statement at a cost of NOK 149 million. In addition, the voluntary transition to a defined-contribution pension scheme in 2019 adversely affected profits by NOK 9 million. Furthermore, restructuring resulted in non-recurring costs of NOK 40 million, resulting in reduced costs going forwards. Adjusted for the effects of pension events and restructuring, the company's underlying operations are good.

In the period, the company had an operating loss of NOK -102 million. Total depreciation, amortisation, and write-downs for 2018 amounted to NOK 104 million. The operating margin was -4.6%. Net financial income amounted to NOK 3 million. The company's tax expense for 2019 was NOK -22 million.

Capitalised project expenses as at 31 December 2019 amounted to NOK 965 million and are classified as plant under construction in the balance sheet.

Positive estimate deviations for pensions in 2019 of NOK 167 million before tax are due to changes in economic assumptions. A more detailed description of pensions can be found in note 18 to the accounts.

Implementation of IFRS 16

The increase in depreciation and amortisation between 2018 and 2019 is primarily due to the effect of the implementation of the new accounting standard for measuring and calculating the company's lease obligations, which means that leased non-current assets and property, plant and equipment will be recognised in the income statement and balance sheet as if they were owned by Avinor Flysikring AS and loan-financed. This results in a reduction in other operating expenses of NOK 31.6 million, an increase of the company's depreciation and amortisation by NOK 30 million, and a financial cost in 2019 of NOK 7.5 million.

In the balance sheet, lease obligations are recognised on the asset side as assets with a right of use with associated lease obligations, of which the portion that is due in 2020 is recognised as a current liability.

For a more detailed description of the principles behind this and the accounting impact of the change, please see section 2.9 in note 1 and note 10.

Cash flow and capital structure

The company had a net cash flow from operating activities of NOK 471 million. Depreciation/amortisation of NOK 143 million has been charged to material accounting items without a cash-flow effect and differentiated between the expensed pension and actual contributions. Of this, NOK 30 million relates to depreciation and amortisation following the new IFRS 16 accounting standard. Of financial expenses, NOK 7.5 million does not have an impact on cash flow. The cash flow effect of lease expenses is NOK 31.6 million.

The company's total equity as at 31 December 2019 amounted to NOK 3,246 million, compared with NOK 2,781 million as at 31 December 2018. The equity ratio as at 31 December 2019 was 11% compared with 10.9% as at 31 December 2018. The impact of changes to economic assumptions that formed the basis for the calculation of pension liabilities has been recognised directly in equity.

As at 31 December 2019, Avinor Flysikring AS had non-interest-bearing liabilities with a cash-flow effect, and the liquidity reserve amounted to NOK 293 million in receivables as part of the Avinor group's group accounts scheme.

Appropriation of profits

The board proposes that the loss of NOK 77 million be covered by other equity.

The annual accounts for 2019 have been prepared on the assumption that the company will continue as a going concern (cf. Section 3-3 of the Norwegian Accounting Act) on the basis of forecasts, long-term plans, and prudent equity. The board confirms that the conditions for continuing as a going concern are present. As a result of the COVID-19 outbreak and its economic

impact, the parent company Avinor AS has issued a parent company guarantee for the continued operation of Avinor Flysikring AS. The parent company guarantee runs until 1 April 2021.

Avinor Flysikring AS's equity is incredibly volatile due to changes in its pension liabilities. The board is monitoring the situation and will take action as necessary. As at 31 December 2019, although the company had good liquidity and generally good finances, reduced income and cash flows from operations are expected as a result of reduced traffic due to the outbreak of COVID-19. In addition, the continuation of project activities during 2020 will require the injection of liquidity either in the form of capital injections or borrowing from the owner.

Risk

Avinor Flysikring AS's primary objective is safe and stable operations. Procedures and measures have been established to minimise both the likelihood and consequences of accidents and serious incidents. In addition to aircraft operations, the business is exposed to financial risk, including risks associated with the implementation of major technology projects.

The company's income is exposed to changes in air traffic and the loss of existing customers.

Avinor Flysikring AS's financial risk is related to currency fluctuations in relation to income and expenses in foreign currencies. Financial hedging instruments (currency derivatives) are used to curtail this risk.

The company continues to have a pension obligation in the balance sheet relating to the defined-benefit pension scheme with the Norwegian Public Service Pension Fund, which is sensitive to changes in economic conditions. See note 18 for the effects of the changes.

Fee income is collected via Eurocontrol, which provides invoicing services and follows up claims made to airspace users on behalf of Avinor Flysikring AS. As a result of the COVID-19 outbreak that has escalated throughout 2020, there has been a significant decrease in air traffic in the first half of 2020. Air traffic is expected to be affected by this beyond the first half of the year. This will result in both a loss of income and a higher risk of losses on receivables on fee income.

CORPORATE GOVERNANCE AND COMPANY MANAGEMENT

The executive board is preparing a separate statement on corporate governance and company management in accordance with the Norwegian Code of Practice for Corporate Governance (NUES). This statement is enclosed as an annex to the consolidated accounts and annual report.

The board of Avinor Flysikring AS consists of members elected externally and by employees. The chief executive officer of Avinor AS is the chair of the board. The board's work centres on the principles of sound corporate governance, including impartiality and the appropriateness of power structures.

TRAFFIC DEVELOPMENT

The number of commercial aircraft movements fell by 0.5% in 2019. International traffic was at the same level as in 2018, while domestic traffic and overflights fell by -1.1% and -3.2% respectively. The figures include offshore helicopter movements, which, when viewed separately, increased by 8.9%.

Service units decreased in 2019 by -3.4% compared with 2018. A decrease in income from several of the largest overflight routes, as well as reduced volume nationally, primarily as a result of Norwegian's reduced capacity, is the main reasons for this decline.

AIR SAFETY AND HSE

Focus areas in air navigation

A priority has been the establishing of safety levels and linking data from proactive and reactive flight safety activities in order to provide an improved risk picture and a holistic approach to risk management.

In addition, there were efforts to follow up on the results of safety culture surveys locally with central support in 2019, and a number of safety culture workshops were conducted for operations personnel.

In 2019 a key focus at Avinor Flysikring was the international trend of exceeding aircraft spacing minimums, runway incursions, and issues related to the use of drones.

A significant increase in the number of reported aviation incidents was recorded. This demonstrates that Avinor Flysikring has an entrenched reporting culture.

Exceedances of aircraft spacing minimums

A particular focus of Avinor Flysikring AS is the risk of exceeding aircraft spacing minimums, i.e. aircraft coming closer together than the set minimum distance.

Runway incursions

Avinor Flysikring has implemented a number of measures to reduce the risk of runway incursions in 2019, including through the implementation of a new communication platform on iPad that has enabled a more varied and dynamic form of communication than before.

Drones

The unauthorised use of drones poses a potential risk of accidents and serious incidents. Avinor Flysikring is putting substantial effort and resources into minimising this risk by, for example, raising awareness and competence, issuing relevant regulations and procedures, as well as working closely with the user environment, public authorities, and other service providers.

Avinor Flysikring has acquired a traffic management system, Unmanned Traffic Management (UTM), in order to integrate drones into airspace more safely. The operators and users of drones are a mix of professionals and hobbyists. Many are currently unfamiliar with airspace structure or how they should behave in relation to air traffic control. The system that has now been acquired is tailor-made for managing drones and drone users. The system is scheduled to be rolled out to Avinor Flysikring's tower units during 2020.

Accidents and serious aviation incidents

There were no aviation accidents and one serious aviation incident in Norwegian aviation to which Avinor Flysikring was a contributing party in 2019. The reporting rate has been very good and the degree of severity of aviation incidents has been lower.

Security

Threats to aviation have changed somewhat from previous years, and there is now greater awareness of inside threats and critical infrastructure. The organisation has conducted internal training on what inside threats are, as well as carried out security analyses for critical infrastructure. The foundation course for access cards has also changed, and there is now an increased focus on inside threats.

