Annual and CSR report 2018

AVINOR

54 387 000

PASSENGERS

690 472

DEPARTURES AND LANDINGS

3 099

PERMANENT EMPLOYEES

2.8 PER CENT

TRAFFIC GROWTH 2017-2018

83.5 PER CENT

REGULARITY

Avinor's target is a punctuality rate of 88 per cent. Poor punctuality was primarily down to major traffic-related challenges in Southern Europe, as well as internal challenges among some key operators within Avinor's network.

Our performance

Operating income airport operations

10 302

NOK MILLION

Operating income air navigation services

2 107

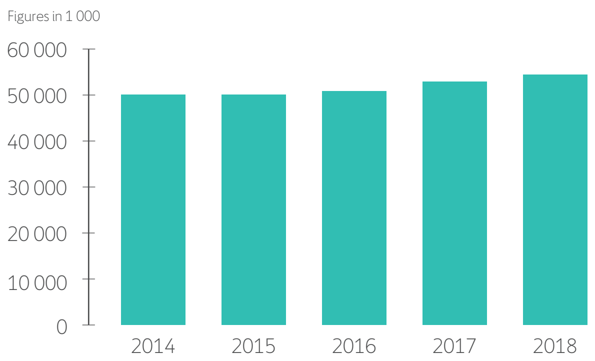
NOK MILLION

Profit after tax

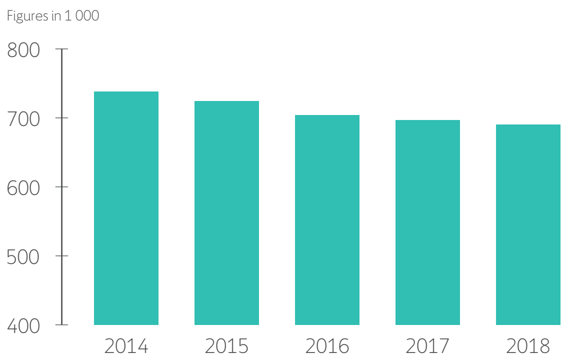
1 170

NOK MILLION

NUMBER OF AIRLINE PASSENGERS



NUMBER OF AIRCRAFT MOVEMENTS



NOK MILLION	2018	2017	2016	2015	2014
Operating income airport operations	10 302.6	10 162.1	9 674.9	9 424.1	9 561.5
Operating income air navigation services	2 107.2	2 085.2	1 990.8	2 087.6	2 014.8
Total operating income group	11 724.0	11 526.0	10 788.1	11 989.4	10 671.0
EBITDA group	4 200.8	3 126.4	3 520.7	4 691.8	3 648.3
Profit after tax	1 169.7	499.3	1 028.6	2 449.0	1 398.7
Number of airline passengers (figures in 1 000)	54 387	52 885	50 803	50 025	50 107
Number of aircraft movements (figures in 1 000)	690	697	704	724	738

1) The Group uses EBITDA as an alternative performance measure (APM). This calculation is directly reconciled in the profit and loss account. EBITDA is used because it is an approximate calculation of free cash flow from operations.

Content

Avinor's annual and CSR report for 2018 is the Group's joint report on its operations, finances, and corporate social responsibility. This is the fourth time that the Group is presenting a joint report. Corporate social responsibility is an integral element in Avinor's strategic planning and in the management of the Group. Avinor's corporate social responsibility efforts are based on the expectations set forth in Avinor's Articles of Association and in the Norwegian Accounting Act. Avinor takes the OECD's guidelines for responsible business as the basis for its corporate social responsibility efforts, and it signed up to the UN Global Compact in 2014. Avinor's efforts cover areas such as human rights, employee rights and social conditions, the external environment, and combatting corruption. Avinor reports on its corporate social responsibility in accordance with the principles of the Global Reporting Initiative (Standards/Core).

About Avinor

Avinor is a wholly state-owned limited liability company under the authority of the Norwegian Ministry of Transport and Communications and is responsible for Norway's state-owned airports and air navigation services for civilian and military aviation.

Air navigation services are provided by way of a separate company – Avinor Air Navigation Services – which is wholly owned by Avinor. Avinor Air Navigation Services provides services including en-route navigation services, approach control services, and control tower services, as well as flight navigation services and services relating to technical operations. Avinor Air Navigation Services is responsible for air navigation in Norwegian airspace and provides services to both civil and military aviation. This report also includes air navigation services. Commissioned by the Norwegian Ministry of Transport and Communications, a process commenced in 2017 to explore the possible separation of air navigation services from Avinor. This process will continue in 2019. It is unclear when a decision will be made regarding any such separation.

Avinor co-operates with the Norwegian Armed Forces at eleven airports, nine of which are Avinor airports (Oslo, Stavanger, Bergen, Trondheim, Bodø, Andøya, Harstad/Narvik, Bardufoss, Lakselv). In addition, Ørland airbase has only military traffic, and Rygge airfield has only military activity and some general aviation. Co-operation with the Norwegian Armed Forces is expected to be extended to include several more airports in the future.

A total of 54,387,000 passengers travelled to, from or via Avinor's airports in 2018, which is an increase of 2.8 per cent compared to the previous year. It is international traffic that has seen greatest growth in 2018, and 22.5 million passengers travelled directly to or from Norway and international destinations.

Norway's main airport, Oslo Airport, had more than 28.5 million passengers in 2018, which is an increase of 3.8 per cent compared to the previous year. Oslo Airport is the hub of Norwegian aviation and a transit airport for traffic between Norway and the rest of the world. The profit generated by Oslo Airport is crucial for the financing of the network of airports spread across the rest of Norway.

There was a total of 690,472 movements (take-offs and landings) at Avinor's airports in 2018, which is a slight decline of just over 1 per cent compared with the year before. The increase in passenger numbers is, therefore, relative to the number of passengers per flight (load factor) and not to the number of movements. We saw a similar trend in 2017 and 2016.

In 2018, there were 81,262 overflights using Norwegian airspace, which is a decline of 1.3 per cent compared with 2017.

OUR AIRPORTS

Avinor's airports vary by size and traffic volume. Oslo Airport is by far the largest and accounts for more than half of Norway's air traffic and just over 70 per cent of the country's total international traffic. Stavanger, Bergen, and Trondheim also have a sizeable proportion of direct international traffic. Some other airports also have international traffic: Tromsø, Bodø, Harstad/Narvik, Molde, Ålesund, Haugesund, Kristiansand, and Kristiansund, in addition to some international charter traffic at individual airports.

Oslo Airport is the only Norwegian airport to have two parallel runways. Stavanger Airport, Sola has a secondary runway used during certain wind conditions. Traffic forecasts indicate the need for a third runway at Oslo Airport by 2030. Bergen Airport, Flesland will probably require a second runway by around 2040.

Oslo Airport's runways are 3,600 metres long. At the other large airports, the runways are between 2,600 and 3,000 metres long, which means they can be used by larger jet aircraft. 27 of Avinor's 43 airports have short runways of between 800 and 1,200 metres. These are used by smaller aircraft types such as the Bombardier Dash 8, air ambulances, and private aircraft. These small airports are of huge importance in ensuring the habitation and economies of remote areas. In addition, a heliport is operated at Værøy.

Avinor is a self-funding business and its airport operations are run as a single unit, in which the financially profitable airports finance the financially unprofitable airports. Avinor's primary sources of income are fees from airlines and passengers and income from the rental of space for retail operators, tax-free sales, food and drink, parking, and other passenger services. In addition, Avinor has income from the rental of space to airport hotels and parking facilities. The shares in Avinor AS are wholly owned by the Norwegian state as represented by the Ministry of Transport and Communications. The Ministry of Transport and Communications manages the ownership by the Norwegian state and determines Avinor's financial framework. In addition, the Ministry of Transport and Communications regulates the aviation fees. The Ministry of Transport and Communications is the highest authority for Norwegian aviation and also lays down the Civil Aviation Authority's regulations that have consequences for Avinor's operations. Avinor's head office is in Oslo.

VISION

We create valuable relationships

MISSION

Avinor will develop and operate a safe, efficient, and sustainable aviation system throughout Norway.

VALUES

- Open
- Accountable
- Dynamic
- Customer-focused

Message from the CEO

We will contribute to sustainable growth throughout Norway

Safe and stable operations form the basis for Avinor's business. Avinor operated well in 2018 and no aviation accidents or serious incidents were recorded in which Avinor was a contributing party. Thanks to effective co-operation with airlines and other partners, in 2018, Norwegian aviation has evolved within key areas such as the climate, capacity, and competitiveness.

Last February, Avinor adopted a strategic plan for the period 2018 to 2023. One of the primary objectives is to contribute to the sustainable growth in Norway and its regions. Avinor is acutely aware of the need to balance the corporate social responsibility objective of offering a better route network with its influential role within the environmental and climate efforts of aviation. An important step in 2018 was the acquisition of an electric aircraft together with the Norwegian Association of Air Sports. Interest in the aircraft was huge, both before and after it arrived in Norway, which is a clear indication that this was an important decision and, moreover, the right decision. I'm proud that Avinor is at the forefront of sustainable aviation, in line with the UN's sustainable development goal (SDG) number 13 – to stop climate change. Our ambition is for all domestic aviation in Norway to be electrified by 2040. Through its government declarations, the Norwegian government has also tasked us with contributing to this. At the same time, it is important to contribute to facilitating regional development that ensures the competitiveness of Norway's local communities and the nation as such. Avinor is supporting the airlines in these efforts.

Continuous improvement and innovation are central elements in the new strategic plan, within which digitalisation and automation are important components. We have already completed successful tests of autonomous snowploughs and they are being tested at Oslo Airport during the winter 2019. In the autumn of 2019, we expect the first remotely operated tower to be put into operation. And in Bodø, project planning for the "world's smartest airport" is in full swing. In addition, Avinor – either on its own or in co-operation with suppliers and customers – is developing both major and small-scale solutions that will help make Norwegian aviation competitive. In this way, we are also actively contributing to UN SDG 9 on innovation and infrastructure.

Our owner, the Norwegian Ministry of Transport and Communications, will have more transportation for its money. Between 2015 and 2018, measures have been implemented that have provided annual savings of NOK 600 million in relation to the original plan for the business. Further efficiency and cost-cutting measures are high on Avinor's agenda. Efforts are underway on several initiatives to work smarter and more efficiently, and the Group's Board of Directors has adopted substantial cost reductions effective from 2019. Our target is to lower costs by 20 per cent per passenger by 2023. There is good dialogue between employee representatives, employees, the management and the board with regard to meeting our owner's expectations.

We've passed several key milestones over the past year. In April, a tender for air traffic services for Ålesund and Kristiansand was announced. The winner of the tender was the Spanish company, Saerco, which will take over the operation of the towers on 1 March 2020.We have given our input regarding a possible change of ownership of Avinor Air Navigation Services. The decision is now up to the Norwegian Ministry of Transport and Communications. We are following up our owner's desire to start a tender process at Haugesund Airport. Just before the summer, we completed the bidding process and the plan is that a new operator will take over during the second quarter of 2019. Our task now is to do the best we can for our employees and deliver good services until the takeover. I'm proud of the professionalism of our employees at Haugesund Airport in facing this challenge.

Norway's main airport, Avinor Oslo Airport, had more than 28.5 million passengers in 2018, which is an increase of 3.8 per cent compared to the previous year. In September, a new passenger record was set with 103,282 passengers using the airport on one day. The expansion of the non-Schengen area is in full-swing. When finished in 2022, it will provide a great boost for Oslo Airport and Avinor's network.

Expansion at Stavanger is almost complete, and traffic has started to increase again. The planning of a new terminal at Tromsø is underway which, if adopted, will boost capacity substantially at the airport and give passengers a much better experience.

Major traffic-related challenges in Southern Europe, as well as internal challenges among some key operators within Avinor's network were sometimes detrimental to traffic punctuality last year.

Avinor's objective is to be the best possible host for passengers and visitors. To achieve this, we work together with all the other players at our airports. The results of the Airport Service Quality (ASQ) surveys show steady, healthy growth for a fourth year, and we are approaching our goal of being among the top ten in Europe within this area.

Avinor plays a key role in the overall defence of Norway and contributes to a safe society that is as robust as possible regarding unwanted incidents. This was confirmed during the major NATO exercise Trident Juncture in 2018. Our employees were involved in several areas, and despite hosting several hundred visiting Allied aircraft, we continued to operate civilian traffic without delays. Over many years, Avinor has been involved with civil security and preparedness. We have a robust regime to tackle the challenges we currently face.

Our objective is that we all – employees, employee representatives, the management, and the board – work together for a united and strong Avinor that does its best for all of Norway, in line with the remit from our owner. We will continue to develop our competitive airports and strengthen the air navigation services with world-class technology to ensure that the Avinor model will be the preferred model for providing aviation services in Norway even in the future.

I'm proud that Avinor is at the forefront of sustainable aviation, in line with the UN's sustainable development goal (SDG) number 13 – to stop climate change.

Dag Falk-Petersen,
CEO

UN GLOBAL COMPACT
WE SUPPORT

Corporate Governance

The aim of the Norwegian Code of Practice for Corporate Governance is to ensure that companies that are listed on regulated markets in Norway practise corporate governance that clarifies the role of the shareholders, the board of directors, and the day-to-day management beyond what follows from legislation.

This statement has been prepared in accordance with the framework of the Norwegian Code of Practice for Corporate Governance, last updated on 17 October 2018, with the adjustments that are required due to the fact that Avinor is a wholly state-owned limited company. In addition to the general provisions of the Limited Liability Companies Act, special provisions apply to state-owned limited companies.

BUSINESS

Avinor is a group of companies that operates in the Norwegian transport sector. The parent company, Avinor AS, is wholly owned by the Norwegian state, represented by the Ministry of Transport and Communications. The Group's head office is in Oslo. The company's operations are described in its Articles of Association.

- The company's social obligations relate to owning, operating, and developing a national network of airports for the civilian aviation sector and a joint air navigation service for the civilian and military sectors.
- The company's operations must be carried out in a safe, efficient, and environmentally friendly manner and ensure good accessibility for all groups of travellers.
- The company must be self-financed to the greatest possible extent through its own revenues from its primary activities and commercial activities in connection with the airports. Financially profitable units shall finance financially unprofitable units internally within the company.
- Operations may be run by the company itself, by wholly owned subsidiaries, or by other companies that the Group has interests in or co-operates with. The owner determines whether the overall operation of an airport can be outsourced to others on the basis of a contract and whether such an airport is to be exempt from joint financing.
- The company shall carry out the duties imposed by society as stipulated by its owner.

The company's Articles of Association are available at www.avinor.no.

Avinor is responsible for operating a unified system of 43 airports, one heliport, and the joint air navigation service in Norway. The business is based on fulfilling and building on key social obligations in all parts of the country, and it must be operated with safety as a high priority and with an emphasis on environmental considerations. To meet the owner's demands, strategic primary objectives have been established within economics and finance, society and the environment, aviation safety and HSE, anti-corruption, customers and partners, and personnel and organisation.

The Group's policy in the field of the environment and corporate social responsibility outlines the overriding principles for the environment and corporate social responsibility in Avinor. The OECD's guidelines for responsible business shall serve as the basis for efforts relating to corporate social responsibility. Avinor is affiliated with the Global Compact – the UN's global initiative for corporate social responsibility – and reports on its corporate social responsibility in accordance with the GRI – the Global Reporting Initiative.

The aim is for Avinor to be a leader in efforts relating to corporate social responsibility, to lead the way internationally in respect of climate work in aviation, and to improve its own environmental performance.

The Group's ethics guidelines were most recently revised in the spring of 2017. Furthermore the guidelines express the Group's attitudes in its interaction with customers, suppliers, colleagues, and the wider community.

The ethical guidelines are available at www.avinor.no.

Avinor is a member of Transparency International Norway.

EQUITY AND DIVIDENDS

The company's share capital is NOK 5,400,100,000, divided into 540,010 shares, each with a par value of NOK 10,000. The company's equity must correspond to at least 40 per cent of the sum total of the company's recognised interest-bearing long-term loans and equity at any given time.

Avinor AS is a wholly state-owned limited company. The shareholders' rights are safeguarded by the responsible cabinet minister or their deputy at the General Meeting. The General Meeting is not bound by the distribution of dividends proposed by the Board of Directors. Dividends are declared each year. The Office of the Auditor General monitors the management of the Norwegian state's interests and can carry out any inspections that it deems necessary.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Avinor AS has one class of shares. The shares are not listed on a stock exchange and there are no transactions involving the shares.

Intra-group agreements are entered into pursuant to the arm's length principle on ordinary commercial terms. All such agreements are made in writing.

Transactions with close associates

The Board is not aware of any transactions during 2018 between the company and its shareholders, Board members, executive employees, or their close associates that may be characterised as not immaterial transactions.

Board members and executive employees are required to submit an annual statement concerning close associates.

Guidelines for Board members and executive employees

The Group's ethics guidelines contain a separate point on how to handle conflicts of interest. In which it is stated that an employee shall never participate in or attempt to influence a decision if he/she has a conflict of interest or questions may be raised about the employee's impartiality. Group employees can take on second jobs or directorships in addition to their main employment in Avinor provided that these do not conflict with the employee's duty of loyalty and impartiality or with the proper performance of their duties.

The guidelines also contain provisions on impartiality. If there is doubt whether the person concerned is impartial, the issue must be discussed with the most immediate manager.

The state as shareholder

Avinor is wholly owned by the Norwegian state. The Norwegian Ministry of Transport and Communications convenes quarterly meetings with the company. During these meetings, the company updates the owners about operations, financial developments, how social responsibility is exercised, and other conditions considered to be relevant to the owner at that time. No decisions are reached at these meetings, and the company does not receive any guidelines for how it must respond to individual issues.

GENERAL MEETING

The Minister of Transport and Communications constitutes the company's General Meeting and is the company's highest authority. In accordance with Section 20-5 of the Limited Liability Companies Act, the Ministry of Transport and Communications convenes both Annual and Extraordinary General Meetings. The Ministry of Transport and Communications also determines how the meetings will be convened. Notice of the meeting must be issued at least one week prior to the date of the Annual General Meeting; cf. the Limited Liability Companies Act Section 20-5, cf. Section 5-10.

The Annual General Meeting is held each year by the end of the month of June. In accordance with the Articles of Association, the Annual General Meeting must approve the annual report and financial statements, including the distribution of dividends. It also considers approval of the auditor's remuneration, determines the remuneration of the Board for the upcoming period, provides a declaration on the determination of salaries and other remuneration to senior executives, appoints shareholder-elected members of the Board, and considers any other matters that, according to law or the Articles of Association, must be dealt with by the General Meeting.

The members of the Board of Directors, CEO, and auditor who audited the previous year's financial statements are be invited to the Annual General Meeting. The Chair of the Board and the CEO are obligated to attend the General Meeting. The other Board members, as well as the auditor and the Office of the Auditor General, are entitled to attend the meeting.

The agenda is set by the Ministry of Transport and Communications.

The minutes of the General Meeting are available to the public.

NOMINATION COMMITTEE

The General Meeting of Avinor AS consists of the Norwegian state represented by the Ministry of Transport and Communications. The General Meeting has not appointed a nomination committee.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The company does not have a corporate assembly as agreed with the employees.

The corporate democracy committee has approved a corporate scheme whereby employees of Avinor AS and its subsidiaries may be elected to the Board of Directors. Elections by and from among the employees take place every other year.

The Board of Directors consists of eight members. Five Board members are elected by the general meeting and three are elected by and from among the Group's employees.

The Chair of the Board is elected by the General Meeting. All Board members are elected for a term of two years.

