

## Contents

KEY FIGURES FOR 2020 (2019 in parentheses) .....	3
ABOUT AVINOR FLYSIKRING AS .....	4
IMPORTANT EVENTS IN 2020.....	5
COVID-19.....	7
ECONOMY AND FINANCES .....	7
CORPORATE GOVERNANCE AND COMPANY MANAGEMENT .....	10
TRAFFIC GROWTH .....	10
AIR SAFETY AND HSE.....	10
CORPORATE SOCIAL RESPONSIBILITY AND TASKS RELATING TO CORPORATE SOCIAL RESPONSIBILITY .....	11
PERSONNEL AND ORGANISATION .....	12
OUTLOOK AND FRAMEWORK CONDITIONS .....	13
ANNUAL ACCOUNTS FOR 2020 WITH NOTES .....	16

## KEY FIGURES FOR 2020 (2019 in parentheses)

- Domestic (aircraft movements): 229,105 (276,927) **-17.3%**
- International (aircraft movements): 78,760 (235,694) **-66.6%**
- Overflights: 36,447 (78,652) **-53.7%**
- Decrease in Norway (aircraft movements) **-41.7%** (*Europe - 55.1%*)
- Operating income: MNOK 1,460 (2,100) **-30.5%**
- Operating expenses: MNOK 1,730 (2,062) **-16.1%**
- Profit after tax: MNOK -323 (-77) **-319.5%**
- Number of Full Time Equivalentents (FTEs): 937 (1,028) **-8.9%**
- Percentage of females in senior positions: 16% (16%)
- Total proportion of females overall: 24% (23%) **+1%**

## **ABOUT AVINOR FLYSIKRING AS (Avinor Air Navigation Services)**

Avinor Flysikring provides tower services at airports, air traffic control services for traffic in Norwegian airspace, and technical infrastructure for air navigation services. It categorises its activities according to the following areas:

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

Avinor Flysikring AS is a wholly owned subsidiary of Avinor AS and is regulated by the Norwegian Ministry of Transportation and Communications. The company has its headquarters in Oslo and a presence across Norway. The company has about 900 employees.

Avinor Flysikring's operations include commercial services and the management of air traffic services and technology services. Tower services in the Norwegian market were in 2020 subject to competition. En-route navigation services in Europe have a service-based price system, whereby the risk is shared with airspace users. Other air navigation services are based on a cost-based price model.

Avinor Flysikring's objective is to be a leading provider of air navigation services in Europe thanks to its safe, stable, and efficient operations. The company aims to increase 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 navigation services until 2024. In the 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 tower solution being implemented and going operational. The most important changes to the role of designated provider mean that Avinor AS has begun transferring responsibility for the aerodrome flight information service (AFIS) to Avinor Flysikring. The period of the role as a designated provider is with immediate effect over an indefinite period.

On 24 February 2020, the Norwegian Ministry of Transport and Communications appointed Saerco of Spain as a supplier of tower services at Ålesund airport, Vigra and Kristiansand airport, Kjevik after it won the competition for tower services in 2019. At the same time, the ministry adjusted the terms of Avinor Flysikring's role as a designated provider by giving Avinor Flysikring the responsibility of taking over the provision of the services if other Saerco or other service providers are no longer able to provide the services they are designated to provide.

## IMPORTANT EVENTS IN 2020

### Investment in remotely operated towers

Avinor Flysikring is investing heavily in remote-controlled towers in co-operation with Avinor AS and Kongsberg Defence & Aerospace. On 20 October 2020, the new Remote Towers Centre building in Bodø was officially opened. The building is expected to commence operation during the first half of 2021.

In addition to the official opening of the new Remote Towers Centre building, tower services at Vardø, Hasvik, and Berlevåg were transferred to Remote Towers in the autumn of 2020. This means that, by the end of 2020, a total of four towers will be operated from the Remote Towers Centre in Bodø. This is in accordance with the rollout plan.

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. Testing continued in 2020, and Avinor Flysikring is maintaining close dialogue with the Royal Norwegian Air Force about the further development of the system for military use.

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

The Avinor group's board of directors decided that the ownership of the Remote Towers system and associated infrastructure will be transferred from Avinor Flysikring AS to Avinor AS. Transfer of ownership was set for 30 September 2020. The implementation of the project still lies with Avinor Flysikring AS, while Avinor AS is funding the investment. The operation of the system and the provision of services will continue to be carried out by Avinor Flysikring AS. The Remote Towers programme makes it possible for employees to share their experiences in a more appropriate way. In addition, procedures from the centre are standardised instead of being fragmented between physical towers spread over a large geographical area. This may have a positive effect on costs while strengthening the culture within the company.

### Investment in drones

Avinor Flysikring AS has set up a separate programme for drone activities. 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. The system will make it easier for drone users to apply for approval to fly in controlled airspace around airports, as well as make it easier for air traffic controllers in control towers to handle requests for drone flights. The system has been made available to Android and Apple users, who can download the Ninox Drone app for mobile phones and tablets. In 2020, testing of the new Ninox Drone system began at Kristiansund and Bodø airports. By the end of 2020, the Ninox Drone system was available at a total of six airports in Norway. 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.

## Single European Sky – revised performance requirements in reference period 3

The European Commission's Single European Sky regulations, implemented in 2009, focus on areas such as performance requirements for the supply of en-route navigation services. Reference period 3 (RP3), which runs from 2020 to 2024, will set important framework conditions for the supply of en-route navigation services in the future.

In the autumn of 2020, the European Commission adopted extraordinary Implementation Regulations (IR) due to the COVID-19 pandemic, which means that the European Commission must adopt revised FP3 performance requirements by 1 May 2021.

By 1 October 2021, a new performance plan for RP3 will be prepared based on the requirements to be determined by the European Commission by 1 May. During 2020, the administration had ongoing consultations with the airlines and dialogue with national authorities.

## New EU framework conditions (SES2+)

In the autumn of 2020, the EU submitted a proposal to amend the regulatory framework for airspace in Europe with regard to significant points (SES2+ regulations). The EU's proposal for regulatory changes is a structural reform with the aim of modernising European aviation and making it more efficient and sustainable, with a reduction in emissions of up to 10%. The primary intention of this is to develop new digitalised technology so that European aviation can meet future capacity challenges.

If the proposals are adopted, they will change European aviation considerably and affect all aviation stakeholders, including Avinor Flysikring and its future strategies. The proposals in the new EU initiatives are now the subject of consultation in both EU institutions and the individual Member States. Avinor Flysikring is participating in efforts related to Norway's role. Although it is still uncertain when and how the new aviation framework will be adopted, the earliest date will be during 2021, with entry into force expected in 2023/24.

## International investment

The Norwegian Parliament's ownership report (White Paper 30) allows Avinor Flysikring AS to invest in international markets. Avinor Flysikring has a partnership with the Spanish company Gesnaer, seeking commercial opportunities in Spain. Together, the companies have established a joint subsidiary, Ninox Air Navigation Services S.L. Together with Gesnaer and Kongsberg Defence & Aerospace, the company won a contract for the delivery of a Remote Towers system for Menorca Airport. In Scotland, Avinor Flysikring secured a framework agreement with the company Highlands and Islands Airports Limited as a subcontractor to the company Helios. Avinor Flysikring expects that this will generate consulting assignments over the next five to seven years. It is a prerequisite that Avinor Flysikring distinguish between international ventures and its operations in the Norwegian domestic market. This is to ensure that its Norwegian operations are not affected by any commercial risk in other markets.