CORPORATE SOCIAL RESPONSIBILITY AND TASKS RELATING TO CORPORATE SOCIAL RESPONSIBILITY

The purpose of Avinor Flysikring and its task relating to corporate social responsibility is to provide air navigation services for civil and military aviation. Operations must be carried out in a safe, efficient, and environmentally friendly manner and ensure good accessibility for all airspace users.

In addition to tasks relating to corporate social responsibility, the owner may order Avinor Flysikring to perform certain tasks relating to corporate social responsibility on behalf of the state.

There are significant costs associated with tasks relating to corporate social responsibility. These are estimated to be around NOK 300 million in 2019. The Office of the Auditor General has ordered Avinor AS and Avinor Flysikring AS to prepare an overview of costs for tasks relating to corporate social responsibility, which will be regularly updated and submitted to the Norwegian Ministry of Transport and Communications.

Avinor Flysikring AS aims to be a responsible actor that contributes to the reduction of greenhouse emissions, as well as a responsible employer that provides equal opportunities to everyone, regardless of their gender, ethnic background, religion, disability, or sexual orientation.

Climate and environment

An objective of Avinor Flysikring AS is to contribute to reducing the negative environmental impact of aviation.

Avinor Flysikring AS is implementing several projects that are intended to optimise Norwegian airspace to improve safety, safeguard future capacity, standardise and streamline the provision of services, and reduce the negative impact on the environment.

In 2019, Avinor Flysikring AS's air traffic control services at Oslo Airport were rated by Eurocontrol as the best in Europe in the area of *continuous operations*, i.e. how quickly a plane is navigated from departure to cruising altitude and from cruising altitude to landing. As a result, Avinor Flysikring's provision of services at Oslo Airport has been chosen by Eurocontrol to be a case study on how best to provide such air traffic control services.

Avinor Flysikring AS will formulate clearer objectives pertaining to its corporate social responsibility and sustainability going forwards. This includes environmental certification pursuant to ISO 14001.

Responsible employer

In 2019, a strategic objective of Avinor Flysikring was the development of its employees, which includes being a responsible employer. The proportion of women in Avinor Flysikring AS's entire workforce in 2019 was 23%. The proportion of women in Avinor Flysikring AS's senior management in 2019 was 27%. In the recruitment of new student air traffic controllers, Avinor Flysikring emphasises the importance of reaching out to women as well as men in order to achieve a good gender balance in the application pool for air traffic controller training. 40% of the 825 applicants were women.

PERSONNEL AND ORGANISATION

Avinor Flysikring AS had 1,041 employees in 2019 with an average of 1,028 FTEs. The company had 1,000 permanent FTEs and 9 temporary FTEs. This is in addition to the 19 FTE student air traffic controllers.

The majority of Avinor Flysikring AS's employees are covered by collective agreements. Consequently the company's salary levels are equal between genders. Emphasis is placed on ensuring that all employees have equal opportunities in the company, irrespective of their gender, age, disability, ethnicity or cultural background. Avinor Flysikring AS has systematised performance reviews that ensure a neutral salary and career development. The recruitment of women and follow-up of women candidates is a high priority. In 2020, Avinor Flysikring has established a diversity and equality committee consisting of employees from across the company. This committee will provide input on both short-term and long-term measures. In addition, Avinor Flysikring adheres to the Avinor group's strategic guidelines on diversity and gender equality.

Sick leave in Avinor Flysikring AS was 3.7% in the period 1 January to 31 December 2019, which is unchanged from the year before. Long-term sick leave of more than eight weeks was 1.03%. The company's Inclusive Working Life target for sick leave is 4% or lower.

The company conducted an employee survey in the autumn of 2019 with a response rate of 83%.

Collaboration between the company's management and employee representatives is considered to be constructive and good.

OUTLOOK AND FRAMEWORK CONDITIONS

Economic forecast

Pandemic

In December 2019, COVID-19 broke out in China. By 2020, the extent of the virus outside China escalated significantly, reaching Europe and Norway. In March 2020, the WHO declared COVID-19 a pandemic. The economic impact of the COVID-19 outbreak on aviation is significant. Due to the reduction in demand for both domestic and international flights, airlines have reduced their networks and laid off staff. The reduction in air traffic means that Avinor Flysikring will have significantly lower income from en-route services than budgeted for 2020. Although air navigation fees are not covered by suspensions, as a member state of Eurocontrol, Norway has approved payment deferrals for en-route navigation fees, which has a further adverse effect on the company's liquidity.

Uncertainty has also arisen in the interest rate market as a result of the outbreak. This affects the development of the OMF interest rate, which is the basis for – and in the event of a decrease will have a negative effect on – the company's pension liabilities and equity.

Avinor Flysikring AS's primary focus is to provide continuity and ensure that operations continue throughout the coronavirus pandemic. The company's operations are being adjusted according to the reduction in traffic volumes in order to minimise our employees' exposure to the virus as well as to ensure a pool of reserve personnel who can cover for those who fall ill or must enter self-isolation.

Consequently, the company's profits and solvency in 2020 will be greatly affected by this situation. It is unclear when normality will start to return.

As a result of the increased risk posed by COVID-19 and its impact on the company's income and liquidity and on the interest rate market with respect to pension obligations, Avinor Flysikring AS has asked its owner for a parent company guarantee to ensure its continued operations. Avinor Flysikring is working on cost-cutting measures and reprioritising its investment portfolio in order to reduce investment levels in 2020. The progress of the remote tower programme will, for now, not be affected by these reductions. Owner Avinor AS has provided a parent company guarantee for Avinor Flysikring AS's continued operations. The guarantee is valid until 1 April 2021.

The board of directors believes that, based on the above, there is a basis for continued operations, but it will closely monitor the company's income and expenses over the coming months. This is in order to take further action if deemed necessary.

Performance plan

Regardless of the pandemic, a decrease in service units was expected in 2020. Norway has the weakest forecasts in Europe for traffic development in the coming years. 2019 was the last year of reference period 2 of the EU's performance system. The framework conditions in the form of a new performance plan for reference period 3 have been drafted. This will determine the service requirements for en-route navigation services between 2020 and 2024. The stagnation of income combined with high levels of investment poses challenges to the company's financial position in the coming years.

Competition

In the coming years, further competition is expected in tower and technology services in accordance with the existing government platform. The board is of the opinion that the company must be given the necessary framework conditions to compete in an open domestic and international market.

Ownership of Avinor Flysikring AS

In White Paper 30 (2016-2017), the Norwegian Ministry of Transport and Communications states that a process shall be in place until the next ownership report with the aim of transferring ownership of Avinor Flysikring AS out of the Avinor group. The Norwegian Ministry of Transport and Communications initiated a new study into the ownership of Avinor Flysikring AS in the autumn of 2019.

Pensions

The company's new pension scheme is expected to result in more stable pension expenses over time. Avinor Flysikring AS retains regulatory responsibility for those remaining in the old scheme as well as for the accrued or so-called "established" rights of those who have transferred to the new defined-contribution scheme. This means that the company's balance sheet and equity are still sensitive to changes in pension conditions.

New regulatory requirements in Europe

The current trends in European aviation include capacity challenges, more limited access to airspace due to increased traffic, fragmented and inefficient European aviation due to national interests, cost pressures, and the entry of new players, such as drones. This is all contributing to the challenge to conventional airspace. This issue is high on the EU's agenda. The starting point is that nation states have typically governed their own airspace and determined the navigation rules within the conventional airspace within each state's borders. The EU is considering measures to transfer authority from the nation state to joint network-centric bodies to overcome existing capacity challenges and prevent unnecessary fragmentation. The proposals could have regulatory and business consequences for Avinor Flysikring AS in the future.

Technological development

Avinor Flysikring AS is in the midst of major technological renewal, with several major projects such as remote-controlled towers, a new air traffic management system, and airspace surveillance. The projects will result in substantial investment costs going forwards. Emphasis is placed on ensuring good and effective internal processes, sound cost management of operations and projects, and addressing the expectations of owners and customers. The board is therefore closely monitoring the company's income, operating expenses, financing, and regulatory framework and requirements.