The Norwegian Ministry of Transport and Communications does not have its own Board members, but in accordance with the Norwegian state's principles of good corporate governance, all Board members are expected to seek to safeguard the common interests of the company and shareholders. The composition of the Board of Directors is such that, in aggregate, it can safeguard the owner's interests and the company's need for skills, capacity, and diversity. Executive employees are not members of the Group's Board of Directors.

The owner has a meeting with each Board member once a year.

At the turn of the year 2018/2019, the Board of Directors consisted of:

- Chair of the Board since 2018 – Anne Carine Tanum, 64
- Vice-Chair of the Board since 2012 – Ola H. Strand, 61
- Board member since 2011 – Eli Skrøvset, 53
- Board member since 2015 – Herlof Nilsen, 60

- Board member since 2016 – Linda Bernander Silseth, 56
- Employee-elected Board member since 2011 – Heidi A. Sørum, 51
- Employee-elected Board member since 2015 – Bjørn Tore Mikkelsen, 59
- Employee-elected Board member since 2017 – Olav Aadal, 51

Chair of the Board since 2010 Ola Mørkved Rinnan was replaced by Anne Carine Tanum at the 2018 Annual General Meeting.

Information on the individual Board members is available at www.avinor.no.

Nine Board meetings were held in 2018. The meetings were fully attended, with only a few exceptions.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors follows the requirements stipulated for the management and supervision of the company pursuant to the Norwegian Limited Liability Companies Act. In accordance with the Articles of Association, the Board of Directors must ensure that the company is socially responsible. The Board of Directors' tasks are stipulated in separate directives. These directives are reviewed annually and updated in the event of changes to the relevant regulations or otherwise as required. The Board of Directors sets out an annual agenda for its work, with a special focus on goals, strategies, and their implementation. The Board of Directors assesses its work and competence on an annual basis.

The rules of procedure contain a separate section on impartiality in which it is stated that the individual board member him/herself is responsible for informing the Board as to the circumstances of a conflict of interest and must refrain from participating in deliberations or decisions where the member has a conflict of interest. In case of doubt, the matter must be submitted to the Chair of the Board. The minutes of the Board meetings shall reflect when one of the Board members is disqualified due to a conflict of interest in a particular case.

New Board members are sent relevant information about the company and the work of the Board. This information is also available through an electronic board portal.

The CEO's responsibilities and duties are defined in directives laid down by the Board of Directors. These directives are reviewed and updated as required.

The Board of Directors has also established a remuneration committee to act as a preparatory subcommittee in matters relating to remuneration of executive employees of the company. The committee must prepare guidelines for and cases concerning the remuneration of executive employees, as well as assessing and monitoring the Group's policy in this area on an ongoing basis. The committee held two meetings in 2018.

The Board of Directors has also established an HSE committee to act as a preparatory subcommittee in matters relating to health, safety, and the environment. The committee is responsible for evaluating relevant conditions in the Group's operations related to HSE at a general level. The committee will support the Board of Directors in its responsibility for internal control, the Report of the Board of Directors and Annual Report, and the overall HSE risk situation. The committee held two meetings in 2018. The remuneration committee and HSE committee have merged to become the HR, remuneration, and HSE committee. The joint committee has the same responsibilities as the two previous individual committees. The new committee had one meeting in 2018.

At the turn of the year 2018/2019, the committee consisted of:

- Anne Carine Tanum (Chair)
- Linda Bernander Silseth
- Bjørn Tore Mikkelsen

The audit committee has been renamed the audit and risk management committee. The committee has the same responsibilities as the previous audit committee: a preparatory and advisory body for the Board of Directors with respect to its responsibility for financial reporting, auditing, internal control, and overall risk management. The committee had a total of five meetings in 2018.

At the turn of the year 2018/2019, the committee consisted of:

- Eli Skrøvset (Chair)
- Herlof Nilssen
- Heidi Sørum

RISK MANAGEMENT AND INTERNAL CONTROL

To ensure the cohesive management of the company, a separate management system has been established, which consists of management documents, contingency plans, safety procedures, and processes for the management and control of operations.

An annual risk assessment of the Group's activities is conducted, and measures to manage the risk situation are evaluated and implemented. The Board of Directors reviews the company's risk management and internal control on an annual basis.

As part of the Group's internal control system Avinor has established an internal audit function. The Group's internal audit function works in accordance with a mandate adopted by the Board and pursuant to standards laid down by the Institute for Internal Auditors.

The company's appointed auditor must review the management's dispositions annually.

Systems for internal control and risk management related to the financial reporting process

Avinor's ethics guidelines and core values establish the foundation for a good internal control environment with respect to financial reporting together with the company's organisation, management fora, and reporting lines.

Business and support processes that are essential to financial reporting have been identified. These include processes related to investment projects, revenues, financial items, closing of financial statements, and IT systems that support these processes. Overall risk is managed and assessed centrally, while transaction management is subject to both centralised and decentralised controls. Considerable importance is attached to the thorough documentation and assessment of important valuation items.

Control measures are carried out in the ongoing production of financial statements and through continuous financial monitoring.

Systems for the evaluation/monitoring of the internal control related to the financial reporting process is under development and assessed on a continuous basis.

REMUNERATION OF THE BOARD OF DIRECTORS

The General Meeting and its subcommittee determine the remuneration of the Board of Directors. Remuneration is not based on performance and no options are issued to board members. Shareholder-elected Board members generally do not perform any special tasks for the company beyond their position on the Board of Directors. Remuneration of the Board members is specified in a note to the annual financial statements.

Remuneration to the Board members amounted to NOK 2,257,000 in 2018. The remuneration is broken down as follows: The Chair of the Board received NOK 444,000, the Vice-Chair NOK 269,000, and other Board members NOK 221,000. Alternates receive NOK 11,500 for each meeting they attend.

Members of the audit and risk management committee (known as the audit committee in the first half of the year) received remuneration totalling NOK 146,500 in 2018, comprising NOK 68,000 to the Chair and NOK 40,000 to the other two members.

Members of the HR, remuneration, and HSE committee (known as two separate committees – the remuneration committee and the HSE committee – in the first half of the year) received remuneration totalling NOK 47,750 in 2018, comprising NOK 34,000 to the Chair and NOK 20,000 to the other two members as of the second half of the year.

REMUNERATION OF EXECUTIVE EMPLOYEES

The Board of Directors appoints the CEO and stipulates the CEO's salary following preliminary consideration by the HR, remuneration, and HSE committee. The Board of Directors evaluates the CEO's work and salary terms on an annual basis following preliminary consideration by the remuneration committee.

The CEO informs and recommends to the HR, remuneration, and HSE committee the remuneration for executive employees who report to the CEO.

The Board of Directors prepared a statement on the determination of salaries and other remuneration of executive employees. The statement is to be discussed at the Annual General Meeting.

The remuneration of executive employees is specified in note 5 to the annual financial statements.

INFORMATION AND COMMUNICATION

Public information on the Group is provided by the Group's management. Each year the Group prepares a financial calendar indicating the dates for the publication of financial information. This financial calendar is available on the company's website and the Oslo Børs website. Financial information is published in the form of a stock exchange notice before it is made available on www.avinor.no.

The Group presents a complete set of annual financial statements in conjunction with the Annual Report of the Board of Directors and the Annual Report at the end of the month of March. Accounting figures are reported quarterly.

In accordance with the Articles of Association, the Board of Directors shall submit a plan for the operations, including subsidiaries, to the Minister of Transport and Communications each year. The contents of the plan must include the following:

- Description of the status of the market and the Group, including the development of the Group since the last plan was published.
- The highlights of the Group's operations for the coming years, including any major restructuring, development, and discontinuation of existing operations, or the development of new operations.
- The Group's investment level, important investments, and financing plans.
- Assessments of the financial development during the plan period.
- Report on measures and results of the company's role in society, social obligations, and corporate social responsibility.

The Board of Directors shall submit any major changes to plans that have previously been submitted to the Transport and Communications Minister.

TAKE-OVERS

Avinor AS is wholly owned by the Norwegian state as represented by the Ministry of Transport and Communications. Accordingly, this point in the Code of Practice is not regarded as relevant to the company.

AUDITOR

Avinor has an independent external auditor appointed by the General Meeting based on a recommendation from the Board of Directors as a whole. The auditor submits a plan for the auditing work to the Board of Directors annually. Each year the auditor prepares a letter to the Board of Directors (Management Letter) summarising the audit of the company and the status of the company's internal control.

The auditor has an annual meeting with the Board of Directors without managerial presence. The auditor also has an annual meeting with the audit and risk management committee without managerial presence. The auditor is entitled to attend the company's General Meeting.

The auditor's remuneration is broken down into auditing and other consulting services, and it is specified in note 7 to the financial statements. The General Meeting must approve the auditor's remuneration.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Sikkerhetskontroll
Security check
5 min
5 min

Report of the Board of Directors 2018

HIGHLIGHTS OF 2018

(Last year's figures in parantheses)

Air traffic measured in terms of passenger numbers increased by 2.8 per cent in the period 1 January to 1 December 2018. Oslo Airport saw growth of 3.8 per cent, while Bergen Airport, Flesland, saw growth of 3.2 per cent. Traffic levels at other airports were stable. At the same time, the number of aircraft movements decreased. This trend is expected to continue as aircraft capacity is better utilised, while the number of aircraft movements is expected to remain stable or fall.

Safe and stable operations were maintained in 2018 despite the high level of construction activity alongside the operation of the airports. Punctuality for the past 12 months averaged 83.5 per cent, while regularity averaged 98 per cent. The targets are 88 per cent and 98 per cent respectively. Reduced punctuality in 2018 was primarily down to major traffic-related challenges in Southern Europe, as well as internal challenges among some key operators within Avinor's network. No aviation accidents or serious incidents were recorded in 2018 in which Avinor was a contributing party.

The Group's operating income in 2018 was NOK 11,724 million (NOK 11,526 million), and the profit after tax was NOK 1,170 million (NOK 499 million). Efforts to reduce costs and streamline the business are continuing.

Work on surveying opportunities for increasing the use of jet biofuel is also continuing. Studies show that 30 per cent of all aviation fuel provided at Avinor's airports could be sustainable by 2030. In addition, Avinor is working with other solutions, such as electrification, to ensure an overall reduction in the climate footprint of civil aviation.

In December 2016, the Ministry of Transport and Communications decided to start work on outsourcing the operation of Haugesund Airport on a service concession. Following negotiations, it has been decided that Lufthavnutbygging AS and Widerøe Ground Handling AS will be responsible for the operation of the airport for 20 years from May 2019 via a newly established company.

Operations at Fagernes Airport ceased on 1 July 2018. No local actors who want to take over operations have been put in place. Avinor has been asked to ensure that the airport can be operated commercially by potential actors in the next 3 years. Sporting aviation and possibly other activities must also be facilitated in the region.

On 14 June 2018, as a result of the increased volume of traffic to and from non-Schengen destinations, the Board decided to expand terminal capacity at Oslo Airport. On 1 October, work commenced on the expansion project known as "Expansion Non-Schengen East". This comprises the construction of a building of approximately 30,000 m^2 linked to the East Pier, as well as associated pinnings and aircraft stands. The project is scheduled to be completed in the second quarter of 2022.

Avinor is currently studying the construction of a new airport in Bodø on behalf of the Ministry of Transport and Communications with the aim of providing more space for urban development. The cost of the new airport is currently estimated at around NOK 7.5 billion at current levels and could be completed between 2024-2026. The design work is ongoing and aims to establish the scope and costs. Its implementation is dependent on the funding being put in place. The National Transport Plan 2018 - 2029 proposes financing the development based on the state, Avinor and the local authorities sharing the costs.

Over the course of 2019, Avinor Air Navigation Services will commence the implementation of remotely operated towers. The construction of a remotely operated tower centre – the world's largest relating to the number of airports involved – commenced in January 2019 and is scheduled to be completed in the first half of 2020.

An agreement has been reached with the unions that the occupational pension scheme in the Norwegian Public Service Pension Fund will close as of 1 January 2019. A contribution-based retirement pension pursuant to the Defined-Contribution Pensions Act will be introduced on the same date. Current employees of Avinor AS and Svalbard Lufthavn AS can choose whether they want to transition to the defined-contribution pension, while all new employees after 1 January 2019 will receive a defined-contribution retirement pension. In Avinor Air Navigation Services, it has been agreed that all employees under the age of 53 will transition to a defined-contribution plan. Employees over 53 may choose to remain in the public service pension scheme or transition to the defined-contribution pension scheme.

Environmentally hazardous additives (PFAS) have previously been detected in fire-extinguishing foam and have been dispersed into the environment around airports. Work on clarifying the scope of the measures that will need to be implemented is ongoing. The Norwegian Environment Agency and the Norwegian Food Safety Authority have informed Avinor that new, stricter limit values will soon be proposed in relation to managing PFAS pollution. A proposal for regulatory changes will be made at the hearing in 2019. This involves a risk of increased costs.

The Board of Directors participates actively in corporate social responsibility efforts by way of strategic work and the discussion of individual matters. As part of its corporate social responsibility to facilitate climate-friendly and sustainable aviation for the future, Avinor is continuing its involvement in assessing the possibility of the production and use of sustainable jet biofuel in Norway. At the same time, the Norwegian Ministry of Transport and Communications has commissioned Avinor and the Norwegian Civil Aviation Authority to explore the framework for a "programme for the introduction of electric aircraft in commercial aviation in Norway".

FACTS ABOUT AVINOR

Avinor AS is a state-owned limited liability company tasked with facilitating safe, environmentally friendly, and efficient aviation across Norway. Its operations encompass a network of 43 airports, one heliport, and air navigation services throughout the country. As at 31 December 2018, the company's balance sheet amounted to around NOK 43.7 billion. At the same date, the company employed 3,099 (3,098) people.

The shares in Avinor AS are wholly owned by the Norwegian state as represented by the Ministry of Transport and Communications. The Ministry of Transport and Communications manages the ownership of the Norwegian state and determines Avinor's financial framework. The Ministry of Transport and Communications is the highest authority for Norwegian aviation and lays down the Civil Aviation Authority's regulations that have consequences for Avinor's operations.

Anne Carine Tanum was elected the new chair of the board of Avinor AS at its annual general meeting on 13 June 2018.

Avinor's head office is in Oslo.

ECONOMY AND FINANCES – GROUP

The Group's operating income in 2018 was NOK 11,724 million (NOK 11,526 million), and the profit after tax was NOK 1,170 million (NOK 499 million).

Year-on-year operating revenues for airport operations increased by 1.3 per cent in 2018, driven by an increase in traffic volumes and an increase in sales and rental income at Oslo Airport. Total operating income within air navigation services increased by 1.1 per cent.

Operating expenses totalled NOK 7,523 million in 2018 (NOK 8,400 million), which is a year-on-year reduction of 9.6 per cent. Excluding the plan change relating to the transition to a new pension scheme, the reduction is 8.1 per cent compared with the previous year. The reduction in operating expenses was primarily due to one-off costs in 2017 related to increased pension liabilities, a settlement with the Norwegian Armed Forces, environmental provisions, and expenses related to maintaining safe and stable operations in parallel with the expansion of Oslo Airport.

Total depreciation, amortisation, and write-downs for 2018 amounted to NOK 2,103 million (NOK 1,889 million). The increase compared to the previous year is due to the completion and commissioning of several facilities that were under construction.

Operating profit (EBIT) for 2018 amounted to NOK 2,097 million (NOK 1,237 million). The positive change in operating profit was due to good income growth and a focus on costs, as well as high one-off expenses in 2017.

The Group's net financial costs in 2018 amounted to NOK 601 million (NOK 598 million). The financial result was influenced by lower interest income and a reduction in capitalised interest expenses due to completed construction projects. This was only partly countered by lower interest expenses due to reduced interest-bearing liabilities, and the financial result for 2017 was affected by losses from the realisation of currency and interest hedging contracts.

The Group's cash flow in 2018 was positive at NOK 843 million (NOK -900 million) before changes for liabilities. Avinor paid NOK 250 million (NOK 550 million) in dividends to the state in 2018.

Interest-bearing liabilities as at 31 December 2018 amounted to NOK 20,234 million, which is a decrease of NOK 1,387 million since 31 December 2017. The Group's equity totalled NOK 43.4 billion as at 31 December 2018 (NOK 43.8 billion) with an equity ratio of 33.3 (32.1) per cent. Equity as a percentage of the sum of equity and interest-bearing liabilities pursuant to the definition in the Articles of Association was 44.0 (41.8) per cent as at 31 December 2018.

In light of developments in interest rate markets and other factors, equity was charged by NOK 406 million after tax as at 31 December 2018 through expanded profits. Much of this is due to negative estimate deviations in the calculation of pension obligations. This was partly compensated by an increase in value of interest rate derivatives as a result of an upswing in the interest market. As at 31 December 2018, a discount rate of 2.6 per cent and a long-term expected wage increase of 2.75 per cent were applied when calculating the Group's pension obligations.

As at 31 December 2018, the Group's cash reserves amounted to NOK 6,340 million, distributed between NOK 1,740 million in bank deposits and NOK 4,600 million in unutilised drawing rights.

ECONOMY AND FINANCES – AVINOR AS

In 2018, the Parent Company – Avinor AS – had an operating income of NOK 10,397 million (NOK 10,219 million) and the profit after tax was NOK 910 million (NOK 1,435 million).

The Parent Company's balance sheet as at 31 December 2018 amounted to NOK 42,035 million (NOK 42,182 million) with an equity ratio of 33.2 per cent (32.9 per cent).

In 2018, Avinor AS had a cash flow before the payment of dividends and changes in liabilities of NOK -479 million (NOK -941 million). Dividends paid for the year amounted to NOK 250 million (NOK 550 million). Interest-bearing liabilities as at 31 December 2018 amounted to NOK 20,234 million (NOK 19,309 million).

APPROPRIATION OF PROFIT FOR THE YEAR

The Board proposes the following appropriation of profit for the year:

In dividend:	NOK 584.9 million
In Group contributions:	NOK 1.9 million
To other reserves:	NOK 323.7 million

The annual financial statements have been prepared under the assumption that the company will continue as a going concern based on forecasts and the calculated present value of estimated future cash flow. See note 12 to the annual financial statements for further details.

RISK

The Group's operations are focused on safe air traffic management, with procedures and measures to minimise the risks and consequences of accidents and serious incidents. Developments with regard to national and international regulatory issues may have financial consequences for the Group.

Avinor safeguards national sectoral policy objectives. The Norwegian state sets guidelines for a number of conditions, including airport structure, emergency preparedness, aviation fees, and corporate social responsibility. The scope and organisation of sectoral policy guidelines may change over time.

The organisation's capitalised infrastructure is long term, and the management of operations is largely governed by laws and regulations. As a result, Avinor has a high percentage of fixed costs that vary to a limited extent with changes in traffic volumes and capacity utilisation. The Group's earnings and financial value are affected by changes in traffic volume.

There are technical, economical, and regulatory risks associated with air navigation development projects.

Major airports are a key source of funding for the rest of the airport network in Norway. The earnings of major airports are especially vulnerable to economic fluctuations and competition from airports outside of Avinor's network.

Earnings from commercial offerings to passengers at the airports are very important to the Group's funding. Changes to the framework conditions for the duty-free scheme in particular could have a major impact on the Group's earnings and economic value. All of Avinor's income is invested in the development of Norwegian aviation.

Financial hedging instruments are used to curtail risk related to changes in interest, exchange rates, and energy prices. The value of hedging instruments changes in line with prices in the market and may affect profits. When investing the Group's surplus cash, emphasis is given to the issuer's solidity and the liquidity of the investment. The Group's liquid assets are deposited in a bank on negotiated terms.