## COVID-19

During 2020, Avinor Flysikring's finances and accounts were severely affected by the decline in air traffic as a result of the COVID-19 pandemic. There has been considerable uncertainty about when, and how quickly, revenues will pick up again. The authorities have initiated several extraordinary national and international measures, support schemes, and rescue packages to alleviate the difficult economic situation in which the aviation industry finds itself. In addition, Avinor and Avinor Flysikring have implemented powerful efficiency measures.

### Efficiency programme in Avinor Flysikring

As a result of COVID-19, Avinor Flysikring has implemented a comprehensive efficiency programme ("Profitable Avinor Flysikring after COVID-19"). The company has reduced its variable and fixed costs so that the company can scale the organisation according to the traffic situation and the expectations of the owner. The programme has included staff layoffs, permanent staff reductions, and the streamlining of administration and operations. The company made gross savings of NOK 203 million in 2020.

### Receivables from airspace users

At the end of 2020, Avinor Flysikring's total outstanding receivables for en-route navigation services amounted to NOK 197,847,000, of which NOK 41,266,000 fell due by 31 December 2020. The Central Route Charges Office (CRCO) at Eurocontrol is responsible for collecting receivables from airlines on behalf of the State of Norway and Avinor Flysikring. COVID-19 has resulted in huge financial losses for airlines around the world due to reduced travel and lost revenue. Most airlines are implementing measures to deal with the situation by reducing debt while raising new capital to survive until traffic levels and the revenue base pick up again. Consequently, the company's credit risk for claims for airspace fees has increased since the crisis began. However, several of the company's largest customers have already raised capital and some are in ongoing negotiations with their creditors to get through the crisis. Eurocontrol follows up on outstanding claims on an ongoing basis in collaboration with the administration, and joint assessments are made of the measures to be implemented. As a result, provisions for losses on accounts receivable in 2020 increased significantly compared with previous years. For further information, see note 14 to the accounts.

### Conversion of loans to equity

Avinor Flysikring's equity was lost during 2020 due to the loss of revenue as a result of the pandemic. In 2020 the company received an operating guarantee from Avinor AS. The board's proposal to boost the company's equity was approved at an extraordinary general meeting in December, where a loan of NOK 600 million was converted to equity. The company also received a group contribution of NOK 450 million at the end of 2020. As of 31 December, the company had an equity ratio of 14%, which is considered reasonable in relation to the company's risk.

## ECONOMY AND FINANCES

### Financial results

In 2020 Avinor Flysikring AS had an operating income of NOK 1,460 million, compared with NOK 2,100 million in 2019, and a loss after tax of NOK -323 million, compared with NOK -77 million in 2019.

Total operating expenses before depreciation/amortisation, changes in value, and other gains/losses amounted to NOK 1,730 million in 2020, compared with NOK 2,062 million in 2019. The reduction in costs in 2020 compared with 2019 is due to the fact that in 2019 there was a particularly high level of pension costs as a result of a plan change (new law on public-sector occupational pensions, see note 18 to the accounts) and non-recurring costs in connection with restructuring in the organisation.

In the period, the company had an operating loss of NOK -401 million. Total depreciation, amortisation, and impairment for 2019 amounted to NOK 143 million. The operating margin was -21.4%. Net financial income amounted to NOK -13 million. The company's tax expense for 2020 is NOK -91 million.

Capitalised project expenses as at 31 December 2020 amounted to NOK 1,171 million and are classified as plant under construction in the balance sheet. Of this, the Remote Towers project accounts for roughly NOK 382 million, which will be transferred to Avinor AS in line with completion. Other major projects are the Future ATM system (FAS) at NOK 377 million and Norwam at NOK 158 million.

Negative estimate deviations for pensions in 2020 of NOK 590 million before tax are due to changes in economic assumptions, primarily the decrease in the rate of bonds with preferential rights. A more detailed description of pensions can be found in note 18 to the accounts.

The company's impairment tests have shown that there are no grounds for impairment of the company's assets. This is further explained in note 11 to the accounts.

## Cash flow and capital structure

The company had a net cash flow from operating activities of NOK -322 million. Depreciation/amortisation of NOK 139 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 of right-of-use assets following the new accounting standard for leases (IFRS 16). The cash flow effect of lease expenses is NOK 32 million. Of financial expenses, NOK 9 million does not have an impact on cash flow.

The company's total equity as at 31 December 2020 amounted to NOK 4,374 million, compared with NOK 3,246 million as at 31 December 2019. The equity ratio as at 31 December 2020 was 14.3%, compared with 11% as at 31 December 2019. The impact of changes to economic assumptions that formed the basis for the calculation of pension liabilities has been recognised directly in other comprehensive income (OCI).

As at 31 December 2020, Avinor Flysikring AS had non-interest-bearing liabilities with a cash-flow effect, and the liquidity reserve amounted to NOK 636 million in receivables as part of the Avinor group's group accounts scheme.

## Appropriation of profits

The board proposes that the loss of NOK 323 million be covered by other equity.

The annual accounts for 2020 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 approved by the management and prudent equity and liquidity as a result of the capital injection from debt conversion and group contributions. The board confirms that the conditions for continuing as a going concern are present.

Avinor Flysikring AS's equity is incredibly volatile due to changes in its pension liabilities. The COVID-19 pandemic is expected to continue to create uncertainty in relation to the company's results. The board is monitoring the situation and has taken action. As at 31 December 2020, the company had good liquidity and prudent equity.

## 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.

The Profitable Avinor Flysikring programme contains comprehensive measures to reduce costs. Staff reductions are closely linked to expected traffic growth. The company has established good processes for implementing measures with an acceptable level of risk.

Avinor Flysikring AS's financial risk is related to currency fluctuations in relation to income and expenses in foreign currencies. This mostly applies to income from the en-route navigation services, which, in normal circumstances, account for more than half of the company's income, which is invoiced in Euro. Financial hedging instruments (currency derivatives) are used to curtail this risk. See note 3 to the annual accounts.

The company continues to have pension liabilities 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.

The income risk for en-route navigation services in Avinor Flysikring is regulated through the performance system. Normally, the income risk is limited to 4.4%. As a result of the pandemic, the European Commission has adopted changes to the regulations, including the sharing of risk between air navigation providers and airlines. The undercoverage for en-route navigation services in 2020 and 2021 is estimated at a total of around NOK 1 billion and, in accordance with the regulations, may be called in over a five-to-seven-year period from 2023. However, there is no obligation to call this in, and national authorities and air navigation service providers may decide to use solutions that are more beneficial to users. The framework conditions for the coming years, including the handling of

undercoverage for 2020 and 2021, will be determined through a revised performance plan for the third reference period, which will be determined by 1 October 2021.

## **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 by the owners 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 GROWTH**

The number of commercial aircraft movements fell by 42% in 2020. International traffic fell by 67% and overflights by 53%, while domestic traffic, which fell by 17%, was less affected by the pandemic. The figures include offshore helicopter movements, which, when viewed separately, fell by 3.3%.