Oslo, 30. April 2020

Dag Falk-Petersen
Chair of the board

Espen Slyngstad
Vice-chair of the board

Mari Halvorsen-Sundgot

Sverre Ivar Elsbak

Charlotte Andsager

Ingrid Riddervold-
Lorange

Espen Danielsen

Anders Kirsebom
Managing Director

Avinor Flysikring AS
Income statement

All amounts in NOK million	Note	2019	2018
<i>Operating income:</i>			
En-route navigation services		1 169,6	1 202,6
Tower services		612,1	580,7
Systems operations		268,1	252,9
Other operating income		49,9	70,9
Total operating income	4	2 099,7	2 107,2
<i>Operating expenses:</i>			
Cost of sales		36,5	32,7
Payroll and other personnel expenses	5	1 635,4	1 328,8
Depreciation/amortisation and impairment losses	10, 11	142,7	104,3
Other operating expenses	7	390,1	412,9
Total operating expenses before changes in value and other (losses)/gains		2 204,8	1 878,8
Changes in value and other (losses)/gains – net	6	3,1	5,0
Operating profit/(loss)		-102,0	233,4
<i>Finance income and expenses:</i>			
Interest income	8	10,6	8,4
Other finance income	8	0,3	0,2
Interest expenses	8	7,8	0,3
Finance expenses – net		3,1	8,3
Profit/(loss) before tax		-98,9	241,7
Tax expense	9	-21,6	57,3
Profit/(loss) for the year		-77,3	184,4
Extended profit/(loss) for the year			
Actuarial gains/(losses) on pension liabilities	17, 18	167,4	-175,9
Tax effect		-36,8	40,5
Change in tax rate, effect of deferred tax assets/liabilities	17	0,0	-7,3
Total extended profit/(loss) after tax		130,6	-142,7
Comprehensive income for the year		53,3	41,7
Attributable to:			
Shareholders		53,3	41,7

Avinor Flysikring AS
Balance sheet

All amounts in NOK million	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
<i>Intangible assets:</i>			
Deferred tax assets	9	411,7	382,4
Other intangible assets	11	156,2	72,4
Total intangible assets		567,9	454,8
<i>Property, plant and equipment:</i>			
Property, plant and equipment	11	756,6	686,9
Plant under construction	11	964,7	733,9
Assets with a right of use	10	239,0	0,0
Total property, plant and equipment		1 960,2	1 420,8
<i>Financial fixed assets:</i>			
Investments in subsidiaries	21	1,1	1,0
Total financial fixed assets		1,1	1,0
Total non-current assets		2 529,2	1 876,6
Current assets			
Receivables	14	712,4	904,2
Derivatives	13	4,2	0,0
Bank deposits, cash and cash equivalents	15	0,0	0,0
Total current assets		716,6	904,2
Total assets		3 245,7	2 780,8

All amounts in NOK million	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity			
<i>Paid-in equity:</i>			
Share capital	16,17	365,0	365,0
Other paid-in equity	17	2,2	2,2
Total paid-in equity		367,2	367,2
<i>Retained earnings:</i>			
Other equity not recognised in the income statement	17	-439,3	-569,8
Other equity	17	429,6	506,8
Total retained earnings		-9,7	-63,0
Total equity		357,5	304,2
Liabilities and obligations			
<i>Provisions for liabilities:</i>			
Pension obligations	18	1 936,2	1 826,0
Other liabilities	19	22,0	4,5
Total liabilities		1 958,2	1 830,5
<i>Non-current liabilities:</i>			
Lease obligations	10	214,3	0,0
Total other non-current liabilities		214,3	0,0
<i>Current liabilities:</i>			
Accounts payable		217,6	48,4
Tax payable	9	44,6	34,1
Public duties payable		110,9	124,7
Derivatives	13	0,0	6,2
Lease obligations	10	30,3	0,0
Other current liabilities	19, 20	312,3	432,8
Total current liabilities		715,7	646,1
Total liabilities		2 888,2	2 476,6
Total equity and liabilities		3 245,7	2 780,8

The board of Avinor Flysikring AS, Oslo 25 March 2020

Dag Falk-Petersen
Chair of the board

Espen Slyngstad
Vice-chair of the board

Mari Halvorsen Sundgot

Ingrid Riddervold Lorange

Charlotte Andsager

Sverre Ivar Elsbak

Espen Danielsen

Anders Kirsebom
Managing Director

Avinor Flysikring AS
Statement of cash flows

All amounts in NOK million	Note	2019	2018
Cash flows from operating activities			
Cash flows from operating activities*		504,8	277,9
Interest received		0,7	0,2
Tax paid		-34,1	-54,3
Net cash flow from operating activities		471,4	223,8
Cash flows from investing activities			
Investments in property, plant and equipment		-447,0	-232,6
Intra-group interest		1,3	5,4
Intra-group investments		0,0	-1,0
Proceeds from sale of property, plant and equipment, including plant under const		0,5	4,4
Intra-group repayment of liabilities		-15,5	0,0
Change in other investments		0,3	0,2
Net cash flow from investing activities		-460,4	-223,6
Cash flows from financing activities			
Repayment of liabilities		-8,6	0,0
Interest paid		-2,4	-0,2
Net cash flow from financing activities		-11,0	-0,2
Change in bank deposits, cash and cash equivalents		0,0	0,0
Bank deposits, cash and cash equivalents as at 1 January		0,0	0,0
Bank deposits, cash and cash equivalents as at 31 December		0,0	0,0

All amounts in NOK million		2019	2018
Profit/(loss) before tax		-98,9	241,7
Ordinary depreciation/amortisation	10	142,7	104,3
Gains/(losses) on the sale of non-current assets		0,9	0,1
Changes in value and other (losses)/gains – net (unrealised)	6	-10,4	1,5
Net finance expenses		-3,1	-8,3
Change in inventories, accounts receivable and accounts payable		136,5	-42,1
Difference between recognised pension cost and amounts received/paid		277,7	-99,3
Changes in other accrual accounting items		-16,8	49,9
Changes in intra-group receivables and liabilities		76,1	30,0
Cash flow from operating activities		504,8	277,9

1. General information

Avinor Flysikring AS is a limited liability company registered in Norway. The company's head office is located in Oslo at Dronning Eufemias gate 6, NO-0191 OSLO, Norway.

2. Accounting policies

The annual accounts are prepared in accordance with § 3-9 of the Norwegian Accounting Act and the regulations on simplified IFRS as determined by the Norwegian Ministry of Finance in 2014. This essentially means that calculation and measurement follow international accounting standards (IFRS) and that the presentation and note disclosures are in accordance with the Norwegian Accounting Act and good accounting practices. The annual accounts were adopted by the company's board on 25 March 2020.

The financial statements for Avinor Flysikring AS are included in the consolidated accounts of Avinor AS (parent company), corporate identity number 985 198 292. consolidated accounts have not been prepared.

Accordingly, reference is made to Avinor's consolidated accounts, which can be found on the company's website at avinor.no

2.1. Simplified IFRS

The company has applied the following simplifications from the IFRS accounting and valuation rules:

IFRS 1 no. 7 on the carrying of the original cost of investments in subsidiaries, associated companies and joint ventures.

IAS 10 nos. 12 and 13 are waived so that dividends and group contributions are recognised in accordance with the provisions of the Norwegian Accounting Act.

IAS 28 and IAS 31 are waived so that the cost method is used for investments in associated companies and joint ventures.

2.2. Basis for the preparation of the annual accounts

The policies of historical cost accounting, with the exception of financial instruments at fair value, form the basis of the company accounts.

2.3. Segment information

The company is structured as one reporting segment.

2.4. Currency

Transactions in a foreign currency are translated at the rate at the time of the transaction. Monetary items in a foreign currency are translated to NOK using the exchange rate at the balance sheet date. Non-monetary items measured at the historical rate in a foreign currency are translated to NOK using the exchange rate at the date of transaction. Non-monetary items measured at fair value and presented in a foreign currency are translated at the exchange rate established on the balance sheet date. Foreign exchange gains and losses are recognised in the income statement on a rolling basis.