In connection with the National Transport Plan (NTP) for 2018-2029, the Storting approved the construction of a new airport in Bodø in the first part of the NTP period (2018-2023). The state will allocate NOK 2.2 billion to the project, plus NOK 0.2 billion to the public search and rescue helicopter service. The government assumes that Avinor will contribute NOK 1.4 billion, which corresponds to the estimated investment the current airport will need over the next few years in 2017 money, plus the value of buildings and property in today's airport. Other expenses must be covered by local contributions. It remains to be clarified how the local share of the financing will be implemented.

A new public service occupational pension schemes Act is scheduled to take effect from 2020. New regulations for coordinating public service occupational pensions and the National Insurance Fund have also been adopted. The Ministry of Labour and Social Affairs has prepared a consultation paper on the proposed legislative amendments it deems necessary. The consultation paper does not contain any legislative proposals for a new early retirement (AFP) scheme or special rules for people at particular ages. The coordination rules have not been implemented and therefore have not been taken account of in the financial statements. Avinor's public service occupational pension scheme with Norwegian Public Service Pension Fund will be closed with effect from 1 January 2019. A contribution-based retirement pension pursuant to the Defined-Contribution Pensions Act will be introduced on the same date. Employees of Avinor AS and Svalbard Lufthavn AS can choose whether they want to transition to the defined-contribution pension In Avinor Air Navigation Services, it has been agreed that all employees under the age of 53 will transition to a defined-contribution plan. Employees over 53 may choose to remain in the public service pension scheme or transition to the defined-contribution pension scheme. Seen in isolation, the coordination changes and the transition to a defined-contribution retirement pension scheme are expected to reduce Avinor's pensions liabilities, while the new public service occupational pension scheme is expected to increase its liabilities. Overall, the assessment is that the three factors will not have significant accounting consequences for the Group's pension liabilities.

The airports have discharge permits that require risk assessments to identify potential sources of acute pollution that represent a risk of damage to the external environment. Work is continuing on reducing the risk of incidents occurring that harm the environment, while at the same time existing pollution is being surveyed and cleaned up. Environmentally hazardous additives (PFAS) in fire-extinguishing foam which have dispersed into the environment around the airport have been detected. Work on clarifying the scope of the measures that will need to be implemented is ongoing. Risk assessments have been conducted for possible damage to health and the environment. The financial consequences depend on the extent of the measures that will need to be implemented and the authorities' requirements and the measures available. The Norwegian Environment Agency has ordered the implementation of measures at Harstad/Narvik Airport and at Oslo Airport, and instructed Kristiansand Airport and Svalbard Airport to draw up action plans. The Norwegian Environment Agency has issued an overarching order according to which Avinor must compile the data and results from completed PFAS surveys and draw up a prioritised series of measures for the remaining airports. The list is intended to illustrate how one should prioritise measures at the various airports, as well as how much PFAS can be removed in total from Avinor's airports at various levels of cost. This will provide the basis for assessing the cleanup. The deadline for reporting is 1 September 2019. The Norwegian Environment Agency and the Norwegian Food Safety Authority have informed Avinor that new, stricter limit values will soon be proposed in relation to managing PFAS pollution. A proposal for regulatory changes will be made at the hearing in 2019. This involves a risk of increased costs.

CORPORATE GOVERNANCE IN AVINOR

Good corporate governance in Avinor aims to ensure that the maximum possible value is created and business risk is curtailed. The company's core values and ethics guidelines are a basic premise for corporate governance in Avinor.

As the owner, the state focuses on ensuring that state-owned companies adhere to the Norwegian Code of Practice for Corporate Governance. The Board attaches importance to following this recommendation regarding the Group's corporate governance whenever possible. The Norwegian Code of Practice for Corporate Governance is available at www.nues.no.

Avinor has issued bonds that are listed on Oslo Børs and Luxembourg Børs. Oslo Børs has been chosen as the Group's home market. The Group follows the recommendations of Oslo Børs with respect to corporate governance whenever possible. Section 3-3b of the Norwegian Accounting Act stipulates that companies under a statutory accounting obligation which issue securities in accordance with Section 5-4 of the Securities Trading Act must provide a report on their policies and practices for corporate governance either in their annual report or in a document referred to in their annual report. Point 3.10 in Oslo Børs' document entitled "Bond regulations – entry requirements and ongoing obligations" states that the borrower must provide an account of its policies and practices relating to corporate governance in a similar manner. The Norwegian Accounting Act is available at www.lovdata.no. Oslo Børs' regulations are available at www.oslobors.no.

For more details about corporate governance in Avinor, please refer to the chapter "Corporate governance".

CORPORATE SOCIAL RESPONSIBILITY

Avinor's corporate social responsibility efforts are based on the expectations set forth with regard to corporate social responsibility in Avinor's Articles of Association and in the Norwegian Accounting Act. Avinor takes the OECD's guidelines for responsible business as the basis for its corporate social responsibility efforts, and it signed up to the UN Global Compact in 2014. Avinor's efforts cover areas such as human rights, employee rights and social conditions, the external environment, and combatting corruption.

For more information about Avinor's work with corporate social responsibility, including climate, environment, flight safety, HSE, impartiality, anti-corruption, and safe notification, please refer to the chapter on corporate social responsibility. See also § 3-3c of the Norwegian Accounting Act.

RESEARCH AND DEVELOPMENT

Avinor is implementing several projects to help optimise the use of Norwegian airspace. This work helps to improve safety, increase capacity, streamline service delivery, and reduce environmental impact.

For more information on Avinor's research and development work, please refer to the chapter on corporate social responsibility.

PERSONNEL AND ORGANISATION

There were 3,099 permanent employees in the Group at the end of the year. Permanent and temporary employees performed work corresponding to 3,043 full-time equivalents. The average age of all employee groups in the Group is 46.7. The percentage of women among permanent employees is 22.5 per cent. The number of women in executive positions is representative of the total number of women in the Group. The percentage of women employees is monitored closely. Avinor's recruitment policy contains clear guidelines that promote a gender balance, from the design of recruitment adverts to the interview and selection process.

Emphasis is placed on ensuring that employees have equal opportunities in the Group, irrespective of their gender, age, disability, ethnicity, or cultural background. Avinor conducts systematised performance reviews that ensure neutral salary and career development. Employee surveys confirm that employees enjoy equal opportunities. Commitment within the Group is high.

As an Inclusive Working Life company, Avinor emphasises the prevention of exclusion from work and has schemes in place especially for employees who no longer meet physical and medical requirements due to illness or other circumstances. In 2018, several schemes were implemented for the employment of people with disabilities and reduced occupational opportunities.

Avinor's strategy for the period 2018 to 2023 accounts for a high turnover rate in connection with the introduction of new technology, innovation, and cost-cutting. Co-operation between the Group's management and the employee representatives is considered to be constructive. Continuous improvement is a strategic focus area for Avinor, and in 2018 a Group-wide training framework was implemented for use throughout the organisation. In 2018, Avinor launched its leadership platform programme, which is a continuation of the Group's previous leadership development programmes. Avinor should be an attractive employer and ensure that talent and skills are fully utilised for the benefit of both Avinor and the individual employee. Consequently, a programme has been developed for employees that stand out in terms of their initiative, attitude, and skills. All measures within management and employee development at Avinor use cultural development as their superstructure.

Absence due to illness in 2018 was 4.7 per cent. The Group has worked actively to reduce breaches of the working time regulations in the Working Environment Act. 2018 saw a continued increase in the Group's total number of violations. This is because some units have faced major staffing challenges at times. There is a downward trend in other units.

Avinor must be a professional and attractive employer. For more information on Avinor as an employer, please refer to the chapter on corporate social responsibility.

OUTLOOK AND GENERAL CONDITIONS

Mobility and efficient air transport are essential for social development, as well as for the growth of the Norwegian travel industry and businesses.

Strong traffic growth is expected in the coming years. Avinor is continuing to pursue activities and investments that further develop our extensive network of airports and our air navigation services, thus facilitating a good range of regional, national, and international aviation services.

Avinor's initiatives to ensure the sustainable development of aviation are continuing. Key measures in the years to come include environmental measures at the company's airports and facilitating the development of electric aircraft and jet biofuels for use in aviation.

The Board would like to thank all the employees and partners for their efforts in 2018.

Oslo, 3 April 2019
The Board of Directors of Avinor AS

Anne Carine Tanum
Chair of the Board

Ola H. Strand
Vice Chair

Eli Skrøvset

Linda Bernander Silseth

Herlof Nilssen

Bjørn Tore Mikkelsen

Heidi Anette Sørum

Olav Aadal

Dag Falk-Petersen
CEO

Corporate social responsibility

Avinor's corporate social responsibility is divided into four primary areas: ensuring good aviation services for the whole of Norway, being a driving force in climate and environmental efforts,being a professional and attractive employerand ensuring that we conduct our business responsibly.

Avinor has signed up and is contributing to the fulfilment of several international standards through its corporate social responsibility efforts. Such standards include the OECD guidelines for responsible business and the ten principles adopted by the UN Global Compact. These are, in turn, based on the UN Declaration of Human Rights, the ILO's conventions on fundamental principles and rights at work, the Rio declaration, and the UN Convention against Corruption.

AVINOR AND THE UN'S SUSTAINABLE DEVELOPMENT GOALS

In the autumn of 2015 in Paris, the UN adopted new goals for sustainable development – Agenda 2030. This agenda is specified by way of 17 goals, known as SDGs, and 169 sub-goals covering economic, social, and environmental sustainability – linked to combating poverty. The goals are universal and include all countries and all participants. Business and industry is a key participant in efforts to achieve these goals.

Several of the SDGs are in line with Avinor's own goals in its corporate social responsibility efforts. This applies in particular to SDG 9 on innovation and infrastructure, and SDG 13 to stop climate change. Avinor's primary area being a driving force in climate and environmental efforts also coincides with SDG 14 life below water, and SDG 15 life on land. Being a professional and attractive employer and ensuring the responsible business conduct largely coincide with SDG 8 decent work and economic growth, SDG 17 global partnership, and SDG 5 gender equality.

Avinor is aware of the challenges facing the Group when corporate social responsibility dictates that we must prepare for further development and anticipated growth in air travel, while ensuring that this does not conflict with national climate targets and international climate commitments. Aviation will contribute to the growth and transformation of the Norwegian society and business as a whole. Furthermore, the industry depends on innovation and technological advances in order to meet its own targets for reduced emissions and expected traffic growth in the foreseeable future. We note that the political platform of the extended government is pointing to facilitating the use of electric aircraft and the increased use of biofuels in aircraft. The realisation of ambitious goals relies on close co-operation between the government, the research sector, business and our industry.

In our reporting on corporate social responsibility, we strive to identify how our own goals and the UN's SDGs help to strengthen each other. In this way, we want to illustrate that Avinor is contributing to development that is more sustainable at a both local, national, and global levels.

ASSESSMENT OF KEY FACTORS

To ensure that the operation and development of aviation is sustainable, good dialogue with Avinor's stakeholders is essential. Dialogue with those who depend on Avinor's services or who, in various ways, are affected by our operations is essential for Avinor to prioritise what best serve our stakeholders and our society.

Dialogue meetings and stakeholder analyses are regularly conducted in order to understand and identify what key factors – that is, factors that create value – are most important to Avinor's stakeholders. Together with market and customer analyses, this lays the foundation for the Group's objectives and strategies, which are addressed, adopted, and monitored by the Group's management and Board of Directors.

Avinor's most important stakeholders are its customers – both airlines and their passengers – politicians, airport partners, local and central businesses, the Norwegian Armed Forces, research environments, and special interest groups.

In the spring of 2017 an extensive stakeholder analysis was conducted in relation to efforts pertaining to the Group's strategy plan for the period 2018 to 2023. Stakeholders have given their full endorsement of the Avinor model, which involves the transfer of funds from profitable airports to those that are not profitable. There is awareness of the Group's costs, which was also pointed out in a report by the Office of the Auditor General in 2018.

Stakeholders commend Avinor's effective handling of capacity challenges during the major and successful terminal projects at Oslo Airport and Bergen Airport, Flesland in 2017.

DIALOGUE WITH AVINOR'S STAKEHOLDERS

Avinor wants to have open and fact-based dialogue with its stakeholders. Dialogue at the political level takes place primarily through Avinor's owner, the Norwegian Ministry of Transport and Communications, in the Storting, and through the Transport and Communications Committee in consultation with the Ministry of Transport and Communications. Stakeholder dialogue at the political and government levels takes place primarily by way of fixed meetings. Dialogue takes place under the auspices of the Group's executive management and the Board of Directors. In addition there is extensive dialogue with the political and administrative management at the local, municipal, and county levels. Avinor is working to strengthen and systematise this dialogue.

Business policy committees have been established in a number of municipalities and counties where Avinor is represented. Local

political stakeholders are also represented here. The primary focus is capacity and route development, as well as how Avinor can help to support the development of local and regional commerce.

There are a number of formal and informal fora for dialogue with airlines. A co-operation forum that meets four to six times a year has been established as the highest level of forum. This is where Avinor's executive management meets with the management of the airlines. A separate committee – the AOC (Airline Operators Committee) – that also meets regularly has been established at the biggest airports. Climate and environment issues, fees, and traffic development and airport capacity are all key topics in Avinor's dialogue with airlines.

Dialogue with passengers takes place by way of regular customer surveys and meetings with stakeholder organisations. Passengers are especially concerned about punctuality and regularity, airport services, parking, and ground transport.

Dialogue with suppliers of Avinor's goods and services takes place by way of formal meetings, through negotiations, and through contract follow-up. There is a particular focus on the competitive basis, as well as templates and procedures relating to processes and deliveries. Efforts to combat corruption and ensure that working conditions are in line with universal human rights and current agreements applicable in the workplace are a key element in the dialogue.

Within the Group, the model of co-operation between employee representatives and management is being further developed in order to ensure good working conditions, stable operations, and cost-effectiveness throughout the Group. Three of the eight representatives in Avinor Group's Board of Directors represent Avinor's employees. The Board of Directors of Avinor Air Navigation Services also has employee-elected Board members.

FOUR KEY AREAS IN CORPORATE SOCIAL RESPONSIBILITY EFFORTS

Through its dialogue with stakeholders and internal strategy processes, Avinor has identified four primary areas for its corporate social responsibility efforts:

- Avinor shall ensure good aviation services for the whole of Norway
- Avinor shall be a driving force in the work on climate and environmental challenges within aviation
- Avinor shall be professional and attractive employer.
- Avinor shall ensure that it conducts its business responsibly.

Avinor's corporate social responsibility efforts are based on the expectations set forth for corporate social responsibility in Avinor's Articles of Association, the Norwegian Accounting Act, and the OECD's guidelines for responsible business. Avinor signed up to the UN Global Compact in 2014. This report has been prepared in accordance with the principles of the Global Reporting Initiative (Standards/Core).

The Executive Vice President for Communications and Markets is responsible for monitoring and reporting on Avinor's corporate social responsibility efforts and for ensuring that efforts relating to individual themes are in line with this. Avinor has no own staff for corporate social responsibility.

Goals and results for corporate social responsibility in 2018

Avinor shall ensure good aviation services for the whole of Norway

SDG	AVINOR'S GOAL	RESULTS IN 2018
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Punctuality: 88 per cent within 15 minutes Regularity: 98 per cent	83.5 per cent 98 per cent
	All airports must be certified in accordance with the ISO 14001:2015 standard	· New environmental management has been established whereby Avinor's centralised environmental management and operations have been certified in accordance with the ISO 14001:2015 standard · From the beginning of 2019, all of Avinor's airports will be covered by a joint Avinor certificate
	Air transport must be accessible by everyone	· Avinor standards have been established for terminal and operational buildings. These standards cater for universal design requirements in construction projects · Avinor's airports universally designed by 2025
	Avinor must streamline, modernise, and invest in increased capacity	· Facilitating increased non-Schengen traffic at Avinor Oslo Airport · Planning of a seafood centre for air freight at Avinor Oslo Airport · Planning of a third runway at Avinor Oslo Airport · New Bodø airport being planned · Upgrading of Stavanger Airport, Sola, soon complete · Development of Tromsø Airport planned · Operation of Haugesund Airport made subject to competition · Centre for remotely operated towers under construction in Bodø · Digitalisation and automation of a number of services, including autonomous vehicles
	Avinor shall work to improve the customer experience	· Avinor's passenger satisfaction has never been higher than in 2018 (ASQ) · Hospitality project completed in Oslo and Bergen · New digital customer communication platform (CRM)
	Avinor shall prevent undesired incidents and ensure good emergency preparedness	· There were no aviation accidents with or without personal injury or serious aviation incidents in Norwegian aviation to which Avinor or Avinor Air Navigation Services was a contributing party in 2018

Avinor shall be a driving force in the work on climate and environmental challenges within aviation

SDG	AVINOR'S GOAL	RESULTS IN 2018
13 CLIMATE ACTION	By 2022, Avinor must halve its total controllable greenhouse gas emissions as compared with 2012 and help to reduce emissions from ground transport and air traffic	· Avinor's own verifiable greenhouse gas emissions from airport operations totalled approximately · 17 500 tonnes of CO_2 equivalents, approximately the same as in 2012. · Greenhouse gas emissions from all jet fuels for civilian purposes produced 2.8 million tonnes of CO_2 equivalents · Electric aircraft delivered in the spring of 2018 · Advanced biodiesel at Oslo, Trondheim, Bergen, Ålesund, Molde, and Kristiansand airports. · 11 electric and 12 hybrid vehicles · Increase in the number of charging points · Number plate recognition at all airports · Share of public transport 71 per cent at Oslo Airport · 25,000 curved approaches at Oslo Airport · Sustainable jet biofuels at Oslo and Bergen airports
7 AFFORDABLE AND CLEAN ENERGY	Avinor must reduce purchased energy by 25 per cent by 2020 compared with the energy consumption of its buildings and facilities in 2012	· Two 1,500-metre-deep geothermal energy wells at Oslo Airport · Snow disposal at Oslo Airport for cooling · Solar panel array expanded at Svalbard Airport · All airports energy management and energy monitoring system
14 LIFE BELOW WATER	Activities at Avinor's airports must not result in any new ground contamination or worsening of water quality	· More de-icing chemicals than permitted were used by eleven airports · Measures/plans for removing PFOS at Harstad/Narvik, Fagernes, Oslo
15 LIFE ON LAND	Avinor shall work actively to reduce the impact of noise from aircraft and helicopter traffic on those living in the vicinity of 10 airports before 2020	· Minimal increase in noise from aircraft despite significantly increased traffic at Oslo Airport · Compliance with the new departure corridors 95 per cent · Noise mapping undertaken at Bergen Airport, Flesland - new flightpaths for helicopters introduced · Noise mapping undertaken at Sandane, Båtsfjord, Sogndal, Hasvik, and Kirkenes