Income from en-route navigation services is based on the number of service units and the set unit rate. Service units are calculated as a product of the factors "distance" and "weight". There was a 50% fall in the number of service units compared to 2019. The fall in service units was even greater than the fall in aircraft movements; i.e. revenue per aircraft movement decreased in 2020. This is mainly due to a change in the composition of national traffic, with a larger share of traffic on the short-route network generating fewer service units per movement than traffic between the major cities.

## **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. Defined safety levels have also been implemented for various parts of the service that are visualised in a dashboard. The dashboard is dynamic and shows the organisation's flight safety status based on available data. In 2020 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. Avinor Flysikring believes it has a robust reporting culture. The number of aviation incident reports made (per traffic movement) was stable throughout 2020, despite the circumstances of COVID-19.

### **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. We did not have any serious aviation incidents in 2020 and exceedances were almost without exception marginal, where the air traffic

controller was able to intervene immediately. The risk potential for undetected or late-detected aviation incidents of this type is nevertheless great, and it is important to monitor this trend.

## Runway incursions

Avinor Flysikring has implemented a number of measures to reduce the risk of runway incursions, including 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 and issuing relevant regulations and procedures, as well as by working closely with the user environment, public authorities, and other service providers.

## Accidents and serious aviation incidents

There were no aviation accidents or serious aviation incidents in Norwegian aviation to which Avinor Flysikring was a contributing party in 2020. The reporting rate was good, despite the impact of COVID-19 on traffic figures in 2020.

## 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 were estimated to be around NOK 400 million in 2020. The costs are included in en-route navigation fees and prices charged to Avinor Flysikring's customers. 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. In December, Avinor AS/Avinor Flysikring AS submitted

an updated report to the Norwegian Ministry of Transport and Communications on tasks relating to corporate social responsibility.

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.

### Responsible employer

In 2020, 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 2020 was 24%. The proportion of women in Avinor Flysikring AS's senior management in 2020 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. 38% of the 643 applicants were women.

## **PERSONNEL AND ORGANISATION**

As at the end of 2020, Avinor Flysikring AS employed 927 people. The average number of FTEs was 937, including 922 permanent FTEs and 5 temporary FTEs. This is in addition to the 12 FTE student air traffic controllers. This is a reduction in the number of permanent FTEs of 8% compared with 2019.

As at the end of 2020, a total of 84 employees in Avinor Flysikring had been fully or partly furloughed.

The percentage of women among permanent employees was 24% as at 31 December 2020. 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.

Sick leave in Avinor Flysikring AS was 4% in 2020, which is unchanged from 2019. Long-term sick leave of more than eight weeks was 1.5%. The company's target for sick leave is 4% or lower.

The company conducted an employee survey in the autumn of 2020, which had a response rate of 83%.

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

### 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 2020, 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 selected by Eurocontrol as a case study in 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.

## OUTLOOK AND FRAMEWORK CONDITIONS

### Economic forecast

#### COVID-19 pandemic

The economic impact of the COVID-19 pandemic on aviation has been 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 meant that Avinor Flysikring had significantly lower income from en-route navigation services than budgeted for 2020. Although air navigation fees are not covered by suspensions, as a member state of Eurocontrol, Norway approved payment deferrals for en-route navigation fees for February to May 2020, which had an adverse effect on the company's liquidity in 2020. Avinor Flysikring expects that traffic will return to 2019 levels no sooner than 2024.

The uncertainty in the interest-rate market as a result of the outbreak affected the development of assumptions that form the basis for the company's pension liabilities and equity. This resulted in a negative deviation from estimates in 2020.

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 liabilities, Avinor Flysikring AS received a capital injection from the parent company in the form of the conversion of intra-group debt and group contributions. Avinor Flysikring expects positive results from operations in 2022. Owner Avinor AS provided a parent company guarantee in 2020 for Avinor Flysikring AS's continued operations. The guarantee is valid until 1 April 2021.

Based on the above, the board believes that there is a basis to continue as a going concern. The administration and the board will closely monitor developments in the company's earnings and costs going forwards to ensure prudent equity and liquidity and in order to be able to implement further measures if necessary.

#### Framework conditions for en-route navigation services Performance Plan RP3

The framework conditions for en-route navigation services in the form of a new performance plan for reference period 3 will determine the service requirements for en-route navigation services between 2020 and 2024. The European Commission decided to revise the performance requirements in RP3 by May 2021 as a result of the COVID-19 pandemic. This is contributing to demanding and unresolved framework conditions for en-route navigation services. This, combined with high levels of investment, may pose challenges to the company's financial position in the coming years.

#### Stricter environmental requirements

Climate change is high on the EU's agenda, with clear emission requirements for the aviation sector. The European Commission wants to introduce legally binding environmental requirements for European aviation by 2050 by way of regulatory changes in SES2+. Avinor Flysikring's interest organisation, CANSO, and other stakeholders in the aviation industry have prepared the report *Destination 2050 - A Route to Net Zero European Aviation* to meet the expected European environmental requirements by 2050 as well as to safeguard the industry's competitiveness.

#### Competition

Over the next few years, further competition is expected in relation to tower services and technology services. The board will strive to ensure that the company has 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 put in place 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. Due to the COVID-19 pandemic, the Norwegian Ministry of Transport and Communications will put work on the transfer of Avinor Flysikring AS on hold until the aviation industry has entered a situation where the markets are functioning more normally.

#### 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 pre-COVID-19 trends in European aviation include capacity challenges, more limited access to airspace due to increased traffic, and 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, in the long term, have regulatory and business consequences for Avinor Flysikring. It must be expected that the airlines, as a result of the COVID-19 pandemic, will prioritise efficiency and cost control over capacity in relation to European air safety stakeholders in the coming years.

#### 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.

The board would like to thank all the employees and partners for their efforts in Avinor Flysikring AS.

Oslo, 24 March 2021

\_\_\_\_\_  
Abraham Foss  
Chair of the board

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Ola Henrik Strand

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Mari Halvorsen-Sundgot

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Sverre Ivar Elsbak

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Marit Ektvedt Kjær

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Trine Lysne

\_\_\_\_\_  
Espen Danielsen

\_\_\_\_\_  
Hilde Vedum

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Anders Kirsebom  
Managing Director

**Avinor Flysikring AS**  
**Income statement**

<b>All amounts in NOK million</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<i>Operating income:</i>			
En-route navigation services		687,2	1 169,6
Tower services		476,2	612,1
Technology services		257,2	268,1
Other operating income		39,3	49,9
<b>Total operating income</b>	<b>4</b>	<b>1 459,9</b>	<b>2 099,7</b>
<i>Operating expenses:</i>			
Cost of sales		28,5	36,5
Payroll and other personnel expenses	5	1 294,4	1 635,4
Depreciation/amortisation and impairment losses	10, 11	139,4	142,7
Other operating expenses	7	407,1	390,1
<b>Total operating expenses before changes in value and other (losses)/gains</b>		<b>1 869,4</b>	<b>2 204,8</b>
Changes in value and other (losses)/gains – net	6	8,7	3,1
<b>Operating profit/(loss)</b>		<b>-400,9</b>	<b>-102,0</b>
<i>Finance income and expenses:</i>			
Interest income	8	3,9	10,6
Other finance income	8	0,5	0,3
Interest expenses	8	17,1	7,8
<b>Finance expenses – net</b>		<b>-12,6</b>	<b>3,1</b>
<b>Profit/(loss) before tax</b>		<b>-413,5</b>	<b>-98,9</b>
Tax expense	9	-90,8	-21,6
<b>Profit/(loss) for the year</b>		<b>-322,7</b>	<b>-77,3</b>
<b>Extended profit/(loss) for the year</b>			
<i>Items that are not reversed in the income statement in later periods:</i>			
Actuarial gains/(losses) on pension liabilities	17, 18	-589,7	167,4
Tax effect		129,7	-36,8
<b>Total extended profit/(loss) after tax</b>		<b>-459,9</b>	<b>130,6</b>
<b>Comprehensive income for the year</b>		<b>-782,7</b>	<b>53,3</b>
<b>Attributable to:</b>			
Shareholders		-782,7	53,3