2.5. Use of estimates

In preparing the annual accounts the management has used estimates based on judgements and assumptions believed to be reasonable under the circumstances. There may be situations or changes in the market conditions that may result in changes in estimates and thereby have consequences for the company's assets, liabilities, equity and profit/loss.

The company's most significant accounting estimates and assumptions are related to the following items:

Depreciation of property, plant and equipment

Net pension liabilities

2.6. Revenue recognition policies

The company has implemented IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 using the full retrospective method. The implementation of the standard has not affected the company's accrual accounting of income in 2019.

Revenue from contracts with customers

Traffic income, income from the sale of goods and services and income from the sale of property are recognised to reflect the agreed transfer of goods and services to customers at an amount that reflects the remuneration the company is expected to be entitled to in exchange for these goods or services.

Rental income

Revenue from the rental of real estate with a fixed rental remuneration is recognised in the income statement over the term of the rental agreement.

The company's revenues primarily consist of air navigation fees. The fees include fees for en-route navigation services, approach control services and control tower services. Fees for en-route navigation services account for the largest source of income.

Fees for en-route navigation services are recognised in the income statement each month on a rolling basis, based on the actual number of flights. Income surpluses/deficits arising when settled income diverges from the income framework for the period set by Eurocontrol are not carried forwards. This income surplus/deficit can be settled only through the adjustment of future fee rates, which entails an assumption as to future flights. Consequently this does not qualify as a balance sheet item pursuant to IFRS.

Group contributions made to the parent company are recognised directly in other equity. Group contributions made are recognised net (after tax). Group contributions received from the parent company are recognised as other paid-in equity.

2.7. Income tax

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax and deferred tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is likely that the company will have a sufficient tax surplus in later periods in order to utilise the tax assets. The company recognises previously unrecognised deferred tax assets to the extent it has become likely that the company can benefit from the deferred tax asset. Similarly, the company will reduce deferred tax assets to the extent the company no longer deems it likely that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured based on expected future tax rates related to the items where a temporary difference has arisen. Deferred tax and deferred tax assets are recognised at their nominal value and classified as intangible assets (non-current liabilities) in the balance sheet.

Tax expenses consist of tax payable and deferred tax. Tax is recognised in the income statement, except for when it relates to items charged directly to equity. If this is the case, the tax will also be charged directly to equity.

2.8. Property, plant and equipment

Property, plant and equipment are recognised initially at their original cost. The original cost includes expenditure that is directly attributable to the acquisition of the capital

Subsequent expenses are added to the carrying amount for the capital equipment or are carried forwards separately when it is probable that the future economic benefits related to the expenditure will go to the group, and that the expenditure can be reliably measured. All other repair and maintenance expenses are charged to the income statement in the period in which they are incurred.

Borrowing costs incurred during the construction of capital equipment are carried forwards until the asset is ready for its intended use.

Building sites, homes and plant under construction are not depreciated. Other capital equipment is depreciated using the straight-line method so that the original cost of the non-current assets is depreciated to its residual value over the assets' estimated useful lives as follows:

Buildings and real estate	10 to 50 years
Roads, infrastructure etc.	5 to 50 years
Runway systems	15 to 50 years
Transport assets	3 to 20 years
Other non-current assets	5 to 15 years

The assets' useful lives are reviewed, and adjusted if appropriate on each balance sheet date. Gains and losses on disposals are recognised in the income statement and are the difference between the selling price and the carrying amount.

2.9. Leases

IFRS 16 Leases was implemented on 1 January 2019 using a modified retrospective method in which assets with a right of use equated to lease obligations (no reworking of comparison figures). See note 10 for the effect on the accounts of the first-time application of IFRS 16 as at 1 January 2019.

The company as a lessee:

The company includes a lease as an asset with a right of use with an associated lease obligation from the time the company has use of the asset. Each lease payment is distributed between financial expense and obligation. The financial expense is recognised in the income statement over the term of the lease at an interest rate that entails a constant periodic interest rate on the remaining expensed lease obligation for each period. Assets with a right of use are depreciated/amortised on a straight-line basis over the shorter of the contract period or the life of the asset.

The initial recognition of assets with a right of use and lease obligations is at fair value. Lease obligations include the net fair value of fixed lease payments in the agreed period as well as the likely exercise of extension options.

Estimated lease obligations are calculated as the present value of expected lease payments over the term of the lease. Lease payments are index-regulated where applicable. A discount rate equivalent to the company's marginal borrowing rate is applied. Assets with a right of use are measured at cost and correspond to the amount of the initial calculation of the lease obligations. Lease payments for short-term leases and small-value leases are expensed on an ongoing basis. In addition, the company has applied the option in IFRS 6.4 and does not apply IFRS 16 for intangible assets.

The company as a lessor:

Operating leases:

The company presents leased assets as non-current assets in the balance sheet. Rental income is recognised in the income statement on a straight-line basis over the period of

2.10. Financial assets

The company classifies its financial assets in the following categories: 1. At fair value through profit or loss. 2. Loans and receivables. The classification depends on the purpose of the asset. Management classifies financial assets upon their acquisition.

Financial assets at fair value through profit or loss

Financial assets at fair value consist of financial derivatives with a positive market value. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are financial assets with fixed payments, except for derivatives. These financial assets are not traded in an active market. They are classified as current assets, except for those falling due for payment more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "accounts receivable and other receivables" in the balance sheet.

On each balance sheet date, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment loss is recognised when the impairment is substantial and deemed to be permanent in nature.

The ordinary purchase and sale of financial assets is recognised at the time the agreement is concluded, which is the date the group undertakes to buy or sell the asset.

All financial assets that are not recognised at fair value through profit or loss are carried forwards at fair value plus transaction costs.

Financial assets that are recognised at fair value through profit or loss are recognised at fair value on their acquisition date and the transaction costs are recognised in the income statement.

Financial assets are eliminated from the balance sheet when the rights to receive cash flows from the investment cease or when these rights are transferred and the group has essentially transferred all the risk and potential for gains through ownership.

2.11. Derivatives and hedging

Derivatives are carried forwards at fair value at the time the derivative contract is concluded, and then on a rolling basis at fair value. The recognition of related gains and losses depends on the extent to which the derivative is allocated as a hedging instrument and, if so, the type of hedging involved. The company classifies derivatives relating to hedging as the hedging of a specific risk related to a carried asset, liability or a very probable future transaction (cash flow hedging).

The fair value of hedging derivatives is classified as a non-current asset or liability when the remaining term of the hedged item is longer than 12 months, and as a current asset or liability when the remaining term of the hedged item is shorter than 12 months. Trading derivatives are classified as a current asset or liability.

The company hedges the purchase of energy and foreign currency. For energy, energy derivatives are traded at NordPool. These derivatives do not qualify for hedge accounting.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised as "changes in value and other (losses)/gains – net" or as "net finance expenses" in the income statement. The derivatives are valued at fair value through profit or loss.

2.12. Financial liabilities

The company classifies its financial liabilities in the following categories:

1. Fair value through profit or loss
2. Other financial liabilities

The classification depends on the purpose of the liability. The management classifies financial liabilities as they are incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value consist of financial derivatives with a negative market value. Derivatives are carried forwards at fair value at the time the derivative contract is concluded. For subsequent measurement, changes in fair value are recognised in the income statement. Liabilities in this category are classified as current liabilities if they are expected to fall due within 12 months of the balance sheet date.

Other financial liabilities

Other financial liabilities are financial liabilities with fixed payments, except for derivatives. These financial liabilities are not traded in an active market. The liabilities are carried forwards at fair value as the liability is incurred. Subsequent measurement is at amortised cost according to the effective interest method. They are classified as current liabilities, except for those falling due for payment more than 12 months after the balance sheet date. These are classified as non-current liabilities.

2.13. Derivatives that are not hedging instruments

Financial derivatives that are not recognised as hedging instruments are valued at fair value. Changes in fair value are recognised on a rolling basis.