Avinor shall be a professional and attractive employer

SDG	AVINOR'S GOAL	RESULTS IN 2018
8 DECENT WORK AND ECONOMIC GROWTH	Create a Group-wide culture of improvement	· 70 per cent of employees have a high or very high commitment to their jobs · Negotiation process completed for new pension scheme · Group-wide training framework implemented · Digital maturity analysis conducted · Avinor's leadership platform launched · Project for reorganisation of training underway · Programme developed for employees that excel · 20 interns (target: 42)
17 SAMARBEID FOR Å NÅ MÅLENE	Absence due to illness of 4.5 per cent or lower	· 4.7 percent absence due to illness · Inclusive Working Life committee created · New procedures and courses introduced for following up absence due to illness
	H1 value < 2 H2 value < 10	· H1 value: 3.8 · H2 value: 5.1 · 11 injuries resulting in absence, of which 4 serious
	Reduce breaches of working hours provisions	· Most units have reduced the number of violations, but some have endured unpredictable staffing challenges at times. Followed up closely by way of concrete measures
5 GENDER EQUALITY	The percentage of women in the Group shall reach 25 per cent in 2020	· The percentage of women among permanent employees is 22.5 per cent · The proportion of women in managerial positions is approximately equal to the proportion of women in the company, with 20.5 per cent in the Group as a whole, 33.3 per cent in the executive management, and 50 per cent on the Board of Directors · A women's network was established to assist HR in attracting and retaining skilled women
	Avinor is an Inclusive Working Life company, with the objective of preventing exclusion from the labour market	· Adapted work agreements with 30 employees
	Avinor will help to increase employment for people with disabilities and reduced occupational opportunities	· Several schemes were implemented for people with disabilities and reduced occupational opportunities
	Prevent HSE non-compliance, personal injuries, and work-related illness	· HR, remuneration, and HSE committee established as a sub-committee to the Group's Board of Directors · HSE action plans established for all local units · Skills plan drafted as required by the Norwegian Work Environment Act

Avinor shall ensure that it conducts its business responsibly

SDG	AVINOR'S GOAL	RESULTS IN 2018
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Zero-tolerance policy in relation to all forms of corruption	· Anti-corruption programme developed with a focus on prevention and control activities · Corruption risk monitoring element implemented within the Group's system for strategic risk management · Risk and vulnerability analysis implemented for corruption and misconduct in project management environments in development and IT · Identified risks addressed via compliance officer and professionals
	Employees, suppliers, and partners must be familiar with and comply with Avinor's ethics guidelines	· Management teams and staff exposed to risk completed training tailored to those risks · Mandatory course for all employees and hired personnel · Avinor's contracting parties agree on responsible business practices · All employees are required to register their own external duties, second jobs, and other roles
	Avinor shall have effective procedures for the management of reprehensible actions or situations in all parts of the organisation	· Committee appointed for handling notifications of reprehensible conditions in all parts of the organisation · Fewer than 200 notifications received - all processed · Avinor's compliance function followed up the Group's compliance with external and internal regulations relating to corruption, misconduct, and ethics rules. Report to management/Board
	Avinor will work to combat anti-competitive behaviour	· Group-wide guidelines established to supplement public regulations to ensure competition in the conclusion of individual contracts
	Avinor shall ensure that all parties to agreements have ethics guidelines and take their corporate social responsibility seriously	· Co-operation agreement concluded with the Norwegian Tax Administration regarding the intensification of efforts to combat violations of labour market legislation · Follows public procurement regulations
	Avinor shall ensure the responsible processing of personal data	· Data protection officer appointed · System established for internal control · Data processing agreements concluded with subcontractors · No complaints received concerning breaches of customers' privacy in 2018

Avinor shall ensure good aviation services for the whole of Norway

Avinor's social obligations relate to owning, operating, and developing a national network of airports for the civilian aviation sector and a joint air navigation service for the civilian and military sectors. Operations must be carried out in a safe, efficient, and environmentally friendly manner and ensure good accessibility for all groups of travellers.

The foundation of our operations is conducted in challenging weather conditions and topography, and is constantly evolving. In order to meet the requirements and expectations of our stakeholders, we have prioritised four primary objectives:

- developing competitive airports
- contributing to the sustainable growth of Norway and its regions
- creating valuable experiences for passengers and visitors
- maintaining a proud and improvement-oriented corporate culture

AIRPORT DEVELOPMENT

Avinor has a good basis for fulfilling its corporate social responsibility and ensuring the development and maintenance of a network of airports, big and small, the length and breadth of Norway. In its ownership report in 2017, the government highlighted in particular the successful expansion of Bergen Airport, Flesland, and Avinor Oslo Airport. The development of Avinor's airports has continued in 2018.

Facilitating increased non-Schengen traffic at Avinor Oslo Airport

In recent years, there has been significantly greater growth in traffic to and from countries outside of the Schengen Area at Oslo Airport than in traffic within it. It is considered absolutely essential that we build good, adapted infrastructure to handle this traffic. This will help to increase Norway's competitiveness and provide considerable economic benefits. On 1 October 2018, work started on the extension project "Expansion Non-Schengen East" at Oslo Airport. The project consists of a building of about 30,000 square metres linked to the eastern end of the terminal. Construction work is scheduled to be completed in the second quarter of 2022. The total budget for the extension is NOK 3.3 billion. The current capacity of the area for non-Schengen traffic is 5.5 million passengers per year. After the expansion, capacity will be approximately 8 million passengers per year.

Planning of a seafood centre for air freight at Avinor Oslo Airport

In August 2018, Avinor and Worldwide Flight Services (WFS) signed a letter of intent to operate a seafood centre for air freight at Avinor Oslo Airport. The new seafood centre will be able to handle up to 250,000 tonnes of seafood every year, which will help to make Norwegian seafood more competitive in a global context. The seafood centre will offer industrialised logistics solutions for the seafood industry with the future in mind. There are currently 14 different freight airlines serving Oslo Airport each week.

Planning of a third runway at Avinor Oslo Airport

In March 2018, Avinor and Ullensaker were commissioned by the Norwegian Ministry of Transport and Communications to commence planning a third runway in accordance with the Norwegian Planning and Building Act, based on the eastern option. In December, the executive committee of Ullensaker Municipality sent a legal opinion to the ministry, informing the ministry that it had decided to halt work on a third runway until further notice. This was justified by the fact that the municipality believes that the location issue was not dealt with in accordance with the rules of the Norwegian Planning and Building Act or the procedure that the Norwegian Ministry of Transport and Communications had itself outlined.

Avinor has taken note of the executive committee's decision and as at mid-January 2019, Avinor is awaiting information from the Norwegian Ministry of Transport and Communications regarding further progress.

New Bodø Airport

The government wishes to enable sound urban development and regional development in Bodø. In connection with the closure of Bodø airbase and the Norwegian Armed Forces' subsequent disposal of state property, Bodø Municipality has taken the initiative to relocate Bodø Airport and free up plots of land close to the city centre for development. As part of the documentation forming the basis of the National Transport Plan (NTP) for 2018 to 2029 from the departments and Avinor, a socioeconomic analysis was conducted illustrating that this could be socioeconomically profitable. The socioeconomic benefit is achieved primarily through reduced transport costs for the population and businesses compared to an alternative in which urban development takes place further away from the centre. Relocation also means that Avinor can avoid making necessary and costly upgrades at the current airport.

Avinor Oslo Airport.

According to the NTP for 2018 to 2029, the state will contribute NOK 2.4 billion, of which NOK 0.2 billion is allocated for the transfer of rescue helicopter service. The remainder of the funding will be covered by Avinor and local sources of finance. Through the NTP, the government is tasking Avinor with the continued planning of the move with the aim of conducting a concession application. The project will undergo external quality assurance in accordance with the state's quality assurance scheme for major state investment projects. Avinor's planning work is underway, and the construction and establishment of a new airport will take place alongside the operation of the current airport. The cost of the project is being explored as part of planning efforts.

The project supports Bodø Municipality's "Smart Bodø" initiative, which offers huge potential for working with the public sector, research environments, and business and industry. "New Airport – New City" will provide a cohesive end result for the city's inhabitants, with reduced greenhouse gas emissions and more efficient transport for the city's population, visitors, and local and regional businesses. The aim is for the new airport to open between 2024 and 2026 and provide a capacity of 2.5 million passengers.

New airport in Mo i Rana

In 2017, the Storting decided to construct a new major airport in Mo i Rana to replace the current local airport at Røssvoll. The current airport structure will be retained. This means that neither Mosjøen Airport, Kjærstad Airport, nor Stokka Airport in Sandnessjøen will be decommissioned. In the NTP for 2018 to 2029, state funding is provided for the second half of the plan period. A financing solution is being drafted locally in order to start the project as soon as possible. In February 2019, the government gave the green light to a tender process for the construction of the Arctic Circle Airport in Rana Municipality. The airports Mo i Rana and Mosjøen will enjoy upgrades to the tune of NOK 70 million to ensure their stable and safe operation in anticipation of the new airport.

Upgrading of Stavanger Airport, Sola, soon complete

Following a decline in traffic which started in 2014 as a result of the stagnation in the oil industry, optimism has returned to the Stavanger region. This is evident in things like increased offshore investment, a reduction in unemployment, and a greater focus on tourism.

This optimism has so far led to an increase in domestic traffic. International traffic has seen the same level of growth, partly due to the limited range of flights.

Several major development projects will be completed in 2019. Customer satisfaction surveys already show that passengers appreciate the upgrades that have been completed.

The airport is otherwise involved in several projects, including the electrification of transport and the provision of electric aircraft.

Development of Tromsø Airport

Northern Lights traffic has led to a considerable increase in traffic at Tromsø Airport, averaging 3.9 per cent per year in recent years. On the basis of this, preparatory work has commenced to explore the options for expanding the terminal. A concept for expansion has been chosen and the project is now entering the preliminary work phase. The aim is for the expansion to be complete in 2021/22

and for it to provide capacity for 2.7 million passengers. Outline projects have also been started for new aircraft de-icing facilities, new aircraft stands, and the extension of the runway.

Operation of Haugesund Airport made subject to competition

At Haugesund Airport, the government has decided to hand over all operations to a party other than Avinor by way of competitive tendering, which is known as a service concession model. This means that Avinor cannot submit a tender but will still own the airport. On 12 May 2019, Avinor will hand over the operation of Haugesund Airport to the local operator Lufthavndrift AS. This is the result of a tender process and negotiations that took place between the parties throughout 2018.

Harstad/Narvik Airport advanced base for Norwegian Armed Forces

The Storting has decided to establish an advanced base for the Norwegian Armed Forces' new F-35 (QRA) military fighter at Harstad/Narvik Airport, and for the base for surveillance aircraft (MPA) to be moved from Andenes to Harstad/Narvik. QRA will operate from Harstad/Narvik by the autumn of 2021, while new surveillance aircraft will be in operation by the spring of 2022. This means that the Norwegian Armed Forces must make a number of investments at the airport. The future investment and operational needs of the Norwegian Armed Forces will have a major impact on civilian operations at the airport. For Avinor, it is important that the activities of the Norwegian Armed Forces do not inhibit the operation and development of civilian operations. Avinor is working closely with the Norwegian Armed Forces on these issues.

Harstad/Narvik Airport's only development area is located in the north-eastern section of the airport. This area is currently contaminated with PFAs. Further planning for the site depends on the proper management of this issue.

The current terminal has a maximum capacity of 1 million passengers and is approaching this limit. Avinor is considering an expansion of the terminal building.

Plans to close Andøya airbase

Andøya airbase is owned and run by the Norwegian Armed Forces and, according to the plans of the Norwegian Armed Forces, is scheduled for closure in mid-2022. However, the airport shall continue to operate to facilitate the development of the Andøya Space Center and Andøya Test Center. In addition, the Norwegian Armed Forces have indicated that there is a need for Andøya to serve as a base in the event of an emergency. There are also proposals for Andøya to serve as a reinforcements base. The above means that the size requirements are greater than those of civil aviation. However, there may be changes in the requirements of civil aviation through the development of Andøya, in particular through the establishment of a drone centre, satellite launch facilities, the expansion of Andenes fishing port, and a possible civilian aviation school.

It has not yet been decided who will be responsible for Andøya in the future. If responsibility for operating Andøya is transferred to Avinor, this will increase the company's costs by an estimated NOK 20 to 40 million per year.

Evaluation of a new airport in Hammerfest

Avinor has conducted studies of both weather conditions and operational conditions in relation to the establishment of a new airport in Hammerfest. This work was completed in December 2017. It concluded that Grøtnes was a suitable location for a new airport in Hammerfest. On 25 June 2018, the Norwegian Ministry of Transport and Communications commissioned Avinor with conducting a choice of concept study (CCS) for airport solutions in the Hammerfest region so that the project can be evaluated as part of the documentation forming the basis for the next National Transport Plan. Two concepts for Grøtnes will be considered in the CCS – one with a 1,199-metre runway for 50-seater aircraft, and one with a long runway suitable for jets currently used on domestic routes. These new facilities are compared against the impact of expanding the current airport to the maximum.

An increase in offshore operations is expected from Hammerfest over the next few years. In anticipation of a possible new airport, it will be necessary to make some adjustments to the current airport. Work on an outline project has commenced regarding the expansion in capacity for helicopter operations, including the adaptation of the terminals.

Evaluation of a new airport in Lofoten

Work is underway to evaluate a possible new shared airport in Lofoten. In the NTP for 2014 to 2023, Avinor proposed the construction of a major new airport for Lofoten at Gimsøy to replace the current local airports in Leknes and Svolvær. An expert group considered availability relating to the weather would be 94 per cent. At the same time, the Norwegian Public Roads Administration evaluated the possibility of a ferry-free crossing over the Hadsel fjord which, if implemented, would result in huge changes to journey times between the region's airports, and thus traffic levels at a major new airport. Avinor will, therefore, consider whether other sites would provide better weather availability, and look at the airport structure in the context of the development of the road network. Several weather measurements were conducted in Lofoten in 2018. The aim of the project is now to put forward a recommendation for the NTP for 2022 to 2033.

Avinor's activities end at Fagernes Airport

Operations at Fagernes Airport formally came to an end on 1 July 2018 as no local operators had come forward to take over. In addition, the Storting decided that Avinor is to maintain the technical and operational status of Fagernes Airport for up to three years after the closure, so that any takeover and reopening by local stakeholders is as smooth as possible.

NATIONAL OBLIGATIONS

The Avinor Group carries out a number of tasks arising from national obligations on behalf of the Norwegian state. These tasks are in addition to Avinor's corporate social responsibility of owning and operating a nationwide network of airports and air navigation services for civil and military air traffic. They include:

- tasks directly arising from plans by the Ministry for Transport and Communications for the development of Avinor (ownership reports), such as planning, analytical work, research and development, air ambulance readiness, facilitating public transport for ground access to airports, contributing to the national search and rescue (SAR) services, and the operation of the aeronautical mapping and aeronautical information services;
- sector-political tasks of varying nature, such as the National Transport Plan, task related to the interaction with the Norwegian Armed Forces, etc.;

- services related to Avinor's monopoly role, but which competitors also depend upon, such as network services and surveillance and radar data, training of air traffic controllers, etc.; and
- services provided to non-commercial air operators, such as general aviation.

It is difficult to calculate the exact costs incurred by Avinor for these obligations, but they are estimated to be in the range of NOK 500 to 600 million annually. Avinor currently finances these costs in part through aeronautical charges and in part through commercial revenues.

SEPARATE AIR NAVIGATION SERVICES FROM AVINOR AND SUBJECT CONTROL TOWER SERVICES TO COMPETITION

In an ownership report on Avinor (Meld. St. 30/2016-2017) presented in April 2017, the government was clear as to its intentions to separate air navigation services from Avinor before the next ownership report. Avinor has given its input in the process and the decision is now up to the Norwegian Ministry of Transport and Communications.

The government also clearly signals the introduction of competition in relation to control tower and approach control services at Avinor's airports. Furthermore, the government is paving the way for Avinor Air Navigation Services to be able to compete for control tower and approach control services internationally. As a result, Avinor Flysikring has participated in tenders both in Norway and internationally.

In 2017 the government gave Avinor its support to further develop and include additional airports in the remote tower concept where this will result in greater savings than a competitive tendering. This has been followed up, and the project has been further developed in 2018. The first remotely operated tower is expected to be put into operation in the autumn of 2019. The centre for remotely operated towers will be located in Bodø.

ROUTE DEVELOPMENT

Avinor works closely with airlines and other stakeholders to develop the route network at Norway's airports. Attracting new traffic is important in order to fulfil our corporate social responsibility, which includes developing and operating a safe, efficient and sustainable aviation system throughout the country.

In the aviation industry it is common that airports contribute to reduce the airlines' risk through various forms of facilitation at the airports and financial contributions. The incentive schemes have been developed to strengthen the competitiveness of Norwegian airports and has been an official ESA arrangement since 2009.

Avinor's incentives comprise startup and marketing support for new routes and a bonus for passenger growth. Applications are considered individually, with emphasis on the project's profitability for Avinor. In the past three years Avinor has contributed an average of NOK 70 million annually to airlines and other stakeholders through the incentive schemes. A considerable proportion has been allocated to the route development and marketing of destinations outside of the Oslo area. The result is new international direct flights, which are decisive and a precondition for growth in tourism and local business. Almost 1 million new passengers at our airports can be directly linked to the new routes.

Information on our incentive schemes is published on our website: https://avinor.no/aviation/route-development/ incentives/

ACCESSIBILITY FOR ALL – UNIVERSAL DESIGN

Most people need to travel and need to be able to plan and carry out their journey safely and in a way that suits their needs. Universal design is, therefore, an important premise for Avinor being able to offer air travel in a way that is both predictable and seamless. Avinor is constantly working to meet universal design requirements. Emphasis is placed on close co-operation with national and regional user fora, which gives results in the form of joint solutions. Co-operation takes place by way of centralised dialogue in the PRM forum, as well as "Flygruppa", which represents organisations, airlines, and Avinor. There is similar representation at a local level in major construction projects and by way of other local fora in the form of networking.

Pursuant to the Regulations on the universal design of airports and the rights of disabled people in relation to air transport of 16 July 2013, Avinor has conducted a monitoring process with the Norwegian Civil Aviation Authority as the supervisory authority. Universal design mapping has demonstrated a need for planned and co-ordinated measures so that all of Avinor's airports are universally designed. The measures were initiated in 2018 and are due to continue so that all of Avinor's airports are universally designed by 2025.

Avinor standards have been established for terminal and operational buildings. These standards cater for universal design requirements in construction projects and incorporate the universal design requirements of both technical regulations and Standards Norway.

Similarly the responses from a consultation with the Norwegian Federation of Organisations of Disabled People (FFO), the Norwegian Association of Disabled (NAD), and the Norwegian Association of the Blind will be included in ongoing efforts. Through standardised solutions, Avinor wants to help make its airports more predictable and readable for all travellers.

Internal e-learning modules have been produced thanks to grants from the Norwegian Directorate for Children, Youth and Family Affairs. These modules provide a shared learning platform for universal design within the Group.

Universal design guidelines will be implemented at airports in connection with specific measures, new construction, or major reconstruction projects. There is a growing awareness of how to facilitate travel for all in a way that caters for everyone's needs. Although the level of universal design continues to vary, with increased focus on measures in the years to come, this variation will decrease. For some older terminal buildings built in another era under other regulations, measures will be implemented to ensure their universal design in accordance with current standards.

Terminal design and boarding solutions are key to getting passengers on board aircraft effectively. Terminals face the challenges of new technical solutions, commercial requirements, and the desired passenger flows. These challenges will be a focus area for Avinor going forwards. While passenger bridges will be adapted at large and medium-sized airports, ramps and electric stair climbers will work for smaller airports. This will enable everyone to board aircraft in a way that is adapted to them.

A service that coincides with universal design is Avinor's assistance service, which covers passengers with reduced mobility. To provide safe and practicable travel, Avinor offers a comprehensive service from arrival at the airport right through to getting passengers comfortably on board aircraft.

Online travel planning and mobile solutions are becoming increasingly important also for these kinds of services.

The ability to provide passengers with information and guidance by way of various technological channels is evolving rapidly, which is increasing the ability of everyone to make their own way. In close co-operation with user groups, Avinor is in the process of developing digital channels adapted for groups such as the blind and visually impaired.