**Avinor Flysikring AS**  
**Balance sheet**

All amounts in NOK million	Note	31.12.2020	31.12.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets:</i>			
Deferred tax assets	9	632,2	411,7
Other intangible assets	11	72,7	156,2
<b>Total intangible assets</b>		<b>705,0</b>	<b>567,9</b>
<i>Property, plant and equipment:</i>			
Property, plant and equipment	11	700,9	756,6
Plant under construction	11	1 171,0	964,7
Assets with a right of use	10	277,3	239,0
<b>Total property, plant and equipment</b>		<b>2 149,2</b>	<b>1 960,2</b>
<i>Financial fixed assets:</i>			
Investments in subsidiaries	21	1,3	1,1
<b>Total financial fixed assets</b>		<b>1,3</b>	<b>1,1</b>
<b>Total non-current assets</b>		<b>2 855,5</b>	<b>2 529,2</b>
<b>Current assets</b>			
Contract assets		3,4	0,0
Receivables	14	1 515,5	712,4
Derivatives	13	0,0	4,2
Bank deposits, cash and cash equivalents	15	0,0	0,0
<b>Total current assets</b>		<b>1 518,8</b>	<b>716,6</b>
<b>Total assets</b>		<b>4 374,3</b>	<b>3 245,7</b>

All amounts in NOK million	Note	31.12.2020	31.12.2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Paid-in equity:</i>			
Share capital	16,17	365,4	365,0
Share premium	17	599,6	0,0
Other paid-in equity	17	452,2	2,2
<b>Total paid-in equity</b>		<b>1 417,2</b>	<b>367,2</b>
<i>Retained earnings:</i>			
Other equity not recognised in the income statement	17	-899,2	-439,3
Other equity	17	106,8	429,6
<b>Total retained earnings</b>		<b>-792,4</b>	<b>-9,7</b>
<b>Total equity</b>		<b>624,8</b>	<b>357,5</b>
<b>Liabilities and obligations</b>			
<i>Provisions for liabilities:</i>			
Pension liabilities	18	2 554,5	1 936,2
Other liabilities	19	0,9	22,0
<b>Total liabilities</b>		<b>2 555,3</b>	<b>1 958,2</b>
<i>Non-current liabilities:</i>			
Lease obligations	10	253,9	214,3
<b>Total other non-current liabilities</b>		<b>253,9</b>	<b>214,3</b>
<i>Current liabilities:</i>			
Accounts payable		48,0	217,6
Tax payable	9	0,0	44,6
Public duties payable		106,8	110,9
Derivatives	13	0,0	0,0
Lease obligations	10	31,0	30,3
Other current liabilities	19, 20	754,5	312,3
<b>Total current liabilities</b>		<b>940,3</b>	<b>715,7</b>
<b>Total liabilities</b>		<b>3 749,5</b>	<b>2 888,2</b>
<b>Total equity and liabilities</b>		<b>4 374,3</b>	<b>3 245,7</b>

The board of Avinor Flysikring AS, Oslo 24 March 2021

\_\_\_\_\_  
Abraham Foss  
Chair of the board

\_\_\_\_\_  
Ole Henrik Strand

\_\_\_\_\_  
Mari Halvorsen Sundgot

\_\_\_\_\_  
Marit Ektvedt Kjær

\_\_\_\_\_  
Trine Lysne

\_\_\_\_\_  
Sverre Ivar Elsbak

\_\_\_\_\_  
Espen Danielsen

\_\_\_\_\_  
Hilde Vedum

\_\_\_\_\_  
Anders Kirsebom  
Managing Director

**Avinor Flysikring AS**  
**Statement of cash flows**

All amounts in NOK million	Note	2020	2019
<b>Cash flows from operating activities</b>			
Cash flows from operating activities*		-278,9	504,8
Interest received		1,7	0,7
Tax paid		-44,6	-34,1
<b>Net cash flow from operating activities</b>		<b>-321,7</b>	<b>471,4</b>
<b>Cash flows from investing activities</b>			
Investments in property, plant and equipment		-475,4	-447,0
Intra-group interest		-6,4	1,3
Intra-group investments		-0,2	0,0
Proceeds from sale of property, plant and equipment, including plant under co		235,7	0,5
Intra-group repayment of liabilities		0,0	-15,5
Change in other investments		0,4	0,3
<b>Net cash flow from investing activities</b>		<b>-246,0</b>	<b>-460,4</b>
<b>Cash flows from financing activities</b>			
Absorption of debt (converted to equity in December 2020)		600,0	0,0
Payment of lease obligations in accordance with IFRS 16		-23,1	-8,6
Payment of interest in accordance with IFRS 16		-8,9	0,0
Interest paid		-0,2	-2,4
<b>Net cash flow from financing activities</b>		<b>567,8</b>	<b>-11,0</b>
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
<b>Bank deposits, cash and cash equivalents as at 31 December</b>		<b>0,0</b>	<b>0,0</b>

*Cash flow from operating activities		2020	2019
Profit/(loss) before tax		-413,5	-98,9
Ordinary depreciation/amortisation	10	139,4	142,7
Gains/(losses) on the sale of non-current assets		-0,9	0,9
Changes in value and other (losses)/gains – net (unrealised)	6	3,8	-10,4
Net finance expenses		12,6	-3,1
Change in inventories, accounts receivable and accounts payable		-125,9	136,5
Difference between recognised pension cost and amounts received/paid		28,6	277,7
Changes in other accrual accounting items		-38,2	-16,8
Changes in intra-group receivables and liabilities		115,2	76,1
<b>Cash flow from operating activities</b>		<b>-278,9</b>	<b>504,8</b>

## 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 24 March 2021.

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](http://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'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.

#### *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.

The company procures equipment and spare parts in connection with its revenue agreements. Such contract assets are capitalised at the lower of their original cost and their fair value. Contract assets are expensed in line with their consumption and sale.

#### *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.

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

### 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 the lease.

## 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 there are indications that future earnings cannot justify the carrying amount and this fall in value is not expected to be temporary. If assets have been impaired, the possibility of reversing previous impairment of non-financial assets will be assessed at each reporting date. Non-current liabilities are carried forwards at their nominal amount at the time of establishment.

Impairment is recognised in the income statement at the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use. If assets have been impaired, the possibility of reversing previous impairment of non-financial assets will be assessed at each reporting date.

#### **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 comprehensive income 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](http://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 2020, the company had concluded no forward currency contracts.