2.14. Accounts receivable

Accounts receivable and other receivables are listed in the balance sheet at their nominal value less a provision for expected losses. For accounts receivable without a major financing component, a simplified model is used whereby a provision is made for expected losses from initial recognition in the balance sheet over the lifetime.

2.15 Current investments

Current investments (stocks and shares valued as current assets) are valued at the lower of the fair value of their average original cost and fair value on the balance sheet date.

2.16. Bank deposits, cash and cash equivalents

Bank deposits and cash include cash in hand and bank balances. "Cash equivalents" is current liquid investments with a maximum term of three months which can be immediately converted into cash at a known amount.

2.17. Classification and valuation of balance sheet items

Current assets and liabilities include items falling due for payment within one year of the balance sheet date and items relating to the flow of goods. The first year's instalments vis-à-vis long-term liabilities are classified as current liabilities. Other items are classified as fixed assets/non-current liabilities.

Current assets are valued at the lower of their original cost and their fair value. Current liabilities are carried forwards at their nominal amount at the time of establishment.

Non-current assets are valued at their original cost but are depreciated to fair value if the fall in value is not expected to be temporary. Non-current liabilities are carried forwards at their nominal amount at the time of establishment.

2.18. Pensions

Defined-benefit pensions:

The pension schemes are generally funded through payments to the Norwegian Public Service Pension Fund and determined by periodic actuarial calculations. The company has a defined-benefit scheme. A defined-benefit scheme is a scheme where the employer commits to making periodic pension payments to the individual employee when they reach retirement age. Pension payments depend on a number of factors, such as the number of years of service in the company and salary.

The liability carried forwards related to the defined-benefit schemes is the current value of the defined benefits on the balance sheet date minus the fair value of the pension assets. Pension liabilities are calculated annually by an actuary on the basis of a linear accrual model. The present value of the defined benefits is determined by discounting the estimated future payments by applying the interest rate of a bond issued by a company with high creditworthiness in the same currency in which the benefits will be paid. The bond has a term to maturity equivalent to the term to maturity of the related pension liability.

Changes in assumptions, base data and pension plan benefits which generate an accounting loss or gain are charged directly to equity in the period in which they occur. A change in the benefits attributable to previous service entails a change of plan that is a cost to the pension accrual of previous periods. A negative cost is incurred when the benefits are changed to the extent that the present value of the defined-benefit scheme is reduced.

The pension scheme is not directly fund-based. The payment of pensions is guaranteed by the Norwegian State (§1 of the Norwegian Pensions Act). The assigned pension assets ("fictitious funds") are simulated as if these funds were invested in long-term government bonds. The pension scheme is not portable in the same way as private pension schemes. It is assumed that the pension scheme will remain in the Norwegian Public Service Pension Fund. The simulation assumes that the bond will be held until maturity. Consequently, the pension assets are valued at book value.

Defined-contribution pensions:

The company's defined-benefit scheme closed on 1 January 2019. A defined-contribution scheme pursuant to the Defined-Contribution Pensions Act was introduced on the same date. All employees under the age of 53 as at 31 December 2018 transitioned to the defined-contribution scheme. The contributions to the defined-contribution scheme are expensed on a rolling basis.

2.19. Provisions for liabilities

The company recognises provisions for liabilities when a legal or self-imposed obligation exists as a result of earlier events, where the liability is more likely than not to be settled by way of a transfer of financial resources and where the size of the liability can be estimated with a sufficient degree of reliability. No provision is made for future operating losses.

Provisions are measured at the present value of future payments to settle the liability. A discount rate is used before tax that reflects current market conditions and the risks specific to the liability. An increase in the liability resulting from a change in value over time is recognised as a finance expense.

2.20. Events after the balance sheet date

New information after the balance sheet date regarding the company's financial position as at the balance sheet date is taken into account in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if material.

2.21. Consolidated accounts

The leading company of the group, Avinor AS, prepares consolidated accounts. The consolidated accounts can be obtained from Avinor AS's website www.avinor.no.

2.22. Statement of cash flows

The statement of cash flows has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other current liquid investments. The group account structure is classified as an intercompany balance in the balance sheet.

3. Financial risk factors

The company's activities entail different types of financial risk: Market risk (including currency risk, fair value interest rate risk, variable interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management plan focuses on limiting the volatility of the company's financial results. The company uses financial derivatives to hedge against certain risks.

The company's risk management is carried out by a central finance department in the group in accordance with guidelines approved by the executive board. The group's finance department identifies, evaluates and hedges financial risks in close co-operation with the various operating units. Guidelines are established for overall risk management, as well as for specific areas such as currency risk, interest rate risk, credit risk, the use of financial derivatives and other financial instruments and the investment of excess liquidity.

Market risk

(i) Currency risk

The company is exposed to currency risk with respect to the value of NOK against other currencies due to income and expenses in foreign currencies. The company concludes forward contracts to reduce the currency risk in cash flows denominated in a foreign currency. Currency risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not carried forwards, and very likely purchases and sales in that currency.

As at 31 December 2019, the company had concluded eight forward currency contracts

Credit risk

The company's most significant credit risk is related to accounts receivable and other current receivables.

The company has guidelines to ensure that credit as a rule is granted only to customers without any previous significant payment issues. The creditworthiness of new customers is assessed.

The company has no significant credit risk associated with any single party or parties that could be considered as a group due to similarities in credit risk.

The company considers the risk of its customers being unable to meet their obligations as average.

The company does not act as guarantor for any third-party liabilities.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations when they are due. The company's strategy is to manage the risk by having sufficient liquid funds available at any time to be able to fulfil its financial obligations when they are due, both under normal and extraordinary circumstances, without posing a risk of unacceptable losses.

The company is part of Avinor AS's group accounts system.

Other note disclosures

No financial assets have been reclassified in a way that changes the valuation method from amortised cost to fair value or vice versa.

The fair value of derivatives designated as hedging instruments is recognised as derivatives under current assets/current liabilities or financial fixed assets/non-current liabilities, depending upon the maturity date of the corresponding hedged item.

The company has implemented changes in IFRS 7 related to financial instruments measured at fair value on the balance sheet date.

The changes require presentation of fair value measurements for each level with the following categorisation of levels for the measurement of fair value:

* Quoted price in an active market for an identical asset or liability (level 1)

* Valuation based on other observable factors, either directly (price) or indirectly (derived from prices), than the quoted price (used in level 1) for the asset or liability (level 2)

* Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3)

The following table presents the company's assets and liabilities measured at fair value as at 31 December 2019:

<i>Avinor Flysikring AS</i>	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	0,0	4,2	0,0	4,2
Total assets	0,0	4,2	0,0	4,2
Liabilities				
Financial liabilities at fair value through profit or loss	0,0	0,0	0,0	0,0
Total liabilities	0,0	0,0	0,0	0,0

4. Operating income

Of the company's total income in 2019, NOK 859.2 million (NOK 849.1 million in 2018) consists of intra-group income.

5. Payroll expenses, number of employees, remuneration, loans to employees, etc.

All amounts in NOK million

Payroll expenses relate to the period 1 January to 31 December

	2019	2018
Salaries	1 057,7	1 027,8
Employer contributions	161,0	140,8
Pension costs	373,7	118,2
Other benefits	43,1	42,0
Total payroll expenses	1 635,4	1 328,8

Average number of FTEs	1 028	1 085
------------------------	-------	-------

Remuneration to senior management:

	Managing Director	ing Director
Salaries/fees	2,2	2,1
Pension costs	0,5	0,5
Total benefits	2,7	2,5

The managing director was covered by the company's collective pension scheme with the Norwegian Public Service Pension Fund up until 31 December 2018 and has a defined-contribution retirement pension as of 1 January 2019. In addition, an agreement is in place regarding pension coverage beyond 12G. Upon termination, the managing director is entitled to a full salary during the six-month notice period.

Upon termination or changes in the conditions of employment or the role, no obligations exist to give the managing director or the chair of the board any special remuneration. Nor are there any agreements concerning bonuses, profit sharing or share-based remuneration.