ON THE WAY TO BECOMING THE BEST IN EUROPE FOR CUSTOMER EXPERIENCE

One of Avinor's core values is a focus on the customer, while one of its strategic primary objectives is providing a seamless customer experience. In 2018 Avinor took a step closer to becoming the best in Europe for customer experience.

Airport Service Quality (ASQ)

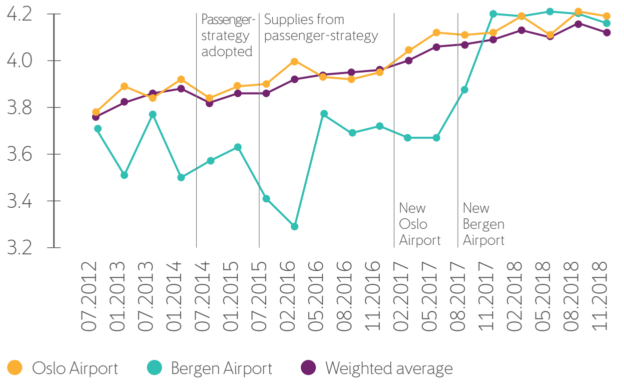
Oslo Airport and Bergen Airport were named "Europe's best airports" for customer satisfaction by ACI in their respective size categories. Bergen Airport also received an award for "greatest improvement" in customer satisfaction in its category. According to ACI's World Director General Angela Gittens, these prizes have been awarded to the airports that received the best feedback from travellers in 2018. She stresses that the airports have understood that good customer satisfaction is an important tool in a competitive industry, and that ACI's surveys are the only surveys worldwide that give airports concrete feedback across multiple categories of customer satisfaction.

This demonstrates that passengers value the two biggest investments Avinor has made in recent years by way of the terminal expansions at Oslo Airport and Bergen Airport, Flesland.

Oslo Airport is aiming to be among the top ten airports in Europe for customer satisfaction and was well on the way to achieving this

ASQ OVERALL SATISFACTION – AVERAGE 8 LARGEST AIRPORTS

Score for customer satisfaction on a scale 1-5, where the score 4 has the description "very good"



goal in 2018 when it jumped nine places to sit at 22nd place in the last quarter of 2018.

Good hospitality at the airport

When creating great travel experiences, the human factor is as important as having a nice terminal and seamless processes. We have focused on our hospitality at our airports and invited all our partners to join us in a joint drive to create great travel experiences. Experiences from a pilot programme in Oslo and Bergen in 2018 that saw a structured investment in hospitality will form the basis for continued hospitality efforts at all our airports.

With respect to our focus on hospitality, we have commenced frequent observations of the quality of service provided to customers within our airports' range of shops and food outlets. Our objective is to support our partners who provide hospitality on our behalf. Both Avinor and its partners receive regular and systematic feedback from these observations, which is followed up by way of training by operations managers in sales and service management. We want to assist our partners. The initiative has been very well received among the managers of our retail and catering partners at our airports who, together with other service staff, are using this new insight into their work to provide customers with a good experience.

The three awards mentioned above are also testament to the hard work of the employees of all the companies we work with at our airports.

Inge Fidjeland

Director Airport Fashion, Airport Retail Group AS

Having a partner like Avinor, which truly understands the importance of a good customer experience with regard to retail, is a clear strength for us. In a market facing increased competition from e-commerce, good customer experiences are becoming increasingly important.

Sølvi Ness

Operations Director, SSP Norge

Our efforts to give customers a better experience involves every level of our organisation and brings us all closer together. Initiatives that promote co-operation with Avinor and other stakeholders along the way are instrumental to us offering world-class hospitality.

New ways of communicating with customers

In light of the constant increase in passengers' use and expectations of digital services, Avinor has made a growing number of products and services available via digital channels. A joint passenger app has been developed covering all of Avinor's airports, as well as a parking booking service and a pre-ordering service for food and drink and duty free goods. Within passenger communication, we have entered the world of voice control and a new digital customer communication (CRM) platform has been implemented. The 175,000 newsletters that we send each month are read more than those we compare ourselves to, which confirms that our customers are interested in information and offers from Avinor. All of Avinor's digital passenger communications are subject to applicable privacy legislation.

AVINOR'S SPONSORSHIP

Avinor's sponsorships are primarily targeted at local recreational activities, social initiatives, and sport for children and young people in the areas surrounding our airports. Many of our airports contributed to such sponsorships in 2018.

At our head office in Oslo, Avinor works with Church City Mission through the Neighbour Co-operation in Bjørvika project. There are also separate activities for children and young people under the auspices of Church City Mission, with which Avinor employees are involved. This year's Christmas present also went to Church City Mission's "Gled en som gruer seg til jul" (Make someone happy who is dreading Christmas) campaign.

Environmental organisations Zero and Bellona receive financial support from Avinor and give Avinor professional assistance in, for example, efforts relating to the development of biofuel.

PUNCTUALITY AFFECTED BY ADVERSE WEATHER CONDITIONS

Average punctuality for all Avinor's airports was 83.5 per cent in 2018. Avinor's Group-wide targets for punctuality (departure within 15 minutes of scheduled departure) is 88 per cent. Achieving this target depends on the concerted efforts of the airports, airlines, and providers of airport-related services. The weather also plays a role. Reduced punctuality in 2018 was primarily due to major traffic-related challenges in Southern Europe, as well as internal challenges among some key operators within Avinor's network.

For regularity – which measures the percentage of scheduled flights that operate – Avinor has a target of 98 per cent. In 2018, the rate of regularity for all the airports was 98 per cent. This figure has hardly changed in recent years. Airline data regarding cancellations and diversions provided through the traffic information system ALTi serves as the basis for Avinor's official statistics.

FLIGHT SAFETY

The regulatory requirements in flight safety follow from Norway's international obligations through the EEA and ICAO (the UN's International Civil Aviation Organisation). The Norwegian Civil Aviation Authority (N-CAA) implements provisions that Avinor is required to comply with, based on these obligations. Avinor plays an active role in international work, such as in the development of new aviation-related regulations in Europe and in particular airport regulations.

Safety has the highest priority in Avinor and is linked to the strategic area of safe, efficient and stable operation at our airports. Flight safety and risk management are constantly being worked with to ensure that Avinor's services are carried out and delivered at an acceptable or improved level of flight safety. This helps reduce the likelihood of human, material and critical infrastructure damage, and to reduce the impact should an incident occur.

An overview of the operational risks is established at all Avinor's airports in accordance with EU regulations. Proactive and targeted management alongside the overview and control of hazards and the risks they pose will contribute to a sustained and improved level of safety. This overview of risks can be monitored at several levels in the organisation. The framework for managing operational risks is continuously being developed.

A new report (Power BI) that will be used in central safety meetings is being developed. The report is focused on flight safety in that it only extracts non-compliance data within safety categories. It will be ready to be reported in March 2019. The report will provide a clearer picture of the challenges faced in flight safety and make it easier to follow up on these.

As part of the safety work, work is also carried out proactively by means of risk management on our operations. This is supported by several new reports (Power BI) for monitoring and presentation of the airports' operational risk picture.

As part of the safety work, we are proactively pursuing risk management in our operations as part of our flight safety efforts, being supported by several new reports for monitoring and presenting an overview of operational risks at our airports. These reports will be used in local and central safety and quality meetings with the level of detail in the reports adapted accordingly.

Revision and improvement of the safety management system, including the management of flight safety, continued in 2018.

Safety culture within flight safety

Initiatives to ensure a safety culture within our flight safety units were implemented in the autumn of 2017 and spring of 2018, along with a safety culture survey in 2018. Work are ongoing to identify and follow up on measures based on the answers.

By developing skills and building awareness within the air traffic control's en-route navigation services, there has been special emphasis on the risk of aircraft spacing and separation minima. A Group-wide initiative involving other aviation stakeholders to avoid runway incursions has also gotten underway.

Runway incursion project

Worldwide, runway incursions (RIs) are responsible for less than one per cent of the fatal accidents. Roughly 100 RIs or events leading up to such an incident are reported each year in Norway. This level has remained stable for many years and is on a par with the European average. Runway incursions are one of the biggest risk factors in the operation of an airport. European aviation stakeholders have joined forced to establish a European Action Plan for the Prevention of Runway Incursions – EAPRI. Avinor wants to play an active role in these efforts and has recently initiated a project that is based on the lessons learnt from incidents in Norway and the recommendations given through EAPRI. The project will be conducted in close co-operation with the Norwegian Civil Aviation Authority, airlines, the Norwegian Association of Air Sports, and other relevant stakeholders. The goal is to reduce the number of serious RIs by half by the end of 2020.

New provider for air traffic controller training

Avinor Air Navigation Services has awarded a three-year contract to a new provider of air traffic controller training. The new provider is CANI – Czech Air Navigation Institute – located in Prague. Fifteen students started their basic training at CANI in September 2018.

ACCIDENTS AND SERIOUS AVIATION INCIDENTS

There were no aviation accidents with or without personal injury or serious aviation incidents in Norwegian aviation to which Avinor or Avinor Air Navigation Services was a contributing party in 2018. The reporting rate has been very good and the degree of severity in aviation incidents has been lower.

ACCIDENTS AND SERIOUS AVIATION INCIDENTS 2016-2018

	SERIOUS AVIATION INCIDENTS	AVIATION ACCIDENTS NOT INVOLVING PERSONAL INJURY	AVIATION ACCIDENTS INVOLVING PERSONAL INJURY
2018	0	0	0
2017	3	0	0
2016	0	1	0

Serious aviation incidents, aviation accidents not involving personal injury, and aviation accidents involving personal injury where Avinor was a contributing party. The terms "serious aviation incident" and "aviation accident" follow the definitions in Regulation (EU) No. 996/2010.

DRONES

There is a huge increase in drone activity. Avinor is studying how we can support the development of the drone industry and how drone technology can help to streamline our own processes.

Avinor observes and reports illegal drone activity and participates in national and European work to put in place regulations that ensure the safe use of drones. Efforts are underway at several airports to identify the hazards and risks associated with drone activity, with the aim of developing appropriate measures to prevent illegal drone activity. The experiences of other Norwegian and international airports are also being drawn upon. In the summer of 2018, a drone pilot was convicted in connection with unauthorised flying in restricted airspace at Oslo Airport. The incident closed the airspace for a period of time.

AUDITS

Avinor as an organization works systematically to maintain a good safety culture and a high level of flight safety. As one of several instruments, regular audits is carried out both at the units and at specific subject areas to verify that relevant laws and regulations are complied with.

Avinor's audit programme incorporates the requirements of the Norwegian Aviation Act, EU/2008/2016, the Norwegian Work Environment Act, the Norwegian Security Act, and the regulations associated with these. This is in addition to relevant ISO standards, as well as regulations and standards within the external environment.

Audit programmes are in place for one year at a time and are approved by the CEO. Findings discovered through the audits are entered as non-compliance in the non-compliance management system and are followed up by the entity who is defined as risk owner.

Findings recorded at external parties are followed up by the contract manager or named contact through Avinor's non-compliance management system. All of Avinor's airports are now certified in accordance with ISO 14001 (environmental certification requirements). The final external certification audits took place in November 2018.

Twenty-six internal audits were conducted by Avinor AS in 2018 either as systems audits of process areas (top-down) or as airport-level audits.

CONTRACTED ACTIVITIES

In addition, contractors are regularly audited to ensure the proper quality of their deliveries in relation to the applicable agreement/contract. Audit frequency is governed by the criticality of the deliveries. Contractors providing services that Avinor is certified for are closely monitored by way of audits. This ensures that these services are provided within the framework of Avinor's certificates.

Avinor conducted 25 audits of external parties in 2018. Fifteen of these were according to a specific agreement/contract, ten were audits of external airport stakeholders in accordance with (HSE) co-ordination agreements or traffic regulation requirements.

In addition, so-called "prior audits" are conducted for some new contractors before an agreement is concluded to ensure that there are no instances of serious non-compliance or defects at the delivery. Avinor conducted two prior audits in 2018.

The increased use of contractors and outsourcing of services demand high standards for Avinor's compliance-monitoring system. Consequently, Avinor is working to improve the process, develop methods, and educate and maintain resources to ensure that these deliveries are always provided within the scope of the laws and requirements that Avinor is obliged to comply with.

The findings of the audits are recorded as non-compliance in our non-compliance management system. These are followed up by the defined risk owner. Findings recorded at external parties are followed up by the contract manager or Avinor's named contact. Avinor's non-compliance management system manages these as well.

SECURITY

Threat levels are the same as in previous years. Readily available weapons and vehicles are considered to pose a particularly challenging threat. Avinor has previously conducted analyses to identify security-related vulnerabilities at all its airports and, in 2018, implemented tailored security measures. This work will continue in the years to come. The objective is for security measures to both reduce the impact of any incidents and to make such incidents more difficult to carry out. The management system has been updated by incorporating security risk analyses into all renovation and new construction projects. A grade-based system has been implemented to manage risk analyses and the follow-up of objects to be screened. As part of delivering cost-effective services that provide a good level of security at low cost while providing a good experience, Avinor implemented in 2018 the first phase of a project to update the security control equipment for checked baggage. It is anticipated that the project will result in a reduction in the use of personnel for this type of security control. Impact analysis have been carried out for Avinor ahead of the new Norwegian National Security Act. Staff from Avinor have participated in the working group under the Norwegian Ministry of Transport and Communications. The management system has been updated in relation to new requirements.

Civil protection and contingency

Avinor has concluded the introduction of CIM as a crisis management tool and has carried out exercises in order to maintain competence. In addition, Avinor has established low-grade communication at several units, as planned.

Avinor's participation in general defence and the Trident Juncture exercise in 2018

In light of the current security policy situation, there is a significantly heightened focus on emergency preparedness and defence throughout the Western world. The government has initiated the development of Norway's general defence and Avinor is contributing actively in this and work together with the Norwegian Armed Forces, the Norwegian Directorate for Civil Protection (DSB), and several other civilian stakeholders. In recent decades, the Norwegian Armed Forces have focused their activities on military operations, for which the provision of services from a number of civilian stakeholders is essential for ensuring the effective defence of Norway. The NATO exercise Trident Juncture took place in Norway in the autumn of 2018. This was a two-part exercise with a full-scale field exercise (LIVEX), followed by a staff exercise (CPX), both of which were led from NATO's headquarters in Naples. Avinor played an active role in the planning of the exercise by way of a new concept for host country support and concluded a binding liaison agreement with the operational headquarters of the Norwegian Armed Forces.

The field exercise involved more than 50,000 troops and several hundred ships and aircraft. A number of Avinor's airports were tasked with hosting fighter jets, helicopters, and large aircraft for transport and transporting of crews and equipment. This traffic was managed very efficiently without any major disruption to civil aviation and very few serious incidents in relation to traffic volumes. Avinor Air Navigation Services went to great lengths to prepare the airspace, to provide training, and in the execution of the exercise.

Avinor has received very positive feedback from the Norwegian Armed Forces and NATO on our involvement and provision of services throughout the exercise.

In the staff exercise that followed, Avinor mobilised its internal emergency organisation at all levels. The exercise provided valuable training and experiences that will aid the further improvement of Avinor's ability to manage major emergency situations.

Human trafficking

Avinor has no proprietary systems for reporting human trafficking. Such incidents are recorded in a crime case management system and are processed by the relevant authorities, such as the police and customs. These are in place at Avinor's largest airports, and the airports are reporting good co-operation. Avinor encourages all employees to report situations which are unclear and in which they suspect that human trafficking is taking place.

The new Remote Tower Centre in Bodø will be the world's largest when it opens in 2020.

Fagernes Airport hosted the first look at Norway's first autonomous snowplough in March 2018, which will commence testing at Oslo Airport in the winter of 2019.

Projects, research, and development

Work relating to remote towers continued at full speed in 2018. Avinor Air Navigation Services bought land for the new Remote Tower Centre, which is due to be completed in early 2020. Together with the Kongsberg Group and Indra, Avinor Air Navigation Services is proceeding with efforts to control 15 towers remotely from Bodø by the end of 2020.

The centre will employ around 60 people and help to ensure better knowledge sharing and redundancy by centralising the academic community at the new centre in Bodø.

Røst will be the first airport in Norway to be operated with a remotely controlled tower. This is scheduled to commence in the autumn of 2019.

Avinor AS actively participates in SESAR 2020 – a major EU research and development programme for aviation – in which stakeholders in the sector and the research and development environment are joining forces to develop and certify technology as one of the pillars of the Single European Sky programme. Avinor's expertise is helping to increase security, capacity, and predictability, as well as to reduce the environmental footprint of Europe's aviation network.

Avinor is collaborating with other stakeholders in several research and development projects focusing on benefitting society. "Smarter Transport Bodø" is a collaborative project with Nordland County Council, Bodø Municipality, and Telenor, in which the stakeholders will help to develop solutions that provide Bodø with the mobility solutions of the future. The project is funded by the Norwegian Ministry of Transport and Communications. In the Digital Airports project funded by the Norwegian Research Council's Transport 2025 programme, Kristiania University College and its partners will study the effect of digital technology on flight passengers' travel experiences and on the effectiveness of Norway's airport network.

The exploration and development of innovative projects will continue at the airports. Projects such as remotely controlled passenger assistance or robot guides will help to improve information services for our passengers. Autonomous snowploughs and several digitalisation projects relating to operation and maintenance are aimed at reducing the costs associated with Norway's airport network. Oslo Airport's OSL2020 project is about simplifying and streamlining operations. The first deliveries are due in February 2019. The primary focus of the first phase is on maintenance processes, standards, and digitalisation. Another measure is smart cleaning, which includes robotic cleaning.

Avinor is participating in several research and development projects relating to the development of sustainable biofuels for aviation, in collaboration with such institutions as SINTEF, BI Norwegian Business School, and the Norwegian University of Life Sciences.

Avinor also participates in Klima 2050, a research centre focusing on extreme weather and gradual climate change, as well as the climatic adaptation of buildings and infrastructure.

Avinor shall be a driving force in the work on climate and environmental challenges within aviation

Avinor has concrete and long-term goals to address the four biggest environmental challenges of operating airports: climate, energy, noise, and emissions into water and ground.

Effective and systematic environmental management is needed to manage these challenges. Consequently, environmental management efforts have seen a boost in recent years. This has resulted in the certification of Avinor's centralised environmental management and operations in accordance with the ISO 14001:2015 standard. From the beginning of 2019, all of Avinor's airports will be covered by a joint Avinor certificate.

GREENHOUSE GAS EMISSIONS

Avinor's Group-wide climate targets: By 2022, Avinor must halve its total controllable greenhouse gas emissions as compared with 2012 and help to reduce emissions from surface access to the airports and air traffic.

The biggest source of greenhouse gas emissions at airports is aircraft landing and taking off, followed by surface access (i.e. greenhouse gas emissions generated by passengers getting to and from the airport), and greenhouse gas emissions related to the running of the airports.

Greenhouse gas emissions from airport operations

Avinor measure the GHG emissions in accordance with the GHG Protocol. The emissions inventory is assured in accordance with ISO 14064 by an independent third party. Avinor offsets all direct emissions and indirect emissions over which it has control, using internationally recognised offsets. In 2018, Avinor's own verifiable greenhouse gas emissions from airport operations totalled approximately 15,780 tonnes of CO_2 equivalents, which roughly the same as in 2012. Avinor's biggest source of emissions is the consumption of fuel for its own vehicles, followed by energy consumption and business travel. Svalbard Airport stands out in particular in Avinor's climate accounts since the airport's heating and electricity are both provided by a coal-fired power plant. Since 2016, there has been a gradual expansion of the solar panel array at Svalbard Airport. In

2019, it is anticipated that solar energy will cater for five per cent of the airport's electricity consumption. Other sources of Avinor's own controllable emissions (as shown in the figure below) include the discharge of chemicals for runway de-icing and firefighting exercises.