About half of the company's income from en-route navigation services is billed in Euro. The unit rate is set in Norwegian kroner but is converted to Euro at the average exchange rate in the relevant month for which the invoice is raised. This means that the company is exposed to currency fluctuations in the exchange rate used for invoicing versus the exchange rate that applies when Avinor Flysikring receives payment.

##### 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's credit risk is normally considered to be low. The COVID-19 pandemic has hit the aviation industry hard, leading to huge financial losses. The credit risk for claims for airspace fees is considered to be significantly higher for this reason.

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 shows the company's assets and liabilities measured at fair value as at 31 December 2020:

<i>Avinor Flysikring AS as at 31 December 2020</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	0,0	0,0	0,0	0,0
<b>Total assets</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	0,0	0,0	0,0	0,0
<b>Total liabilities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

<i>Avinor Flysikring AS as at 31 December 2019</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	0,0	4,2	0,0	4,2
<b>Total assets</b>	<b>0,0</b>	<b>4,2</b>	<b>0,0</b>	<b>4,2</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	0,0	0,0	0,0	0,0
<b>Total liabilities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

#### 4. Operating income

Of the company's total income in 2020, NOK 627.4 million (NOK 859.2 million in 2019) 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

	2020	2019
Salaries	904,2	1 057,7
Employer contributions	125,1	161,0
Pension costs	242,7	373,7
Other benefits	22,4	43,1
<b>Total payroll expenses</b>	<b>1 294,4</b>	<b>1 635,4</b>

Average number of FTEs	937	1 028
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*Remuneration to senior management:*

	2020	2019
Salaries/fees	2,3	2,2
Pension costs	0,5	0,5
<b>Total benefits</b>	<b>2,7</b>	<b>2,7</b>

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 2020, NOK 0.6 million was paid in remuneration to the board (NOK 0.7 million in 2019), of which NOK 0.3 million was to external parties (NOK 0.3 million in 2019).

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

All amounts in NOK million

<i>Specification:</i>	2020	2019
Unrealised changes in value (note 13)	3,8	-10,4
Realised changes in value – energy	2,0	-0,9
Currency gains/(losses) (profit/(loss) on assets and liabilities)	-14,4	8,2
<b>Total</b>	<b>-8,7</b>	<b>-3,1</b>

#### 7. Operating expenses

All amounts in NOK million

<i>Specification:</i>	2020	2019
Lease and operation of premises	11,1	13,8
Repairs, maintenance of operating materials	73,5	72,2
Contracted services	23,9	25,6
Meteorological services	41,6	40,7
Consultancy services	3,3	6,3
Other operating expenses	118,4	157,1
Bad debts	59,2	0,1
Intra-group expenses	76,2	74,3
<b>Total</b>	<b>407,1</b>	<b>390,1</b>

*Specification of auditor's fees, excl. VAT*

	2020	2019
Statutory audit	0,8	0,4
Other attestation services	0,2	0,1
<b>Total auditor's fees</b>	<b>1,1</b>	<b>0,5</b>

*Leases:*

The company leases office premises from the parent company (Avinor AS). NOK 21.6 million was expensed in 2020.

## 8. Financial items

All amounts in NOK million

<b>Finance income</b>	<b>2020</b>	<b>2019</b>
Interest income on intra-group receivables	1,4	6,5
Other finance income	3,0	4,4
<b>Total finance income</b>	<b>4,4</b>	<b>10,9</b>
<b>Finance expenses</b>		
Intra-group expenses	14,5	5,3
Other finance expenses	2,6	2,5
<b>Total finance expenses</b>	<b>17,1</b>	<b>7,8</b>
<b>Net finance income/(expenses)</b>	<b>-12,7</b>	<b>3,1</b>

## 9. Tax

All amounts in NOK million

<b>Tax expense</b>	<b>2020</b>	<b>2019</b>
Tax payable	0,0	44,6
Tax surplus/deficit in previous years	0,0	0,0
Change in deferred tax	-90,8	-66,2
<b>Total tax expense</b>	<b>-90,8</b>	<b>-21,6</b>

### Reconciliation of effective tax rate

22% tax on profit before tax	-91,0	-21,8
Effect of tax surplus/deficit in previous years	0,0	0,0
Dividend received	0,0	0,0
Permanent differences (22%)	0,2	0,1
<b>Tax expense</b>	<b>-90,8</b>	<b>-21,6</b>
<b>Effective tax rate</b>	<b>22,0</b>	<b>21,9</b>

<b>Specification of deferred tax assets and liabilities</b>	<b>01.01.2020</b>	<b>Profit/(loss)</b>	<b>Recognised</b>	
			<b>in equity</b>	<b>31.12.2020</b>
Receivables	-1,6	-13,0		-14,6
Non-current assets	27,0	0,5		27,5
Assets with a right of use – New 1 January 2019	52,6	8,4		61,0
Lease obligations – New 1 January 2019	-53,8	-8,9		-62,7
Provisions according to good accounting practices	-10,4	9,0		-1,4
Pensions	-426,0	-6,3	-129,7	-562,0
Profit and loss account	-0,4	0,1		-0,3
Financial instruments	0,9	-0,9		0,0
Deficit to carry forward	0,0	-79,8		-79,8
<b>Net deferred tax assets(-)/liabilities</b>	<b>-411,7</b>	<b>-90,8</b>	<b>-129,7</b>	<b>-632,2</b>
Of which carried forwards as deferred tax assets	-411,7			-632,2
Of which carried forwards as deferred tax liabilities	0,0			0,0

	<b>01.01.2019</b>	<b>Profit/(loss)</b>	<b>Recognised</b>	
			<b>in equity</b>	<b>31.12.2019</b>
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
<b>Net deferred tax assets(-)/liabilities</b>	<b>-382,4</b>	<b>-66,2</b>	<b>36,8</b>	<b>-411,7</b>
Of which carried forwards as deferred tax assets	-382,4			-411,7
Of which carried forwards as deferred tax liabilities	0,0			0,0

<b>Deferred tax assets</b>	<b>2020</b>	<b>2019</b>
Deferred tax assets expected to be realised after more than 12 months	-609,7	-399,7
Deferred tax assets expected to be realised within 12 months	-22,5	-12,0
	-632,2	-411,7
<b>Net deferred tax assets(-)/liabilities</b>	<b>-632,2</b>	<b>-411,7</b>

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.

## SkatteFUNN

The company has received approval for the SkatteFUNN project and the subsidy for the year was NOK 1.5 million. The subsidy is dealt with in accordance with NRS 4 Public subsidies. The subsidy is classified as a receivable in the accounts, as the company does not have tax payable for 2020. The accounting is in line with NRS 4.2.4 "Capitalisation of investment subsidies" and the subsidy is deducted from the asset's acquisition cost, which is entered net in the balance sheet (net recognition). The subsidy will be indirectly deducted by way of depreciation through a reduction in the acquisition cost of the asset. The subsidy is subject to the final approval of the tax authorities. Total capitalised research and development costs, relating to projects eligible for subsidies, that were expensed in 2020 amount to NOK 8.2 million.