No loans have been granted to, nor security pledged for, the managing director, chair of the board, or other related parties.

In 2019, NOK 0.7 million was paid in remuneration to the board (NOK 0.7 million in 2018), of which NOK 0.3 million was to external parties (NOK 0.3 million in 2018).

6. Changes in value and other (losses)/gains – net

All amounts in NOK million

Specification:	2019	2018
Unrealised changes in value (note 13)	-10,4	1,5
Realised changes in value – energy	-0,9	-1,8
Currency gains/(losses) (profit/(loss) on assets and liabilities)	8,2	-4,7
Total	-3,1	-5,0

7. Operating expenses

All amounts in NOK million

Specification:	2019	2018
Lease and operation of premises	13,8	10,7
Repairs, maintenance of operating materials	72,2	70,9
Contracted services	66,3	69,6
Consultancy services	6,3	11,9
Other operating expenses	157,2	160,1
Intra-group expenses	74,3	89,6
Total	390,1	412,9

Specification of auditor's fees, excl. VAT

	2019	2018
Statutory audit	0,4	0,3
Other attestation services	0,1	0,2
Total auditor's fees	0,5	0,5

Leases:

The company leases office premises from the parent company (Avinor AS). NOK 22.1 million was expensed in 2019.

8. Financial items

All amounts in NOK million

Finance income	2019	2018
Interest income on intra-group receivables	6,5	5,4
Other finance income	4,4	3,2
Total finance income	10,9	8,6
Finance expenses		
Intra-group expenses	5,3	0,0
Other finance expenses	2,5	0,3
Total finance expenses	7,8	0,3
Net finance income/(expenses)	3,1	8,3

9. Tax

All amounts in NOK million

Tax expense	2019	2018
Tax payable	44,6	34,1
Tax surplus/deficit in previous years	0,0	0,0
Change in deferred tax	-66,2	21,7
Change in tax rate, effect of deferred tax assets/liabilities	0,0	1,6
Total tax expense	-21,6	57,3

Reconciliation of effective tax rate

22% (23%) tax on profit before tax	-21,8	55,6
Effect of tax surplus/deficit in previous years	0,0	0,0
Dividend received	0,0	0,0
Effect of change in tax rate, deferred tax assets	0,0	1,6
Permanent differences (23%/24%)	0,1	0,1
Tax expense	-21,6	57,3
Effective tax rate	21,9	23,7

Specification of deferred tax assets and liabilities	01.01.2019	Profit/(loss)	Recognised	
			in equity	31.12.2019
Receivables	-1,5	0,0		-1,6
Non-current assets	26,1	0,9		27,0
Assets with a right of use – New 1 January 2019	58,2	-5,6		52,6
Lease obligations – New 1 January 2019	-58,2	4,4		-53,8
Provisions according to good accounting practices	-3,4	-7,0		-10,4
Pensions	-401,7	-61,1	36,8	-426,0
Profit and loss account	-0,5	0,1		-0,4
Financial instruments	-1,4	2,3		0,9
Net deferred tax assets(-)/liabilities	-382,4	-66,2	36,8	-411,7
Of which carried forwards as deferred tax assets	-382,4			-411,7
Of which carried forwards as deferred tax liabilities	0,0			0,0

	01.01.2018	Profit/(loss)	Recognised		Changed tax rate as at 1 January 2018
			in equity	31.12.2018	
Receivables	-0,3	-1,3		-1,6	-1,5
Non-current assets	25,9	1,4		27,3	26,1
Provisions according to good accounting practices	-2,8	-0,7		-3,5	-3,4
Pensions	-402,4	22,8	-40,5	-420,0	-401,8
Profit and loss account	-0,3	-0,2		-0,5	-0,5
Financial instruments	-1,1	-0,3		-1,4	-1,4
Net deferred tax assets(-)/liabilities	-380,9	21,7	-40,5	-399,7	-382,4
Of which carried forwards as deferred tax assets	-380,9			-399,7	-382,4
Of which carried forwards as deferred tax liabilities	0,0			0,0	0,0

Deferred tax assets	2019	2018
Deferred tax assets expected to be realised after more than 12 months	-411,7	-382,4
Deferred tax assets expected to be realised within 12 months	0,0	0,0
	-411,7	-382,4
Net deferred tax assets(-)/liabilities	-411,7	-382,4

Capitalised deferred tax assets primarily relate to the temporary tax effects of pensions. Based on the company's expectations of future positive taxable profits, as well as the fact that the company is in the same taxable group as Avinor, the criteria for capitalising deferred tax assets are considered to be present.

10. Leases

Amounts in NOK

Leases that are recognised in the balance sheet – assets with a right of use

	Building sites and land	Buildings and other real estate	Total
Changes in assets with a right of use in the period			
Upon the initial application of IFRS 16 as at 1 January 2019	2,4	262,1	264,5
Addition of assets with a right of use	5,6	21,7	27,3
Disposal of assets with a right of use	0,0	-20,4	-20,4
Transfers and reclassifications	0,0	-2,5	-2,5
Depreciation/amortisation during the period	-0,3	-29,7	-30,0
Carrying amount as at 31 December 2019	7,7	231,3	239,0

NOK 160.3 million of assets with a right of use recognised in the balance sheet as at 31 December 2019 relate to intra-group leases, primarily in respect of the parent company,

Assets with a right of use are presented on their own line in the balance sheet. The depreciation/amortisation of assets with a right of use is presented on the line for depreciation/amortisation and impairment losses in the income statement.

Leases that are recognised in the balance sheet – lease obligations

Changes in lease obligations in the period

Upon the initial application of IFRS 16 as at 1 January 2019	264,5
Addition of lease obligations	27,3
Disposal of lease obligations	-20,6
Payment of principal amount	-24,1
Payment of interest	-7,5
Interest expense associated with lease obligations	7,5
Transfers and reclassifications	-2,5
Carrying amount as at 31 December 2019	244,6
Current lease obligations	30,3
Non-current lease obligations	214,3
Net cash flow from lease obligations	-31,6

NOK 164.2 million of lease obligations recognised in the balance sheet as at 31 December 2019 relate to intra-group leases, primarily in respect of the parent company, Avinor /

The discount rate when determining the lease obligation (the company's marginal borrowing rate as at 31 December 2019) is calculated at 3.05%.

Interest expenses associated with lease obligations are presented on the line for finance expenses in the income statement. In the cash flow statement, payment of the principal amount is presented on the line for repayment of debt, while interest expenses associated with the lease obligation are presented as interest paid.

The group has applied the option in IFRS 6.4 and does not apply IFRS 16 for intangible assets. Expenses related to intangible assets in 2019 amount to NOK 21.5 million. Leases related to intangible assets primarily relate to licences and maintenance agreements related to software.

Future lease payments related to leases recognised on the balance sheet are due as follows

	Nominal value	Net present value
Less than 1 year	30,8	30,3
Between 1 and 5 years	123,5	114,5
More than 5 years	121,4	99,8
Total	275,7	244,6

Practical solutions applied

The company does not include leases where the underlying asset is of low value, and therefore it does not include lease obligations and assets with a right of use for any such leases. Instead, the lease payments are expensed as they are made. In addition, the company does not include lease obligations and assets with a right of use for short-term leases either. Expenses related to short-term leases and low-value leases in 2019 amount to approximately NOK 1.0 million.

Options to extend a lease and purchase options

As at 31 December 2019, there are no significant future potential lease payments that are not included in the lease obligations as a result of an extension or purchase option.