Avinor's climate goal is an absolute goal that does not take into account size increases in the ploughed areas of our airports. Emissions from Avinor's operations depend heavily on the weather in the winter due to the need for snow ploughing, heating, and the use of de-icing chemicals. The use of runway de-icing chemicals is included in Avinor's climate accounts because the chemicals are made from fossil carbon sources and therefore greenhouse gas emissions are calculated based on their degradation.

An important measure in reducing greenhouse gas emissions from Avinor's own operations is the introduction of advanced biodiesel, since around half of Avinor's greenhouse gas emissions come from its fleet of vehicles. Advanced biodiesel is used in vehicles that cannot be easily electrified, such as snow blowers and sweepers. The biodiesel used by Avinor does not contain palm oil or palm oil products and conforms to EU sustainability criteria. Consequently, we do not count emissions from the biodiesel or bio heating oil we use, which means these are not included in the figure on emissions reductions shown above. The phasing in of about 320,000 litres of advanced biodiesel for vehicles and 67,000 litres of bio heating oil has resulted in greenhouse gas emissions in 2018 being roughly the same as in 2012. Had these measures not been implemented, we would have seen an increase in greenhouse gas emissions of about 7-8 per cent in 2018 compared to 2012.

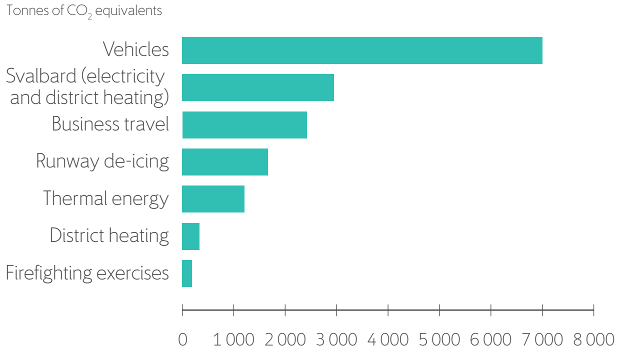
Advanced biodiesel was used at Oslo, Trondheim, Bergen, Ålesund, Molde, and Kristiansand airports in 2018. Bergen Airport, Flesland, installed its own 30 m^3 tank for biodiesel in 2018, which opened in September. All partners at the airport can use the tank facility.

At Trondheim Airport, Værnes, the drop in ratio of advanced biodiesel was around 28 per cent, and at Oslo Airport around 20 per cent. The objective for 2019 is to phase in biodiesel at one additional airport as well as increase consumption volumes at all seven airports that use biodiesel.

When procuring vehicles in Avinor, an assessment must always be made as to whether a vehicle powered by fossil fuel can be replaced with an electric vehicle. In 2018, Avinor purchased 36 new administrative vehicles, both large and small, of which 11 were electric and 12 were hybrids. The reason for the purchase of 13 fossil-fuel vehicles was the lack of larger electric vehicles with both four-wheel drive and towbars.

To further reduce Avinor's greenhouse gas emissions, it is necessary to switch to renewable energy where possible and to ramp up the introduction of bio heating oil at individual airports. Oslo Airport successfully tested advanced biodiesel as a heating medium at its own heating plant in 2018. As advanced biodiesel is more resistant to cold than bio heating oil, it can be used in uninsulated facilities. Other measures that are essential for reducing energy consumption at Avinor's airports are discussed in the section on energy.

AVINOR'S GREENHOUSE GAS EMISSIONS RELATED TO AIRPORT OPERATIONS FOR EACH EMISSIONS SOURCE



Avinor's greenhouse gas emissions related to airport operations according to different emission sources. The consumption of biodiesel and bio heating oil in 2018 is not countable and consequently not shown in this figure.

Efforts to increase the number of charging points at Avinor's carparks continued in 2018 and will continue in 2019 after a project was initiated to provide almost 800 new charging points at Avinor's airports. At Bergen Airport, Flesland, a rapid charging station was installed in 2018, which can be used by Avinor and its partners.

Climate change has resulted in the increased use of runway de-icing chemicals in recent years. In the years to come, it will be important to consider opportunities for obtaining runway de-icing chemicals produced from fossil-free carbon sources. This is not a product that is currently available on the market.

Airport Carbon Accreditation (ACA) is an industry organisation that airport operators can accredit themselves within, managed by the industry organisation ACI (Airport Council International), which Avinor is a member of. Airports participating in the scheme must set binding targets for emission reductions, prepare detailed climate accounts, and adopt action plans. In 2018, more than 250 airports worldwide were part of the scheme. This means that around 44 per

The biodiesel tank and new charging station for electric vehicles opened at Bergen Airport, Flesland, in September 2018.

cent of global passenger traffic passes through ACA-accredited airports. Within Avinor, Oslo Airport, Trondheim Airport, Værnes, and Kristiansand Airport have been accredited in the scheme since its inception in 2009. Both Stavanger Airport, Sola, and Bergen Airport, Flesland, have participated in the scheme since 2014.

SURFACE ACCESS

In order to boost the range of services to passengers, reduce greenhouse gas emissions, and improve local air quality, Avinor wants to be a driving force behind enabling as many journeys as possible to and from the airports to be made by public transport. The challenges relating to ground transport have to do with both the transport network and the modes of transport. Settlement patterns in the airports' catchment areas also mean that it is not possible to offer a full range of public transport to everyone. Nevertheless, a generally high proportion of journeys made to and from Avinor's airports are made by public transport. For example, Oslo airport has the highest such proportion in Europe. The proportion of such journeys has increased in recent years, and the goal is further growth.

The increase in the proportion of public transport in ground transport is affected by factors like the passenger composition of air traffic. The most important distinction is between those who live in the airport's catchment area and who have access to their own car, and inbound passengers who do not have access to their own car. Consequently, when the number of inbound passengers increases, the proportion of journeys made by public transport increases as a result. The proportion of cars increases if locally generated traffic increases more quickly.

For Oslo airport, the high proportion of public transport has a positive impact on domestic traffic. A greater proportion of international traffic is outbound, hence the higher proportion of car use. Since 2013, the increased proportion of foreigners in international traffic has resulted in an increase in the use public transport, which is the preferred means of transport for this passenger group.

One group that poses a particular challenge is those who are driven to or picked up at the airport using a private car. Avinor is working to provide incentives to get these people to use public transport. A vehicle registration recognition solution was introduced at all airports in 2018. Vehicles that stay more than the allotted free time will have to pay a fee. This may help to encourage car users to switch to public transport when being picked up or dropped off at our airports.

Most measures for increasing the use of public transport fall outside of Avinor's areas of responsibility and require co-operation with a number of other stakeholders. Avinor's most important contribution is to provide infrastructure at its airports and information about services to passengers. At Bergen Airport, Flesland, bus service information is now displayed on digital displays. Oslo Airport will continue its efforts from 2018 to provide better information regarding bus transport. At the Group level, active efforts are underway with Norway's largest airport bus operators, which have stations at Norway's four largest airports. The aim of this co-operation is to identify strategies for increasing market share for bus companies at the expense of private cars. In its co-operation with airport bus operators, Avinor has developed specific measures to increase market share for bus operators. These efforts will continue in the years to come. Avinor would like to use this knowledge to facilitate the increased investment in public transport at smaller airports.

At Bergen Airport, Flesland, we moved one step closer to a zero-emission taxi industry in 2018 when an agreement was reached between the county council, Avinor, and the energy and infrastructure company BKK. The agreement deals with the introduction of rapid chargers at the taxi rank, with 18 charging points of varying capacities. The facility is being designed by BKK and is scheduled for completion in the second quarter of 2019.

Rapid chargers have also been installed at Stavanger Airport, Sola. These are located at the taxi rank (close to the terminal), but are available for anyone to use. The provision of three charging points at Oslo Airport's taxi rank was approved in 2017 and these were installed in 2018.

Oslo Airport, Bergen Airport, Flesland, and Trondheim Airport, Værnes, have seen a positive development in the use of public transport as a means of ground transport since 2009. Depending on how the situation develops, Avinor will set its sights higher heading towards 2030. The target for Oslo Airport has already been set at 75 per cent by 2030. The Bergen light railway started serving Bergen Airport, Flesland, in April 2017 and has reduced the number of people using private cars there.

PROPORTION OF PUBLIC TRANSPORT AT NORWAY'S FOUR LARGEST AIRPORTS

	SHARE OF PUBLIC TRANSPORT				
AIRPORT	2009	2017	2018	TAGET 2020	TAXI 2018
Oslo	64	70	71	70	4
Stavanger	14	21	22	30	21
Bergen	27	43	46	50	14
Trondheim	42	49	45	50	11

Source: Air passenger surveys (RVU)

GREENHOUSE GAS EMISSIONS FROM AIR TRAFFIC

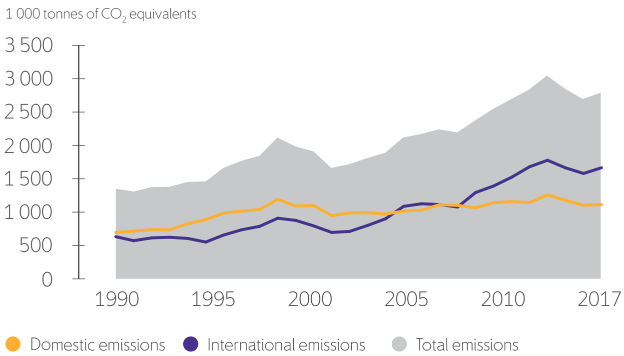
Since 2007, Avinor has co-operated with airlines and the Federation of Norwegian Aviation Industries (NHO Luftfart) to facilitate a reduction in greenhouse gas emissions from air traffic. Three reports [1)] have been published outlining emission-reducing measures and comparing the effect of these with expected traffic development. According to projections, greenhouse gas emissions from domestic aviation – taking into account expected energy efficiencies – will be roughly the same in 2030 as in 2016, despite significant traffic growth. Emissions for international aviation may increase as a result of the significant increase in traffic if sustainable biofuels, and subsequently electric and hybrid-electric aircraft, are not introduced.

The most important emission-reducing measures for aviation are related to fleet renewal, airspace efficiency improvements, sustainable biofuel, and the introduction of electric and hybrid-electric aircraft.

According to Statistics Norway, greenhouse gas emissions from all domestic civil aviation in 2017 (most recent official figures) corresponded to 2.1 per cent of total domestic emissions (1.1 million tonnes out of a total of 52.7 million tonnes of CO_2 equivalents). It is these emissions which are covered by the Kyoto Protocol and

1) Available at avinor.no. The latest report is Sustainable and socially beneficial aviation – Report 3. August 2017

GREENHOUSE EMISSIONS FROM NORWEGIAN AVIATION 1990-2017



which are reported in Statistics Norway's statistics on greenhouse gas emissions from Norwegian territory. This principle is used in all countries.

Greenhouse gas emissions from international traffic (i.e. from Norwegian airports to the first overseas destination) equated to 1.67 million tonnes of CO_2 equivalents in 2017. These emissions are reported annually by the Norwegian Environment Agency to the United Nations Framework Convention on Climate Change (UNFCCC).[2)]

Total greenhouse gas emissions from all jet fuel for civil purposes sold at Norwegian airports in 2017 (most recent official figures) equates to just over 5 per cent of Norway's total emissions, in the order of 2.8 million tonnes of CO_2 equivalents. Emissions from domestic traffic were roughly the same as in 2016, while there was an increase in emissions from international traffic. Overall, there was a slight increase in emissions.

According to IATA[3)], total CO_2 emissions from global aviation amounted to 859 million tonnes, or about 2 per cent of total global CO_2 emissions (36 billion tonnes) in 2017.

In addition, the fact that some of the emissions occur at high altitudes increases their climatic impact. CICERO estimates an additional factor of between 0.8 and 2.5, with a model average of 1.8. Only a limited amount of domestic traffic in Norway occurs at these altitudes[4)].

New energy-efficient aircraft

Airlines are continuing their energy efficiency and fleet renewal efforts. SAS's and Norwegian's fleet renewal is ongoing, and both operate only the latest generation aircraft. More energy-efficient engines, improved aerodynamics, lower weight, and more seats mean that the new Boeing 737 aircraft use around 30 per cent less fuel and have lower greenhouse gas emissions per seat-kilometre than previous generation aircraft. The introduction of the Airbus A320 NEO and Boeing 737 Max began in 2016. Both provide a further reduction of around 15 per cent per seat-kilometre.

Airspace efficiency improvements

Airspace efficiency improvements coupled with the optimisation of landings and take-offs are important measures through which Avinor can exercise considerable influence. Free Route Airspace was implemented in 2016, and improved navigation technology facilitates more accurate and flexible approach and departure procedures. The advantage of these approach procedures is that flights can pass around densely populated areas close to the airport, reducing noise for the airport's neighbours. In addition, aircraft can fly shorter routes, thus reducing their fuel consumption and greenhouse gas emissions. As at 31 December 2018, Oslo Airport had conducted approximately 25,000 flights since the new procedures were introduced. A calculated average fuel saving of 75 kilos per approach results 6000 tons of CO_2. There are plans for Trondheim, Stavanger, and Bergen to announce similar procedures in December 2019.

Jet biofuel

Biofuel was certified for use in civil aviation in 2009. Since then, several thousand scheduled civilian flights have been carried out using blended biofuels, and the development of various technologies for the production of biofuels has picked up pace. According to both the industry and the International Civil Aviation Organization, the introduction of biofuels for aviation is considered to be a very important measure in reducing greenhouse gas emissions from aviation.

The first flights using blended jet biofuel in Norway were conducted by SAS and Norwegian in November 2014. In January 2016, Oslo Airport – in collaboration with AirBP, Neste, SkyNRG, Lufthansa Group, KLM, and SAS – became the first international airport in the world to supply biofuel for all airlines refuelling there. 1.25 million litres of sustainable jet biofuel were used in Norway in 2016. This corresponded to 0.1 per cent of all jet fuel sold in Norway. This scheme was expanded in August 2017 to include Bergen Airport, Flesland. There was very limited availability of jet biofuel in the market in 2017, resulting in the mixture of only 125,000 litres of jet biofuel during the year. In 2018, a very limited volume was also dropped in at Oslo Airport and Bergen Airport, Flesland. The biofuels sold to airlines in Norway are produced without palm oil or palm oil products.

Avinor has set aside up to NOK 100 million for a ten-year period (2013-2022) for measures and projects contributing to the introduction of jet biofuel in Norwegian aviation. Together with airlines and the Federation of Norwegian Aviation Industries (NHO Luftfart), Avinor has explored the potential for establishing the large-scale production of biofuels for aviation using biomass from the Norwegian forestry industry. The conclusion is that this can be realised between 2020 and 2025. Jet biofuel can also be imported from abroad. Avinor has worked with a number of stakeholders on the production of jet biofuel for aviation in Norway. In addition, Avinor supports several research projects related to this, including in collaboration with SINTEF, BI Norwegian Business School, and the Norwegian University of Life Sciences.

In connection with the presentation of Norway's state budget for 2019, the government decided that a sales requirement of 0.5 per cent of advanced biofuels for aviation would be introduced from 2020. This requirement means that biofuels from problematic raw materials such as palm oil must not be used in aviation. This requirement will be incorporated into product regulations. The government's goal is for 30 per cent of aviation fuels to be sustainable with a low climate impact by 2030.

2) Note that Statistics Norway has adopted a new model for calculating greenhouse gas emissions from aviation, and that the figures stated differ somewhat from previous years.
3) Source: IATA (https://www.iata.org/publications/economics/Reports/Industry-Econ-Performance/IATA-Economic-Performance-of-the-Industry-end-year-2018-report.pdf)
4) Lund, Marianne T, Borgar Aamaas, Terje Berntsen and Jan S. Fuglestvedt (2016): "Luftfart og klima – En oppdatert oversikt over status for forskning på klimaeffekter av utslipp fra fly" [Aviation and the Climate: an updated overview of the status of research into the climate effects of aircraft emissions], CICERO Report 2016:5.

Supplying jet biofuel at Bergen Airport, Flesland.

The large-scale Norwegian production of biofuel for aviation and heavy road transport may be crucial in achieving Norwegian climate targets, but this depends on long-term, predictable conditions that do not reduce the competitiveness of Norwegian aviation.

Electrification of aviation

One of the likely measures for reducing greenhouse gas emissions will be the electrification of every aspect of aviation, including the operation of infrastructure such as buildings and facilities, motorised transportation at airports, and air traffic itself.

Norway is in a unique position to utilise electric aircraft, thanks to its established short haul market using small aircraft, considerable experience and great interest in transport electrification, and almost 100 per cent renewable electricity. Based on the information Avinor has obtained from aircraft manufacturers, a realistic expectation is that the first electric or hybrid-electric aircraft will enter domestic passenger service in Norway by around 2025. Avinor has commenced work to map current and future capacity with a view to charging electric aircraft at the company's airports. Together with the Norwegian Civil Aviation Authority, Avinor has been tasked by the government to develop a programme that paves the way for the introduction of electric aircraft in commercial aviation. Avinor's involvement in the electrification of aviation has attracted considerable attention nationally and internationally, and several aircraft manufacturers are looking to Norway as a viable first market for electrified passenger aircraft, which are expected to be small and have a limited range.

CO_2 tax and emissions trading

Norway is one of the few countries in the world to impose a CO_2 tax on domestic aviation. In 2018, this amounted to NOK 1.28 per litre of jet fuel, or around NOK 500 per tonne of CO_2. In accordance with international agreements, a CO_2 t cannot be imposed on international traffic.

Since 2012, civil aviation has been part of the EU's emission trading system, in line with the energy and industry sectors. Around 75 per cent of flights within and from Norway are covered by EU ETS. The EU's goal is that emissions in sectors subject to offsets be 43 per cent lower in 2030 than in 2005. Airlines must apply for and are allocated a certain number of free quotas based on their production in 2010. They must then either reduce their emissions or buy quotas for excess emissions. The quota price has varied between NOK 235 per tonne of CO_2 in July 2008 and NOK 21 per tonne of CO_2 in April 2013. As of 1 March 2019, the quota price was roughly NOK 215 per tonne. The EU is expected to reduce the scope of available allowances in the lead up to 2030 to ensure that targets are achieved. This will increase quota prices and, in the longer term, result in higher costs for Norwegian aviation.

A passenger duty was introduced for all departures from Norwegian airports on 1 June 2016. In 2018, this was NOK 83 per passenger. The government has decided making this NOK 200 for journeys outside Europe and NOK 75 for journeys within Europe from 1 April 2019.

The UN's International Civil Aviation Organisation (ICAO) has set a target of carbon-neutral growth in international aviation from 2020. At the ICAO general meeting in October 2016, it was agreed to introduce a quota system for greenhouse gas emissions from international aviation, which, along with other measures, will help to reach the target. The first six-year phase of the mechanism through to 2021 will be voluntary for the states. So far, 78 states, including Norway, have voluntarily participated in this phase. Air traffic between these states accounts for around 75 per cent of international air traffic.

CLIMATE ADAPTATION

In Norway, it is expected that climate change will result in a warmer, more volatile, and wetter climate with wide regional and local variations. The inability to make adaptations to infrastructure may result in major physical and economic consequences.

Since 2001, Avinor – together with the Norwegian Public Roads Administration, the Norwegian Coastal Administration, and the Norwegian Railway Directorate – has assessed the impact of climate change on its own operations through its efforts relating to the National Transport Plan. Avinor's climate adaptation efforts also extend to co-operation with ICAO, Airport Council International (ACI), and the directorate group for climate adaptation under the auspices of the Norwegian Environment Agency. Avinor has also conducted its own risk and vulnerability analyses, which is likely to be updated in 2019 and 2020.