## 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
<b>2019 financial year</b>			
Initial application of IFRS 16 as at 1 January 2019	2,4	262,1	264,5
Additions	5,6	21,7	27,3
Disposals	0,0	-20,4	-20,4
Transfers and reclassifications	0,0	-2,5	-2,5
Depreciation/amortisation for the year	-0,3	-29,7	-30,0
<b>Carrying amount as at 31 December</b>	<b>7,7</b>	<b>231,3</b>	<b>239,0</b>
<b>As at 31 December 2019</b>			
Original cost	7,9	261,0	268,9
Accumulated depreciation/amortisation and impairment	-0,3	-29,7	-30,0
<b>Carrying amount as at 31 December</b>	<b>7,7</b>	<b>231,3</b>	<b>239,0</b>
<b>2020 financial year</b>			
Carrying amount as at 1 January	7,7	231,3	239,0
Additions	0,0	84,1	84,1
Disposals	0,0	-15,8	-15,8
Depreciation/amortisation for the year	-0,5	-29,4	-29,9
<b>Carrying amount as at 31 December</b>	<b>7,2</b>	<b>270,1</b>	<b>277,3</b>
<b>As at 31 December 2020</b>			
Original cost	7,9	329,3	337,2
Accumulated depreciation/amortisation and impairment	-0,7	-59,1	-59,9
<b>Carrying amount as at 31 December</b>	<b>7,2</b>	<b>270,1</b>	<b>277,3</b>
Depreciation/amortisation period (years)	3-30	3-20	
Depreciation/amortisation method	Straight-line	Straight-line	

NOK 209.9 million of right-of-use assets recognised in the balance sheet as at 31 December 2020 (NOK 160.3 million as at 31 December 2019) relate to intra-group leases, primarily in respect of the parent company, Avinor AS.

Right-of-use assets 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	2020	2019
Obligation as at 1 January	244,6	264,5
Addition of lease obligations	79,6	27,3
Disposal of lease obligations	-16,2	-20,6
Payment of principal amount	-23,1	-24,1
Payment of interest	-8,9	-7,5
Interest expense associated with lease obligations	8,9	7,5
Transfers and reclassifications	0,0	-2,5
<b>Carrying amount as at 31 December</b>	<b>284,9</b>	<b>244,6</b>
Current lease obligations	31,0	0,0
Non-current lease obligations	253,9	244,6
Net cash flow from lease obligations	-32,0	-31,6

NOK 214.2 million of lease obligations recognised in the balance sheet as at 31 December 2020 (NOK 164.2 million as at 31 December 2019) relate to intra-group leases, primarily in respect of the parent company, Avinor AS.

The discount rate when determining the lease obligation (the company's marginal borrowing rate as at 31 December 2020) is calculated at 2.67%.

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	31,0	30,3
Between 1 and 5 years	140,8	114,5
More than 5 years	113,1	99,8
<b>Total</b>	<b>284,9</b>	<b>244,6</b>

#### 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 2020 amounted to approximately NOK 1.1 million (2019: NOK 1.0 million).

#### Options to extend a lease and purchase options

As at 31 December 2020, there were no significant future potential lease payments that were 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
<b>As at 1 January 2019</b>							
Original cost	0,6	295,6	45,4	1 210,7	7,3	733,9	2 293,5
Accumulated depreciation/amortisation and imj	0,0	-57,0	-31,8	-781,6	-2,3	0,0	-872,7
<b>Carrying amount as at 1 January</b>	<b>0,6</b>	<b>238,5</b>	<b>13,6</b>	<b>429,1</b>	<b>5,0</b>	<b>733,9</b>	<b>1 420,8</b>
<b>2019 financial year</b>							
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	498,0	667,8
Disposals (original cost)	0,0	0,0	-2,1	-29,7	0,0	-267,2	-299,0
Disposals (acc. depreciation/amortisation)	0,0	0,0	2,1	28,3	0,0	0,0	30,4
Depreciation/amortisation for the year	0,0	-15,2	-2,8	-80,5	-0,3	0,0	-98,7
<b>Carrying amount as at 31 December</b>	<b>7,3</b>	<b>275,9</b>	<b>12,7</b>	<b>455,9</b>	<b>4,7</b>	<b>964,7</b>	<b>1 721,3</b>
<b>As at 31 December 2019</b>							
Original cost	7,3	348,2	45,2	1 289,7	7,3	964,7	2 662,4
Accumulated depreciation/amortisation and imj	0,0	-72,3	-32,4	-833,8	-2,6	0,0	-941,1
<b>Carrying amount as at 31 December</b>	<b>7,3</b>	<b>275,9</b>	<b>12,7</b>	<b>455,9</b>	<b>4,7</b>	<b>964,7</b>	<b>1 721,3</b>
<b>2020 financial year</b>							
Carrying amount as at 1 January	7,3	275,9	12,7	455,9	4,7	964,7	1 721,3
Additions	0,0	13,6	4,8	57,1	0,0	413,0	488,5
Disposals (original cost)	-6,2	-28,2	-3,0	-42,3	-0,1	-206,7	-286,5
Disposals (acc. depreciation/amortisation)	0,0	5,5	2,9	4,0	0,0	0,0	12,5
Depreciation/amortisation for the year	0,0	-13,8	-2,8	-72,7	-0,3	0,0	-89,6
<b>Carrying amount as at 31 December</b>	<b>1,1</b>	<b>253,0</b>	<b>14,7</b>	<b>402,0</b>	<b>4,4</b>	<b>1 171,0</b>	<b>1 846,2</b>
<b>As at 31 December 2020</b>							
Original cost	1,1	333,6	47,0	1 304,5	7,2	1 171,0	2 864,4
Accumulated depreciation/amortisation and imj	0,0	-80,5	-32,4	-902,4	-2,8	0,0	-1 018,2
<b>Carrying amount as at 31 December</b>	<b>1,1</b>	<b>253,0</b>	<b>14,7</b>	<b>402,0</b>	<b>4,4</b>	<b>1 171,0</b>	<b>1 846,2</b>
Estimated useful life		10 to 50 years	15 to 50 years	5 to 15 years	5 to 50 years		
Depreciation/amortisation method	N/A	Straight-line	Straight-line	Straight-line	Straight-line		

#### Plant under construction

As at 31 December 2020, plant under construction amounted to NOK 1,171 million. Of this, the Remote Towers project accounts for about NOK 382 million, which will be transferred to Avinor AS in line with completion.

#### Intangible assets

As at 31 December 2020, intangible assets valued at NOK 72.7 million were carried forward. This primarily relates to proprietary software. Amortisation for the year amounted to NOK 19.9 million.

#### Non-current assets held for sale

Capitalised non-current assets – includes non-current assets held for sale to the parent company (Avinor AS) at a carrying amount of NOK 25.6 million - Remote Towers. Non-current assets held for sale are not included in the tabular layout in the note on non-current assets. Capitalised intangible assets – includes assets held for sale to the parent company (Avinor AS) at a carrying amount of NOK 22.4 million - Remote Towers.

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 917 million as plant under construction.

### Impairment tests, calculation of recoverable amount

Property, plant, and equipment and intangible assets are assessed for impairment when there are indicators that future earnings cannot justify their carrying amount. Impairment is recognised in the income statement at the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use. If assets have been impaired, the possibility of reversing previous impairment of non-financial assets will be assessed at each reporting date.