11. Property, plant and equipment

All amounts in NOK million

	Building sites and land	Buildings and other real estate	Transport vehicles and aircraft	Furniture, fittings, and equipment	Roads, infrastructure , etc.	Plant under construction	Total
As at 1 January 2018							
Original cost	0,2	248,4	42,9	1 119,2	6,0	676,8	2 093,5
Accumulated depreciation and write-downs	0,0	-48,0	-33,2	-707,3	-2,1	0,0	-790,6
Carrying amount as at 1 January	0,2	200,3	9,8	411,9	3,9	676,8	1 302,9
2018 financial year							
Carrying amount as at 1 January	0,2	200,3	9,8	411,9	3,9	676,8	1 302,9
Additions	4,2	47,8	6,5	97,9	1,3	57,1	214,8
Disposals (original cost)	-3,7	-0,6	-4,0	-6,5	0,0	0,0	-14,8
Disposals (accumulated depreciation)	0,0	0,3	4,0	6,1	0,0	0,0	10,3
Depreciation for the year	0,0	-9,3	-2,6	-80,4	-0,3	0,0	-92,5
Carrying amount as at 31 December	0,6	238,5	13,6	429,1	5,0	733,9	1 420,8
As at 31 December 2018							
Original cost	0,6	295,6	45,4	1 210,7	7,3	733,9	2 293,5
Accumulated depreciation and write-downs	0,0	-57,0	-31,8	-781,6	-2,3	0,0	-872,7
Carrying amount as at 31 December	0,6	238,5	13,6	429,1	5,0	733,9	1 420,8
2019 financial year							
Carrying amount as at 1 January	0,6	238,5	13,6	429,1	5,0	733,9	1 420,8
Additions	6,7	52,6	1,9	108,6	0,0	230,8	400,6
Disposals (original cost)	0,0	0,0	-2,1	-29,7	0,0	0,0	-31,8
Disposals (accumulated depreciation)	0,0	0,0	2,1	28,3	0,0	0,0	30,4
Depreciation for the year	0,0	-15,2	-2,8	-80,5	-0,3	0,0	-98,7
Carrying amount as at 31 December	7,3	275,9	12,7	455,9	4,7	964,7	1 721,3
As at 31 December 2019							
Original cost	7,3	348,2	45,2	1 289,7	7,3	964,7	2 662,4
Accumulated depreciation and write-downs	0,0	-72,3	-32,4	-833,8	-2,6	0,0	-941,1
Carrying amount as at 31 December	7,3	275,9	12,7	455,9	4,7	964,7	1 721,3

Estimated useful life		10 to 50 years	15 to 50 years	5 to 15 years	5 to 50 years
Depreciation method	N/A	Straight-line	Straight-line	Straight-line	Straight-line

Plant under construction

As at 31 December 2019, plant under construction amounted to NOK 964.7 million.

Intangible assets

As at 31 December 2019, intangible assets valued at NOK 156.2 million were carried forward. This primarily relates to proprietary software.

Amortisation for the year amounts to NOK 14.0 million. Amortised over 5 to 15 years.

The company's three largest ongoing projects are remote towers, FAS (future ATM system), and Norwam.

These amount to NOK 830 million as plant under construction.

12. Intra-group balances

All amounts in NOK million

Intra-group balances

Company AS as at 31 December 2019	Svalbard		Total
	Avinor AS	Lufthavn AS	
Intra-group accounts receivable	170,1	2,0	172,1
Receivables	17,7	0,0	17,7
Total receivables	187,8	2,0	189,8
Intra-group accounts payable	4,5	-0,3	4,2
Other current liabilities	81,9	1,6	83,5
Total liabilities	86,4	1,3	87,7

13. Derivatives

All amounts in NOK million

	2019	2018	Change
Forward currency contracts	4,2	-6,2	-10,4
Total	4,2	-6,2	-10,4
Net change			-10,4
Specification of net change:			
Changes in value and other (losses)/gains – net	4,2	-6,2	-10,4
Net change			-10,4

14. Receivables

All amounts in NOK million

Accounts receivable	2019	2018
Accounts receivable	202,2	220,9
Book value of accounts receivable	202,2	220,9
Accounts receivable written off during the year	0,0	0,0
Current receivables	2019	2018
Accounts receivable	122,3	141,1
Intra-group receivables	483,0	676,8
Accrued un invoiced income	79,9	79,9
Prepaid operating expenses	19,9	2,1
Other current receivables	7,3	4,4
Total current receivables	712,4	904,2

15. Bank deposits, cash and cash equivalents

All amounts in NOK million

The cash holding at the end of the period is stated in the statement of cash flows. The company participates in the group accounts system established in the Avinor group. Avinor AS is the account holder of the group account. The companies which participate in the group accounts scheme are jointly and severally liable for the withdrawals made by the Avinor group. As at 31 December 2019 the company has NOK 293.1 million in the group accounts scheme. The balance is presented under "Receivables" in the balance sheet. As at 31 December 2018 the group had a total of NOK 442.2 million related to the group accounts scheme.

16. Number of shares, shareholders, etc.

All amounts in NOK million

	Number of shares	Nominal value	Share capital
Ordinary shares	36 500	0,010	365,0
Total	36 500	0,010	365,0

All shares are owned by Avinor AS. Avinor AS's offices are located in Oslo.

17. Equity

All amounts in NOK million

	Share capital	Other paid-in equity	Other equity not recognised in	Other equity	Total
Carrying amount as at 1 January 2018	365,0	2,2	-427,1	331,0	271,1
Profit/(loss) for the year				184,4	184,4
Change in deviation in estimates for pensions – net after tax			-135,5		-135,5
Change in tax rate – change in deferred tax assets charged to OCI			-7,3		-7,3
Change of transition effects related to IFRS – changed tax rate				-8,6	-8,6
Carrying amount as at 31 December 2018	365,0	2,2	-569,8	506,8	304,2
Carrying amount as at 1 January 2019	365,0	2,2	-569,8	506,8	304,2
Profit/(loss) for the year				-77,3	-77,3
Change in deviation in estimates for pensions – net after tax			130,6		130,6
Carrying amount as at 31 December 2019	365,0	2,2	-439,3	429,6	357,5

18. Pensions

All amounts in NOK million

The company is required to have an occupational pension scheme pursuant to the Norwegian act relating to mandatory occupational pensions. The company's pension scheme satisfies these requirements. The company has generally been covered by way of a defined-benefit pension in the Norwegian Public Service Pension Fund. This scheme closed with effect from 1 January 2019. As of 31 December 2019, a defined-contribution pension was introduced pursuant to the Defined-Contribution Pensions Act with a mandatory transfer for employees under the age of 53 and a voluntary transfer for other employees. Since 2019, therefore, the company has had two main pension schemes.

Defined-benefit pension (Norwegian Public Service Pension Fund)

The pension scheme encompasses pension benefits in accordance with the Norwegian act relating to the Norwegian Public Service Pension Fund (Pensjonsloven). The benefits are retirement pension, disability pension, and dependent pension. The retirement pension includes a special retirement pension for some occupational groups. In addition, any calculations for benefits from the age of 62 pursuant to the contractual pension (AFP) for the public sector apply. Pension accruals pursuant to the regulations applicable up until 1 January 2020 are co-ordinated with the Norwegian National Insurance Scheme and any previous entitlements accrued within the public sector. Gross pensions accrued pursuant to old regulations have been guaranteed a level of gross payment independent of the Norwegian National Insurance Scheme.

A new law on public-sector occupational pensions was passed by the Storting in June 2019 and came into effect on 1 January 2020. Pension earnings in the new scheme make up a percentage of income up to 12G. This means that the new regulations disapply the gross guarantee and that the pension is calculated independently of the Norwegian National Insurance Scheme. New regulations for co-ordination between the public-sector occupation pension and rules of the Norwegian National Insurance Scheme have been adopted and implemented in the accounts for 2019. The change is reflected in a plan change in the accounts for 2019 and has resulted in a negative effect of NOK -149.3 million.

The new law does not contain provisions concerning a new AFP scheme or complete rules for special retirement pensions and the accounting effects of these, which cannot therefore be calculated until final rules have been adopted.

New rules which have been implemented and effective since 1 January 2018 result in the transfer from the state to the individual business of the payment obligation for the adjustment premium for established rights.

Positive estimate deviations in 2019 of NOK 167.4 million are due to a change in economic and actuarial assumptions.

The weighted average duration of the pension liabilities is 29 years.