Avinor is involved in Klima2050, a centre for research-based innovation run by SINTEF, and is contributing with pilot projects in, for example, the improved filtration of run-off from runways and the improved maintenance of existing buildings, including climate adaptation. Through the establishment of standards for buildings in Avinor, new building and infrastructure projects will have a greater emphasis on climate adaptation. In addition, there are efforts to incorporate the results of the risk analysis from 2014 into the airports' master plans where appropriate.

WATER AND GROUND

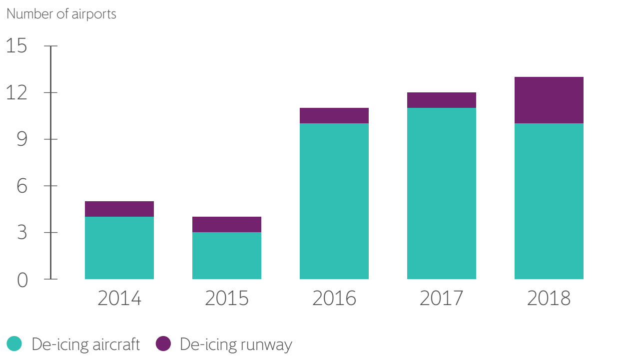
Avinor's environmental target for the water and ground for the period 2016 to 2020 is that no new ground contamination or worsening of water quality may occur at any of its airports.

Airport operations involve the use of various chemicals that may result in discharge. Avinor's corporate social responsibility includes constantly seeking to reduce chemical use and emissions, sourcing the most environmentally appropriate alternatives, and monitoring emissions and the impact of airport operations on the surrounding environment. De-icing chemicals are used to keep levels of ice and snow on aircraft and runways within mandatory safety limits. The emission of such chemicals may be detrimental if the tolerance levels of the water and ground, and their natural decomposition capacity, are exceeded. A contamination situation or deterioration of water quality may then occur. The use of chemicals also has an impact on costs, which is why Avinor is working actively to reduce the use and emissions of chemicals.

All of Avinor's airports have their own discharge permits, pursuant to the Norwegian Pollution Control Act. These are based on assessments of natural tolerance levels for each airport up to the required level of chemical use in order to operate the airport properly. The discharge permits regulate things like the amount of de-icing chemicals and chemicals for firefighting exercises that can be used, and how much may be discharged. Its purpose is to safeguard water quality in the recipients and the natural ecological, biological, and chemical conditions.

In recent winters, Avinor's use of de-icing chemicals for both aircraft and runways has generally increased, due to more challenging weather conditions. Increased traffic and changed routes may also require an increased use of chemicals.

NUMBER OF AIRPORTS WITH OPERATIONAL BREACH OF CONDITIONS FOR AIRCRAFT AND RUNWAY DE-ICING



The 2017/18 winter season was very challenging at many airports. In 2018, more de-icing chemicals were used than permitted at 11 of Avinor's 43 operational airports. Whenever limits are exceeded, the pollution authorities are informed of the situation. New discharge permits have already been applied for at some non-compliant airports.

Oslo Airport is one airport that exceeded its discharge permit for de-icing chemicals in 2018. The discharge permit is recipient-based. There is no usage limit, provided that this does not result in an unacceptable impact on recipients around the airport. In the winter of 2017/18, two discharge permit breaches occurred in relation to a watercourse by the airport. In 2018, there were a total of seven discharge permit breaches in relation to groundwater. Efforts are underway to assess the long-term effects on the ground and groundwater as a result of de-icing chemicals spread along the runways and taxiways. Oxygen supply has limited the breakdown of the chemicals in the most critical areas. In light of this, 65 wells have been bored to supply the ground and groundwater with air. The project was launched in 2016 and has had a positive effect on the breakdown of the chemicals.

In 2018, Avinor received new discharge permits for Stavanger, Røst, Mosjøen, Bodø, and Tromsø airports, while new discharge permits were applied for at Harstad/Narvik, Vadsø, Namsos, Rørvik, and Røros airports.

Aircraft de-icing at Tromsø Airport presents a constant challenging in terms of run-off, and so there are plans to upgrade the airport's de-icing platforms and to extend the discharge pipes to the sea. An outline project is in its final phase and an action plan for a new solution will be presented in 2019 according to the requirements of Troms's County Governor.

A lot of terrain work was conducted at several of Avinor's airports in 2018. There is considerable emphasis on potential ground contamination, and a number of samples have been taken to determine the correct processing methods for excavated earth. The focus on ground contamination is also incorporated into the development of a master plan for each airport, as contaminants can result in the bonding of certain areas. Liability related to old and new contamination is also being addressed in the preparation of new lease contracts. Contaminated ground is also an issue when an airport closes, as the discharge permits dictate that the airports must return the area to an environmentally satisfactory condition.

PFAS

Until 2012, Avinor used various types of per- and polyfluoroalkyl substances (PFAS) in fire-extinguishing foam in its firefighting exercise areas. The most common compound, PFOS, was phased out in 2001. Since it has been documented that several PFAS compounds are toxic and heavily biodegradable, Avinor has switched to fluorine-free fire-extinguishing foam. However, several years of using fluorinated fire-extinguishing foam has led to ground contamination in several of Avinor's active and decommissioned firefighting exercise areas, as well as in other areas used for exercises in the past. This contamination means that some types of PFAS are still leaking out into the natural environments around the airports. Avinor has been working on this issue for several years (see the figure below) and is keen to take responsibility for the contamination caused by airport operations, although this must be proportionate from a socio-economic cost/benefit perspective.

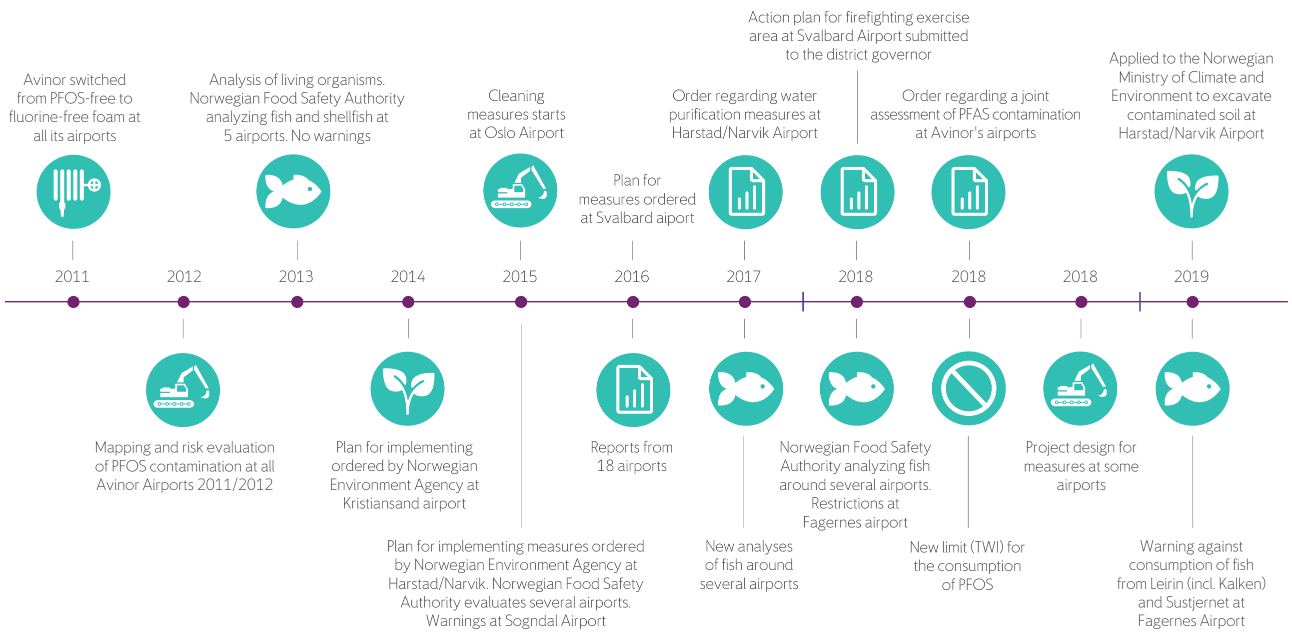
The framework conditions for the human intake of PFOS were amended in December 2018 following the assessments of the European Food Safety Authority (EFSA). This may have a bearing on the conclusions of the Norwegian Food Safety Authority in its assessment of PFOS in fish and biota at our airports. The Norwegian Environment Agency has also warned that the norm value for PFOS in the soil will be lowered. Consequently, Avinor has a stricter internal limit for when soil is to be classified as contaminated than the limit dictated by national regulations. The processing of earth contaminated with PFAS in connection with major and minor expansion projects poses a challenge for Avinor, as only a small number of waste processing sites can accept soil contaminated with PFAS.

In August 2018, the Norwegian Environment Agency ordered Avinor to summarise the results from surveys conducted at all our airports. Along with the evaluation of possible measures and estimates of costs, the results will provide a basis for prioritising the implementation of measures at the airports.

The Norwegian Environment Agency approved Avinor's application to defer the commissioning of a treatment plant for water contaminated with PFOS at Harstad/Narvik Airport, as it proved impossible to commission a treatment plant within the deadline set by the Norwegian Environment Agency in 2017. In the autumn of 2018, Avinor decided to apply for a permit from the Norwegian Environment Agency to excavate and dispose of material contaminated with PFOS from the current firefighting exercise area instead of commissioning a treatment plant. The two key reasons for this is that waste processing sites now exist that hold permits to accept material contaminated with PFOS, and that the new estimated cost of treating the water was much higher than estimated in the action plan from 2015. Avinor's application was submitted to the Norwegian Environment Agency along with a new action plan in early 2019. Avinor has good dialogue with the public authorities regarding the PFOS issue.

In 2018, the designing of remedial measures at Fagernes Airport commenced. The reason for this is that PFAS continue to leach out from the airport's decommissioned firefighting exercise area. In the spring of 2018, the Norwegian Food Safety Authority warned against consuming fish from Kalken – a small body of water located close to the airport. Avinor alerted landowners and erected signs. Further analyses have subsequently been carried out, including on other bodies of water in the area. The results are being reviewed by the Norwegian Food Safety Authority. Drinking water in the area is being checked, and Avinor is aiming to establish a single water treatment plant in 2019.

An estimated 108 kilos of PFOS were estimated to be present in the ground and groundwater at Oslo Airport at the firefighting exercise area before measures were implemented. A total of 22.4 kilos had been removed by the end of 2018, which is a reduction of around 21 per cent. Continuous water treatment measures are in place by way of the treatment of groundwater and wastewater through two carbon filter-based treatment plants commissioned in 2015 and 2016.



Timeline outlining key activities and events related to PFOS between 2011 and 2019. For detailed figures on these events, please see "PFOS in focus" at Avinor.no.

In 2018, strategic efforts have been underway to determine which measures can be taken in relation to the soil contaminated with PFOS at Oslo Airport. The decision was made to apply to the Norwegian Environment Agency to excavate and dispose of the soil contaminated with PFOS. Oslo Airport is now in dialogue with the Norwegian Environment Agency to determine how the scheduled excavation works will be conducted. Preparatory work ahead of excavation works started in the autumn of 2018.

Following the orders of Svalbard's District Governor, Svalbard lufthavn AS - in co-operation with the local government of Longyearbyen and Store Norske Kullkompani – submitted an action plan for the management of PFAS at active and decommissioned firefighting exercise areas.

Those wishing to get more information (in Norwegian) can find reports, evaluations, and the orders of the Norwegian Environment Agency on Avinor's website under "PFOS i fokus": https://avinor.no/om Avinor//miljo-og-samfunn/pfos-i-fokus/

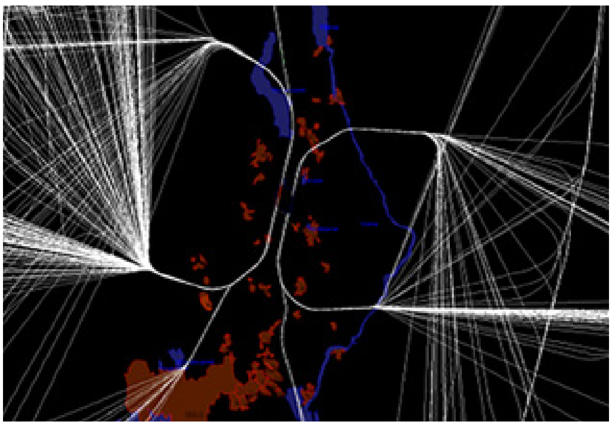
AIRCRAFT NOISE

Avinor will work actively to reduce the impact of noise from aircraft and helicopter traffic for residents at 10 5) of Avinor's noisiest airports by 2020.

Aircraft noise in brief

Noise from aircraft affects the local areas around our airports. Active efforts are underway at Oslo Airport to make aircraft noise predictable for our neighbours. Consequently, monthly traffic and noise level reports that are submitted to the public authorities are also made available to our neighbours via Avinor's websites. The Noise and Flightpath Monitoring Facility records flight movements and conducts continuous noise readings in the airport's local area. The data is assessed against the current regulations for approaches and departures to identify any non-compliance.

Oslo Airport's neighbour pages online are designed to enable the airport's neighbours to find traffic information, the airport's aircraft noise zone map, or to contact the airport regarding noise from aircraft. Oslo Airport also has a dedicated phone number for aircraft noise enquiries. A summary of the enquiries and how traffic levels are affecting noise at the airport is reported to the Norwegian Civil Aviation Authority in a monthly report from the Noise and Flightpath Monitoring Facility.



Curved approaches from the south and north respectively.

Status of aircraft noise in 2018

The graphic shows the trend for aircraft noise and traffic levels at Oslo Airport from 2000 to 2018. Total noise (Lden) from all recorded traffic is calculated for each year. The change in noise levels after 2000 is then calculated for each year and plotted along with the trend for total traffic levels. This representation gives a picture of noise levels over time, independent of the geographic areas that are affected.

The combined aircraft noise impact around Oslo Airport increased by only 0.3 dB in 2018 compared with 2017, despite a 5.1 per cent increase in traffic. This moderate increase in noise levels is due to the increased use of more modern and quieter aircraft.

The noise level in 2018 was 0.4 dB greater than the level in 2000, based on the calculations for all recorded traffic. The increase in traffic between 2000 and 2018 of 48,750 flight movements corresponds to an increase of 0.93 dB compared with traffic levels in 2000. This means that new, modern types of aircraft have more than compensated for the increase in traffic.

Revised noise regulations developed by the Norwegian Civil Aviation Authority came into force for Oslo Airport on 26 May 2016. The purpose of this regulation is to avoid unnecessary noise loads in areas around the airport, while maintaining safety levels, operational conditions, capacity, and other environmental conditions. The regulations permit the permanent use of curved approaches – as also referred to in the section on greenhouse gas emissions – as the flightpaths are located away from densely populated areas. The regulations also specify an adjusted departure corridor for departures from the airport's north-east corner. Compliance with the new departure corridor exceeds 95 per cent. This adjustment makes it possible to maintain departure capacity at the airport while avoiding flying over densely populated areas around the airport.

Oslo Airport received aircraft noise enquiries from 150 people in 2018, predominantly from those living in Ullensaker, Eidsvoll, and Nannestad.

A strategic noise mapping study was conducted at Bergen Airport, Flesland, pursuant to the Environmental Noise Directive (Directive 2002/49/EC). New approach and departure flightpaths for helicopters have been implemented, which means that there are variations in which areas are flown over. Residents can, therefore, enjoy periods without noise from helicopters in the immediate vicinity of where they live.

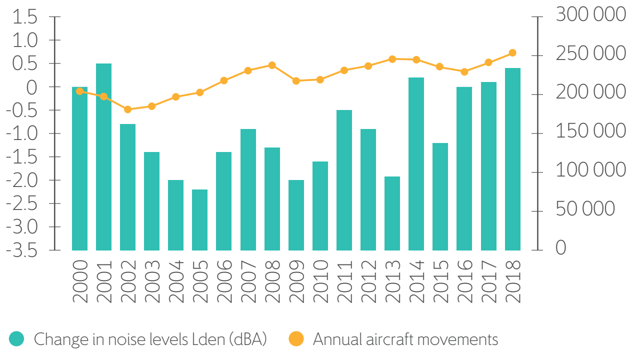
In addition, Avinor has carried out noise mapping at Sandane, Båtsfjord, Sogndal, Hasvik, and Kirkenes airports on the basis of the requirements of T-1442 "Guidelines for noise management in land-use planning".

LOCAL AIR QUALITY

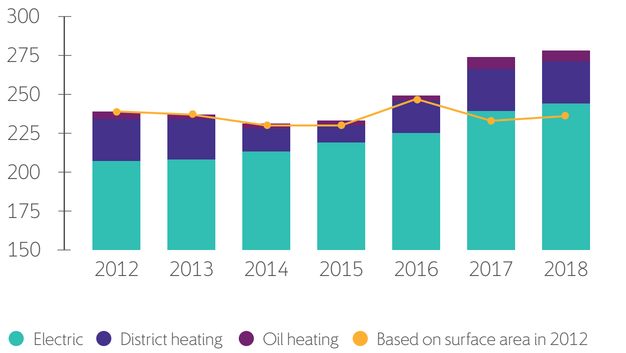
The air quality in and around airport areas is determined by local and regional emissions, weather conditions, and topography. Locally at airports, emissions from airport operations have the biggest bearing on air quality, with aircraft and vehicles as the primary sources of emissions. Road traffic is the main source of emissions outside the airport area. Other factors that affect air quality are industrial emissions, emissions from heating, and contaminants conveyed over long distances.

5) Oslo, Stavanger, Bergen, Trondheim, Tromsø, Kristiansand, Ålesund, Brønnøysund, Kirkenes, Florø

AIRCRAFT MOVEMENTS AND NOISE AT OSLO AIRPORT



AVINOR'S ENERGY CONSUMPTION ACCORDING TO SOURCE



Although the municipalities have primary responsibility for assessing air quality, where there is reason to suspect that limits are being exceeded, the owners of facilities that are making a substantial contribution to the exceeding of such limits will be responsible for contributing to mapping and the evaluation of measures. Oslo Airport has operated an air quality monitoring facility since the early 2000s. This was originally associated with the measurement of air quality near the firefighting exercise area. Statistics from previous years show that concentrations of particulate matter and nitrogen dioxide at the selected measuring point have been within both regulatory requirements and national targets, exceeding the recommended air quality criteria on only a few occasions.

Avinor has been a participant in the project "Mapping exposure to diesel exhaust particulates in Norwegian working life using elemental carbon (EC) as a marker". In its report, STAMI concludes that "operators at airports who are exposed to diesel exhaust gases from stationary parked aircraft are exposed to air concentrations (= 2.7 µg/m^3) that occur in central urban areas."

Status of emissions into the air in 2018

Avinor did not carry out its own measurements of air quality in 2018. Measurements from previous years have returned values well under regulatory requirements and national targets.

ENERGY

Avinor's environmental goals for energy for 2016 to 2020: Avinor must reduce purchased energy by 25 per cent by 2020 compared with the energy consumption of its buildings and facilities in 2012.

The energy that supplies Avinor's building stock and infrastructure primarily derives from purchased electricity. Some airports are connected to the district heating network. In addition, there are a few airports that produce their own energy from wood chips, seawater, geothermal energy, and solar power. Energy is primarily used for heating, cooling, lighting, runway facilities, and other technical equipment.