Avinor Flysikring calculates value in use based on the present value of future cash flows. Value in use is the present value of future cash flows that are expected to arise from existing assets.

Carrying out impairment tests requires a large degree of judgement. Among other things, an assessment is made of how long the fall in value will last and how much lower the value in use is than the acquisition cost, in addition to the financial position and expected development in the market, including factors such as operational and financial cash flows.

#### Assumptions used as a basis for calculating the recoverable amount

The coronavirus pandemic has had a major negative impact on Avinor Flysikring and significantly affected revenues related to air traffic in the airspace in 2020. It is expected that the pandemic will continue to have a negative impact going forwards in the form of reduced traffic.

Uncertainty over the duration of the pandemic and the regulation of Avinor Flysikring AS's revenues increase the sensitivity of the assumptions used in the impairment tests, leaving less room for manoeuvre between the recoverable amount and the carrying amount of the company's assets.

Avinor Flysikring is a regulated infrastructure business, where a decrease in traffic in the short/medium term will not normally lead to an impairment requirement. However, the COVID-19 pandemic and the uncertainty associated with both its duration and more long-term negative consequences may lead to a need for impairment.

The company's operations are conducted in their entirety in Norway. The present value of cash flows is therefore estimated in NOK, after which a discount is made based on a weighted return requirement relevant to Avinor Flysikring's operations.

The impairment assessments are subject to a particularly high level of uncertainty related to the effects of the pandemic on future traffic forecasts. Avinor Flysikring has therefore relied on different scenarios when determining cash flows in the impairment assessments.

The most important assumptions used in the impairment tests as at 31 December 2020 are set out below and represent updated forecasts, including the management's

Key prerequisite	Avinor Flysikring
Revenues in 2021 as a percentage of 2019*	75,50 %
Revenues in terminal segment as a percentage	104,80 %
Operating expenses in 2021 as a percentage c	85,40 %
Operating expenses in terminal segment as a p	91,80 %
Growth factor in terminal segment	1,50 %
Return requirement after tax	4,10 %

*Government subsidies and risk-sharing for 2020 and 2021 are not included*

Cash flows in the first year of the measurement period are based on the management-approved budget, and cash flows in the forecast period 2022-2026 are based on the management-approved financial business plan, which is based on current fee regulation and updated estimates for the expected air traffic volume and cost level. The cash flow from year 6 onwards is extrapolated according to an eternity perspective with a growth factor of 1.5% based on expectations for the development of future travel activity and inflation. The expectations are based on the Avinor group's own assessments, as well as on analyses from reputable industry and analysis organisations. In Norway, aviation is in a strong position, with long distances, population structure, and topography all indicating long-term growth. At the same time, aviation fees will be regulated based on cost levels. Airport fees are based on current regulations.

#### Results of impairment tests

Impairment tests performed show that the value in use exceeds the book value of assets by NOK 1,100 million. Consequently, no impairment of a permanent fall in value was made as at 31 December 2020.

#### Sensitivity of impairment tests

As the pandemic is ongoing and at the time of presentation the annual accounts for 2020 there was still uncertainty related to the timing of the large-scale rollout/effectiveness of vaccines and how the pandemic would affect future travel activity, it was still too early to predict the full impact of the pandemic on the business. Should the management's current expectations not be met, this could result in a significant loss in value.

The management therefore carried out sensitivity analyses that represent different scenarios based on changes in the assumptions to which the impairment tests are most sensitive. The analyses were prepared to illustrate the uncertainty in the management's assessments.

The table below shows the sensitivity to changes in outcome based on changes in operating margin, revenues, and growth in the terminal segment:

Amounts in NOK million	Avinor Flysikring	
	Value in use	Impairment
<b>Change in assumption</b>		
Operating margin -1%	2 100	0
Operating margin -2%	1 500	0
Operating income -1%	2 000	0
Operating income -2%	1 400	100
Growth in terminal segment -0.5%	2 100	0
Growth in terminal segment -1%	1 700	0

## 12. Intra-group balances

All amounts in NOK million

Intra-group balances

Company AS as at 31 December 2020	Avinor AS	Svalbard Lufthavn AS	Total
Intra-group accounts receivable	161,6	1,7	163,2
Receivables	14,5	0,5	14,9
<b>Total receivables</b>	<b>176,0</b>	<b>2,1</b>	<b>178,2</b>
Intra-group accounts payable	19,5	0,0	19,5
Other current liabilities	513,2	1,5	514,7
<b>Total liabilities</b>	<b>532,6</b>	<b>1,5</b>	<b>534,1</b>

## 13. Derivatives

All amounts in NOK million

	2020	2019	Change
Forward currency contracts	0,0	4,2	4,2
<b>Total</b>	<b>0,0</b>	<b>4,2</b>	<b>4,2</b>
<b>Net change</b>			<b>4,2</b>
<b>Specification of net change:</b>			
Changes in value and other (losses)/gains – net	0,0	4,2	4,2
<b>Net change</b>			<b>4,2</b>

As at 31 December 2020, the company had concluded no forward currency contracts.

## 14. Receivables

All amounts in NOK million

<b>Accounts receivable</b>	<b>2020</b>	<b>2019</b>
Accounts receivable	239,8	129,5
Accrued un invoiced income	43,9	79,9
Provision for losses on accounts receivable	-66,3	-7,2
<b>Book value of accounts receivable</b>	<b>217,4</b>	<b>202,2</b>
Accounts receivable written off during the year	0,0	0,0
<b>Current receivables</b>	<b>2020</b>	<b>2019</b>
Accounts receivable	173,5	122,3
Intra-group receivables	1 264,2	483,0
Accrued un invoiced income	43,9	79,9
Prepaid operating expenses	20,7	19,9
Other current receivables	13,2	7,3
<b>Total current receivables</b>	<b>1 515,5</b>	<b>712,4</b>

The COVID-19 pandemic has hit the aviation industry hard, resulting in heightened credit risk. This resulted in a significant increase in provisions for losses on accounts receivable in 2020.

Provisions for losses were made based on specific assessments of the risk of losses in the company's portfolio of accounts receivable. For en-route navigation services, which are invoiced through Eurocontrol, a standard provision was made based on an assessment of risk, according to factors such as overdue receivables and customer status. Where there were indicators of a higher level of risk, a specific assessment was made of the size of the loss provision.

## 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 2020 the company had NOK 636.1 million in the group accounts scheme. The balance is presented under "Receivables" in the balance sheet. As at 31 December 2019 the group had a total of NOK 293.1 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
	31.12.2019	31.12.2019	31.12.2019
Ordinary shares	36 500	0,01000	365,0
	31.12.2020	31.12.2020	31.12.2020
Ordinary shares	36 500	0,01001	365,4
Total	36 500	0,01001	365,4

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

The capital increase in 2020 was implemented by way of an increase in nominal value per share of NOK 10. No new shares were issued.