Transition to defined-contribution pension including other benefits to employees included in the scheme

In connection with the closure of the company's public-sector pension scheme and the transition of all employees under the age of 53 on 31 December 2018, a new scheme was established related to the special retirement pension. The change was reflected in a plan change in the accounts for 2018 and resulted in a positive effect of NOK 128.8 million. The further transition to a defined-contribution pension in 2019 has resulted in a negative effect on profits of NOK 9.2 million.

More information on the private AFP scheme

From 1 January 2019, the group is affiliated with the private AFP scheme, which is a collective pension scheme for the collective-agreement-regulated sector in Norway. The AFP scheme is based on three-party co-operation between employers' organisations, employee organisations, and the state. The state covers a third of the AFP pension contributions, while the affiliated companies cover two-thirds.

In accounting terms, the scheme is regarded as a benefit-based multi-company scheme. It is not currently possible to calculate the group's share of the scheme liabilities with a sufficient degree of reliability. Consequently, the scheme is recognised as a defined-contribution scheme and the premium contributions are expensed on a rolling basis.

The scheme has a substantial deficit. In addition, companies which participate in the AFP scheme are jointly and severally liable for two-thirds of future pension payments. Consequently, premiums are expected to increase going forwards. The premium for 2020 will be 2.5% of the salary basis detailed in the statutes of the scheme.

The pension cost for the year is calculated as follows:

	2019	2018
Costs related to defined-contribution pension and private AFP	88,2	0,0
Costs of pension accrual for the current period	57,5	181,9
Plan changes, including	138,9	-112,9
Interest expense	100,7	91,3
Return on pension assets	-56,1	-57,0
Employees' 2% contribution	-2,8	-18,6
Administrative expenses	0,8	2,7
Employer contributions	46,5	30,8
Pension cost for the year (note 5)	373,7	118,2

Pension liabilities and pension assets:			2019			2018
	Secured	Unsecured	Total	Secured	Unsecured	Total
Change in gross pension liabilities:						
Pension liabilities as at 1 January	3 866,5	258,3	4 124,7	3 834,5	0,6	3 835,1
Costs of pension accrual for the current period	41,4	17,0	58,4	184,3	0,2	184,5
Plan changes, including	116,4	22,4	138,9	-370,4	257,4	-112,9
Interest expense	94,2	6,5	100,7	91,3	0,0	91,3
Actuarial gains and losses – financial assumption	-190,0	-0,6	-190,6	168,5	0,0	168,5
Pension payments	-54,5	0,0	-54,5	-41,8	0,0	-41,8
Gross pension liabilities as at 31 December	3 873,9	303,6	4 177,5	3 866,5	258,3	4 124,7
Change in gross pension assets:						
Fair value of pension assets as at 1 December	2 524,3		2 524,3	2 299,3		2 299,3
Return on pension assets	56,1		56,1	57,0		57,0
Premium contributions	-6,7		-6,7	195,5		195,5
Actuarial gains and losses	-38,9		-38,9	14,3		14,3
Pensions paid	-54,5		-54,5	-41,8		-41,8
Fair value of pension assets as at 31 December	2 480,3	0,0	2 480,3	2 524,3	0,0	2 524,3
Net pension liabilities	1 393,6	303,6	1 697,2	1 342,2	258,3	1 600,4
Employer contributions of net pension liabilities:	196,3	42,7	238,9	189,2	36,3	225,5
Net pension liabilities carried forwards as at 31	1 589,9	346,3	1 936,2	1 531,4	294,6	1 826,0
Actual return on pension assets for previous year	35,6		35,6	51,6		51,6
Expected premium contributions next year	113,7		113,7	3,3		3,3
Expected pension payments next year	-59,2		-59,2	-42,5		-42,5

Calculation assumptions

The pension cost and net pension liabilities are estimated on the basis of a number of assumptions. The discount rate is determined based on the market for bonds with preferential rights. Wage growth and pension adjustments are based on historical observations for the company.

	2019	2018
Discount rate	2,30 %	2,60 %
Wage growth in percent	2,25 %	2,75 %
Pension adjustments in percent	1,25 %	1,75 %
AFP withdrawals	15,00 %	15,00 %
Average turnover rate (under 50 years of age)	3,00 %	3,00 %
Average turnover rate (over 50 years of age)	0,20 %	0,20 %

The withdrawal rate for special retirement pensions is estimated at 90% if >55 years, 40% if 55-40 years, and 10% if <40 years for 2019 and 2018.

The risk table K2013 is used for mortality probability and life expectancy, while the risk table for disability probability is based on risk table K1963*200.

Age	Life expectancy		Mortality probability		Disability probability		
	Male	Female	Male	Female	Male	Female	
20	81	85	0,0237 %	0,0094 %	0,1148 %		0,1724 %
40	82	86	0,0501 %	0,0293 %	0,2638 %		0,5236 %
60	84	87	0,3510 %	0,2383 %	1,4064 %		2,4044 %
80	89	91	3,8661 %	2,5469 %	N/A	N/A	

Pension assets

The establishment of premiums and calculation of provisions for pension benefits for the pension scheme in the Norwegian Public Service Pension Fund are made on the basis of ordinary actuarial principles. The pension scheme is not directly fund-based. The payment of pensions is guaranteed by the Norwegian State (§1 of the Norwegian Pensions Act). The assigned pension assets ("fictitious funds") are simulated as if these funds were invested in long-term government bonds. Around five percent of Avinor Flysikring AS's pension assets as at 31 December 2019 are invested through simulation in the Norwegian State Pension Fund, Utland. The pension scheme is not portable in the same way as private pension schemes. This calculation assumes that the pension scheme will remain in the Norwegian Public Service Pension Fund. The simulation assumes that the bond will be held until maturity. Consequently, the pension assets are valued at their nominal value plus returns.

Sensitivities to the pension liabilities:

Sensitivities to the pension liabilities for changes in the weighted economic assumptions are:

Discount rate: A change of 1% would result in a change in the obligation in the order of NOK -817/+1,115 million.

Wage growth: A change of 1% would result in a change in the obligation in the order of NOK +96/-102 million.

Base amount and pension adjustment: A change of 1% in the expected base amount and pension adjustment would result in a change in the liabilities in the order of NOK +992/-751 million.

19. Other provisions for liabilities

All amounts in NOK million

	Total
Balance as at 31 December 2018	15,4
Allocated	46,6
Reversed	0,0
Used	-14,7
Balance as at 31 December 2019	47,3
Current liabilities recognised as other current liabilities	25,2
Non-current portion of provisions for liabilities	22,0

20. Other current liabilities

All amounts in NOK million

	2019	2018
Holiday allowance	124,5	124,4
Advances from customers	15,5	22,8
Payroll and social security contributions	42,7	33,3
Accrual of operating and investment expenses	41,9	46,9
Intra-group liabilities	87,7	205,4
Total	312,3	432,8

21. Investments in subsidiaries

The company established four subsidiaries:

FS Air Navigation Services AS, Norwegian limited liability company, 100% owned by Avinor Flysikring AS – established in 2018
 Avia Polaris AB, Swedish limited liability company, 100% owned by Avinor Flysikring AS – established in 2018
 CASA Air Navigation Services Limited, British limited liability company, 100% owned by Avinor Flysikring AS – established in 2018
 Ninox Air Navigation Services S.L, Spain, 51% owned by Avinor Flysikring AS – established in 2019

There was no activity in any of these companies in the 2019 financial year.

22. Events after the balance sheet date

In December 2019, COVID-19 broke out in China. In 2020, the extent of the virus outside China has escalated significantly, reaching Europe and Norway. In March 2020, the WHO declared COVID-19 a pandemic. The economic impact of the COVID-19 outbreak on aviation is considered significant. For Avinor Flysikring AS, the impact is expected to be a significant fall in income as a result of reduced traffic and activity. The pandemic is also creating uncertainty in the interest rate market, which could have an adverse effect on pension conditions.

The above is expected to have a significant adverse effect on the company's equity and liquidity in both the short and long term. The company is working on measures to cover the liquidity and equity needs arising as a result of the pandemic. It is therefore confirmed that the conditions for continuing as a going concern are present.