## 17. Equity

All amounts in NOK million

	Share capital	Share premium	Other paid-in equity	Other equity not recognised in	Other equity	Total
<b>Carrying amount as at 1 January 2019</b>	<b>365,0</b>	<b>0,0</b>	<b>2,2</b>	<b>-569,8</b>	<b>506,8</b>	<b>304,2</b>
Profit/(loss) for the year					-77,3	-77,3
Change in deviation in estimates for pensions – net after tax				130,6		130,6
<b>Carrying amount as at 31 December 2019</b>	<b>365,0</b>	<b>0,0</b>	<b>2,2</b>	<b>-439,3</b>	<b>429,6</b>	<b>357,5</b>
<b>Carrying amount as at 1 January 2020</b>	<b>365,0</b>	<b>0,0</b>	<b>2,2</b>	<b>-439,3</b>	<b>429,6</b>	<b>357,5</b>
Profit/(loss) for the year					-322,7	-322,7
Deviation in estimates for pensions charged to OCI – net after tax				-459,9		-459,9
Capital increase through debt conversion	0,4	599,6				600,0
Group contributions			450,0			450,0
<b>Carrying amount as at 31 December 2020</b>	<b>365,4</b>	<b>599,6</b>	<b>452,2</b>	<b>-899,2</b>	<b>106,8</b>	<b>624,8</b>

## 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 occupational pension and rules of the Norwegian National Insurance Scheme have been adopted and were implemented in the accounts for 2019. The changes were reflected in a plan change in the accounts for 2019 and 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.

Negative estimate deviations in 2020 of NOK 589.7 million were 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.

### 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 2021 will be 2.5% (unchanged from 2020) of the salary basis detailed in the statutes of the scheme.

### The pension cost for the year is calculated as follows:

	2020	2019
Costs related to defined-contribution pension, private AFP, and gift pensions	103,6	88,2
Costs of pension accrual for the current period	72,3	57,5
Plan changes, including truncation/settlement	0,0	138,9
Interest expense	91,1	100,7
Return on pension assets	-52,3	-56,1
Employees' 2% contribution	-3,2	-2,8
Administrative expenses	0,8	0,8
Employer contributions	30,4	46,5
<b>Pension cost for the year (note 5)</b>	<b>242,7</b>	<b>373,7</b>

Pension liabilities and pension assets:			2020		2019	
	Secured	Unsecured	Total	Secured	Unsecured	Total
Change in gross pension liabilities:						
Pension liabilities as at 1 January	3 873,9	303,6	4 177,5	3 866,5	258,3	4 124,7
Reclassification of liability gift pension 1.1.	0,0	3,5	3,5	0,0	0,0	0,0
Costs of pension accrual for the current period	30,7	39,1	69,9	41,4	17,0	58,4
Plan changes, including truncation/settlement	0,0	0,0	0,0		22,4	138,9
				116,4		
Interest expense	84,6	6,6	91,1	94,2	6,5	100,7
Actuarial gains and losses – financial assumption	430,0	47,8	477,9	-190,0	-0,6	-190,6
Pension payments	-60,2	-6,1	-66,4	-54,5	0,0	-54,5
<b>Gross pension liabilities as at 31 December</b>	<b>4 359,0</b>	<b>394,5</b>	<b>4 753,5</b>	<b>3 873,9</b>	<b>303,6</b>	<b>4 177,5</b>
Change in gross pension assets:						
Fair value of pension assets as at 1 December	2 480,3		2 480,3	2 524,3		2 524,3
Return on pension assets	52,5		52,5	56,1		56,1
Premium contributions	80,6		80,6	-6,7		-6,7
Actuarial gains and losses	-38,9		-38,9	-38,9		-38,9
Pensions paid	-60,2		-60,2	-54,5		-54,5
<b>Fair value of pension assets as at 31 December</b>	<b>2 514,2</b>	<b>0,0</b>	<b>2 514,2</b>	<b>2 480,3</b>	<b>0,0</b>	<b>2 480,3</b>
<b>Net pension liabilities</b>	<b>1 844,8</b>	<b>394,5</b>	<b>2 239,3</b>	<b>1 393,6</b>	<b>303,6</b>	<b>1 697,2</b>
Employer contributions of net pension liabilities	259,5	55,6	315,1	196,3	42,7	238,9
<b>Net pension liabilities carried forwards as at 31 December</b>	<b>2 104,3</b>	<b>450,1</b>	<b>2 554,5</b>	<b>1 589,9</b>	<b>346,3</b>	<b>1 936,2</b>
Actual return on pension assets for previous year	78,4		78,4	35,6		35,6
Expected premium contributions next year	17,7		17,7	113,7		113,7
Expected pension payments next year	-64,7		-64,7	-59,2		-59,2

#### 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.

	2020	2019
Discount rate	1,70 %	2,30 %
Wage growth in percent	2,25 %	2,25 %
Pension adjustments in percent	1,25 %	1,25 %
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 2020 and 2019.

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 15 percent of Avinor Flysikring AS's pension assets as at 31 December 2020 were 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 (excl. AGA) for changes in the weighted economic assumptions based on a change of one percent:  
(figures in NOK million) (negative figure is reduction of obligation/positive figure is increase)

Percent	+1	-1
Discount rate	-979,3	1 341,3
Wage growth in percent	111,3	-114,5
Pension adjustments in percent	1 194,8	-902,8

## 19. Other provisions for liabilities

All amounts in NOK million

	<b>Total</b>
Balance sheet as at 31 December 2019	47,3
Reclassified IB - gift pension	-24,3
Allocated	5,2
Reversed	0,0
Used	-21,8
Balance sheet as at 31 December 2020	6,3
Current liabilities recognised as other current liabilities	5,4
Non-current portion of provisions for liabilities	0,9

## 20. Other current liabilities

All amounts in NOK million

	<b>2020</b>	<b>2019</b>
Holiday allowance	112,2	124,5
Advances from customers	19,0	15,5
Payroll and social security contributions	19,6	42,7
Accrual of operating and investment expenses	69,5	41,9
Intra-group liabilities	534,1	87,7
Total	754,5	312,3

## 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 2020 financial year.

## 22. Events after the balance sheet date

### Interest rate levels and pension liabilities

The present value of the company's defined-benefit pension liabilities is calculated by discounting estimated future payments by the interest rate on a bond issued by a company with a high credit rating. Changes to this assumption which generate an accounting loss or gain are charged directly to equity in comprehensive income in the period in which they occur. See also note 18 for further discussion of pensions.

The present value of the defined-benefit pension liability, as a result of changes in interest rate levels, decreased in the first months of 2021. At the beginning of March 2021, the discount rate was 0.5 percent higher than what was assumed in the calculation of pension liabilities as at 31 December 2020. It is estimated that the increase in the discount rate, isolated from changes in other pension assumptions, results in an increase in the company's equity in the order of NOK 436 million.

## 23. COVID-19

The COVID-19 pandemic has had a major negative impact on Avinor Flysikring and significantly affected air traffic revenues in 2020. It is expected that the pandemic will continue to have a negative impact going forwards. Although there is considerable uncertainty about when, and how quickly, revenues will pick up again, Avinor Flysikring expects that traffic will return to 2019 levels no sooner than 2024.

The authorities have initiated several extraordinary national and international measures, support schemes, and rescue packages to alleviate the difficult economic situation in which the aviation industry finds itself. In addition, Avinor and Avinor Flysikring have implemented powerful efficiency measures.

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 liabilities, Avinor Flysikring AS received a capital injection from the parent company in the form of the conversion of intra-group debt and group contributions. This is considered to give Avinor Flysikring adequate equity and liquidity to handle the crisis. Avinor Flysikring expects positive results from operations in 2022.