Avinor's total energy consumption has increased slightly from 2017 to 2018, but the result is better than expected, despite the very cold winter and record hot summer. The graph shows energy consumption from 2012 to 2018, categorised by energy carrier with a clear increase in 2016 and 2017 due to the expansion of both Bergen Airport, Flesland, and Oslo Airport. In relation to the energy target, which is based on the existing stock of buildings and facilities in 2012, energy consumption decreased by 1 per cent (2.5 GWh) in 2018 compared to 2012 (see the line in the graph above).

In 2018, Oslo Airport conducted a pilot project involving the drilling of two 1,500-metre-deep geothermal energy wells, replacing a 1 MW electrode boiler. The project, which was undertaken by Norwegian Energy Drilling, was very successful, and the wells are now fully operational. More than 6,000 lights in the P-10 carpark have been swapped to controllable LED lighting, which provides annual savings of around 3 GWh. Several smaller measures have also been undertaken in relation to ventilation, heating, lighting, and management, which have reduced consumption at the airport by around 2 GWh.

Solar panel array at Svalbard Airport

A solar panel array has been installed on the terminal of Svalbard Airport. The array was expanded in 2018 and the total output now stands at 137 kWp. Electricity production of approximately 45 MWh is expected in 2019, catering for around five per cent of the airport's electricity needs.

Stavanger Airport has taken the concept report for innovative energy and climate solutions in buildings one step further and applied to Enova's programme for the large-scale demonstration of future energy systems.

Solar panel array at Svalbard Airport.

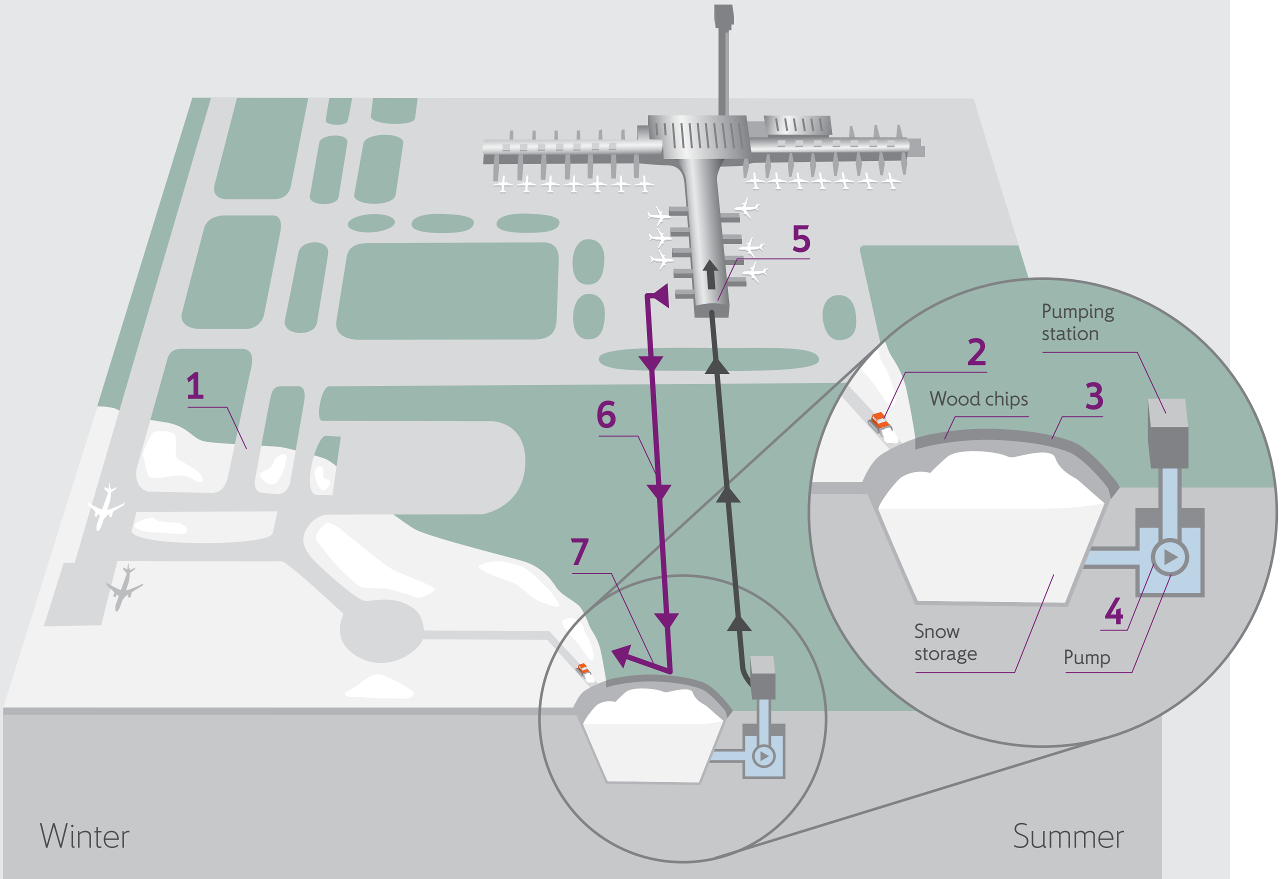
THE FIRST AIRPORT IN THE WORLD TO BE COOLED WITH SNOW

Every winter, huge amounts of snow are collected at Oslo Airport. The snow is divided into two categories – clean and unclean, i.e. with or without de-icing chemicals.

The unclean snow is collected and, once melted, the contaminated water goes to the municipal wastewater treatment plant and is pre-heated using reclaimed heat. The clean snow is allowed to melt naturally and sink into the ground. At Oslo Airport, this is important for maintaining the water balance in the ground and forms part of the licensing requirements for operating the airport.

The clean snow is first collected in a large snow storage area shaped like a basin. Once full, the basin is covered with sawdust, which acts as an insulator to retain the cold of the snow and ice. The cold meltwater is recovered in a heat exchanger and transferred to the central cooling system, before being returned to the snow storage, where it is recharged by the cold of the snow and ice, and then going through the cycle again. The energy of the snow and the cold meltwater is used to cool Pier North on hot days.

As the snow and ice in the snow storage melt, there is an excess of clean meltwater, which is gradually released into the ground to help maintain the water balance.



1. Snow is collected from the whole airport area
2. Deposited in a snow storage
3. During spring the snow is covered by wood chips
4. During summer the snow will melt and the melt water is filtered and pumped to terminal 2
5. A heat exchanger transfer the cold water to the airport central cooling system
6. Return water is transferred back to the snow storage to keep the melt process going.
7. Excess water is spread over terrain (or infiltrated to the ground)

In 2018, all airports have introduced energy management and energy monitoring systems, and courses have been provided on their use. Active energy monitoring efforts and efforts relating to the use of the system have begun and will be a key focus area in 2019.

Both small and large energy initiatives are always being implemented by the airports themselves, including switching to LED lighting, adjustments to heating and cooling plants, demand control, some upgrades to heating and ventilation systems, and retrofitting insulation in buildings.

WASTE

Avinor's waste strategy states that we will work to reduce our volume of waste, focus on the final disposal of waste through the value chain, and maintain a special focus on hazardous waste.

Airport operations generate waste from public areas, such as security control, food outlets, shops, and waiting areas, as well as from workshops, garages, offices, the cleaning of aircraft, and, not least, construction projects.

Avinor is working with professional operators to ensure the best waste management possible and to adhere to our strategy. A new procurement process took place in 2018, which saw a change of waste services supplier at 40 of Avinor's airports. Considerable emphasis was placed on quality and the environment as criteria of the procurement process.

Each airport has its own waste plan that is adapted to local operations and local opportunities. These plans were revised in 2018, along with a review of equipment, transport frequency, and source sorting. Although all the airports sort their waste at source, the fractions that are sorted and recycling opportunities vary between different regions.

Avinor's emphasis is on the safe management of hazardous waste. Several airports improved their storage routines and equipment in 2018. A total of 575 tonnes of hazardous waste were disposed of in 2018, originating primarily from workshop activities.

Avinor has airports throughout Norway, which means there can be long distances between the airport and waste processing facilities. In recent years, the focus has been on minimising the transport of waste in order to reduce greenhouse gas emissions and to cut costs.

BIODIVERSITY

Many of Avinor's airports are located in or around areas rich in biodiversity. These areas include conservation areas with rare species, salmon rivers, and salmon fjords. Avinor also has large areas of meadow or meadow-like vegetation along its runways. Several airports host habitats for endangered species.

In order to maintain a good overview of the natural values of Avinor's properties and of areas that can be affected by airport operations, Avinor has conducted biodiversity surveys at all its airports. The results of the surveys are publicly available at Naturbase. The knowledge from the reports is used as part of operations, projects, and planning, while the mapping provides conservation guidance

Stavanger Airport, Sola, has produced honey for five seasons. The honey will be available in new packaging this year.

for the individual airports. This guidance is followed wherever it is possible to combine this with the safe and efficient operation of the airport.

Avinor has procedures to prevent the import and proliferation of alien species, with a special focus on substance management and operational measures. Several airports have large populations of harmful, alien species. Every year many measures are implemented to limit their proliferation and eradication these populations. Our emphasis is on avoiding the further spread into valuable natural areas.

The UN sustainable development goal (SDG) number 15.7 addresses the illegal trade in wild living animals and plants. Here, Avinor plays a role as its airports can be used as transport routes. Avinor is involved in the international co-operative efforts of the ACI World Wildlife Task Force in ROUTES.

In 2018, the government presented a national strategy to ensure viable populations of wild bees and other pollinating insects. This strategy is linked to UN SDG number 2 – to eradicate hunger – as pollinators and pollination play vital roles in ecosystems and for food production. Avinor is following up this strategy by focusing on areas that can serve as good habitats for pollinating insects by adjusting cutting frequencies, avoiding pesticides and activities that can destroy habitats, and removing harmful alien species. At Oslo Airport, for example, there are specific areas set aside for pollinating insects. Kristiansand Airport now has a specially adapted maintenance regime to preserve one of the region's largest hay meadows. And at Tromsø and Oslo airports, hot water and steam have been tested as alternatives to pesticides.

THE ENVIRONMENT IN PROCUREMENT PROCESSES AND CONSTRUCTION PROJECTS

Avinor procures products and services worth considerable amounts of money. Procurement totalled NOK 6,000 million in 2018, of which NOK 2,000 million relates to investments in major construction projects such as terminal expansions and runway extensions. NOK 4,000 million relates to operating purchases.

Avinor has an ambitious environmental strategy with Group-wide targets in areas relating to water, the ground, the climate, and noise. To succeed, it is essential that environmental considerations

The centralised management and operation of the airports is certified in accordance with ISO14001.

Avinor is a participating member of Green Dot Norway, a packaging recycling scheme. We demand that our Norwegian suppliers are members of their packaging recycling scheme.

are integrated into day-to-day operations, the procurement of products and services, and the planning and execution of building and construction projects. Procurement is an important tool for realising the strategy.

Avinor has the opportunity to steer suppliers in several sectors in a more eco-friendly direction. Furthermore, environmental requirements in procurement are an important part of Avinor's environmental policy. Standardised requirements for environmental management systems are integrated into the templates used for all Group procurement processes where relevant. In addition, the environment is weighted heavily in procurement processes that are deemed to be of great importance to the external environment.

Avinor has a centralised procurement unit in order to strengthen the professional procurement environment and establish clear interfaces with other professional areas, including the environment.

The environment department is working closely with the central procurement departments to assist with specific procurements as well as to provide general advice on environmental conditions relating to procurement.

Avinor sets environmental requirements for all its building and construction projects and is continually working to further develop its environmental requirements in line with developments in the industry. To maintain focus on the environment throughout the lifecycle of building and construction projects, the environment is a component of Avinor's project management system as a separate process. Environmental monitoring plans are drawn up for major building and construction projects to cater for the external environment in the planning and execution phases, as well as to ensure that the environment is considered when choosing materials and solutions.

Key figures climate and environment 2014-2018

GREENHOUSE GAS EMISSIONS [1)]

		2018	2017	2016	2015	2014
Avinor monitors	tonnes CO_2-equiv.	15 780	16 300	15 100	15 500	15 120
Avinor monitors/passenger	g CO_2-equiv./passenger	290	308	297	310	302

ENERGY

		2018	2017	2016	2015	2014
Electric Power	GWh	243	245	230	231	223
District heating	GWh	26	25	22	12	15
Oil heating	GWh	4.1	6.0	2.8	2.8	1.7
Reserve power	GWh	1.0	0.8	0.9	1.7	2.3
Total	GWh	274	276	256	248	242

VEHICLES – FUEL AND OTHER ENERGY

		2018	2017	2016	2015	2014
Diesel	litre	2 555 823	2 598 254	2 464 308	2 669 237	2 625 548
Petrol	litre	65 261	59 460	60 805	65 619	76 255
Biodiesel	litre	320 082	199 730	81 767	9 280	-
Electric vehicles	km	80 368	58 595	72 472	85 134	-
Hydrogen vehicles	km	7 848	10 914	21 833	16 773	-

WASTE

		2018 [2)]	2017 [2)]	2016 [2)]	2015	2014
Sorted waste	tonnes	5 301	7 542	4 687	7 999	8 407
Mixed waste	tonnes	5 086	5 654	5 058	5 793	6 087
Total amount of waste	tonnes	10 387	13 195	9 745	13 792	14 494
Sorting grade	%	51	57	48	59	58
Hazardous waste	tonnes	512	381	285	385	515

FIRE/ACCIDENT CHEMICALS

		2018	2017	2016	2015	2014
Jet fuel- A1 / Paraffin	litre	55 840	73 852	68 470	72 225	72 965
Diesel / Petrol	litre	5 742	2 560	767	3 333	5 656
Propane	kg	2 271	4 064	2 028	3 837	2 662
Fire-fighting foam	litre	24 398	25 916	23 886	27 356	20 785
Training foam	litre	187	1 006	1 762	1 610	-
Fire-fighting extinguishing powder	kg	18 417	19 563	19 973	23 719	17 247
Technical alcohol	litre	1 502	872	1 545	1 156	721
Kindling wood	kg	3 400	3 892	6 744	5 397	2 427

DE-ICING CHEMICALS

		2018	2017	2016	2015	2014
Aircraft de-icing chemicals						
100 % ethylene glycol	litre	5 071 245	3 646 921	2 716 432	2 412 346	2 287 775
Runway de-icing chemicals						
Formate (liquid form) [3]	litre	3 549 226	4 313 719	3 622 010	3 552 317	2 591 111
Formate (solid) [3]	kg	663 503	742 529	477 530	443 850	210 275
Environmental impact measured as COD [4]	tonnes O_2	614 005	731 565	580 693	563 887	385 208

NUMBER OF AIRPORTS WITH OPERATIONAL STOPPAGES DUE TO AIRCRAFT AND RUNWAY DE-ICING CONDITIONS

		2018	2017	2016	2015	2014
Aircraft de-icing	number	10 [5]	11 [5]	10 [5]	3	4
Runway de-icing	number	3 [5]	1 [5]	1 [5]	1	1

Some of the key figures from previous annual reports may be corrected due to quality assurance of recorded data, as well as the adjustment of annual emission factors.

1) For 2017, a change of data for greenhouse gas emissions has been made since CO_2 emissions from electricity consumption have been deducted for all years and only stated as Gwh.
2) Waste data from 2016, 2017 and 2018 is not comparable with previous years as the sample is different. OSL only has numbers from OSL, not from all other companies operating at LH.
3) Indicated as amount of product, not concentrate.
4) COD = Chemical oxygen demand. This is the amount of oxygen required to break down the chemical that is used.
5) For OSL, the stoppage is due to aircraft and/or runway de-icing (recipient-based permission).

Avinor shall be a professional and attractive employer

Avinor's objective is to create valuable relationships. This is reflected in a value platform which provides clear requirements for employee performance, both internally in the workplace and in dealings with customers, business contacts, and others who are affected by our operations.

Our 2018 employee survey showed that 70 per cent of our employees are highly or very highly committed to their job.

- Avinor has a good working environment
- Job satisfaction is high
- 80 per cent perceive Avinor to be an attractive workplace

RESTRUCTURING

Avinor's strategic plan for 2018 to 2023 stresses the capability of change using new technology, innovation, and cost-cutting. Various concepts are being worked on to improve the competitiveness of the Group. This means that a significant proportion of the Group's employees are affected by the restructuring. Avinor stresses the importance of preparing for and implementing changes in a professional and orderly manner, with employee representatives as important partners. The Group must take good care of its employees in all change processes, be they major or minor. Consequently, managers, employee representatives, and safety personnel have been given the requisite training in advance in the restructuring and communication, and this will continue going forwards. Where redundancies have been required, Avinor has focussed on voluntary agreements and scheduled departures to reduce redundancies to a minimum.

In 2018, Avinor undertook a negotiating process to change the Group's pension scheme. Agreements were reached with all the Group's unions to close the defined-benefit pension scheme as of 1 January 2019. Those employed in Avinor AS and Svalbard Lufthavn AS up to 31 December 2018 can choose whether they wish to remain in the defined-benefit scheme or move over to the defined-contribution scheme. An agreement was reached with the unions for Avinor Air Navigation Services that employees who reach the age of 53 in 2019 or thereafter will be transferred to the defined-contribution scheme. Employees who are older than 53 can choose whether to move to the defined-contribution scheme.

CO-OPERATION

Avinor has a high level of trade union membership. Avinor AS and Avinor Air Navigation Services have collective agreements with their respective unions. The employee representatives are instrumental in achieving the Group's targets. In 2018, Avinor maintained close co-operation with employee representatives with respect to ongoing administrative procedures as well as to more extensive change processes. One goal is to further develop this model of co-operation between employee representatives and management to ensure good working conditions, stable operations, and cost-effectiveness throughout the Group.

Three of the eight representatives on Avinor's Board of Directors represent Avinor's employees. In addition, representatives are elected by and from among employees to the Board of Directors of Avinor Air Navigation Services.

CONTINUOUS IMPROVEMENT

Continuous improvement is a key focus area for Avinor, the objective being to create a shared culture for improvement throughout the Group. In 2018, Avinor implemented a Group-wide framework for training for use throughout the organisation. A comprehensive range of courses has been developed offering a broad spectrum of training tailored to various target groups. Tailored training for managers ensures a broad anchoring in improvement efforts. Oslo Airport has worked systematically with LEAN and continuous improvement for several years, with good results. Elements of LEAN methodology are used at other Avinor airports as part of improvement efforts. Tailored assistance is provided to implement improvement efforts within individual units as required. Avinor's management system – SMART – provides frameworks for process management and process ownership, in which continuous improvement is an approach that ensures stable, efficient, and good quality processes.

SKILLS DEVELOPMENT

Employees with the right skills are essential to Avinor's success. In addition to efficiency improvements, developments in technology and digitalisation result in new forms of learning and collaboration. This necessitates a comprehensive boost in skills throughout the Group. A digital maturity analysis was conducted in 2018, the results of which will form the basis for concrete measures for increasing the digital skills of Avinor's employees. This is a collaboration between HR and IT.

Skills stipulated by the authorities constitute a significant portion of Avinor's training activities, with constant updates and new certifications. In 2018, Avinor initiated a project to reorganise training, the objective being to cost effectively develop, provide, and maintain skills. Over the past two years, Avinor has worked intensively to ensure that all airport managers are approved pursuant to the new requirements of the Norwegian Civil Aviation Authority. In 2018, a skills plan was also drafted that includes the training of managers, work environment committee members, and safety co-ordinators in accordance with the requirements of the Norwegian Work Environment Act.

Effective management is fundamental to Avinor's business and employee relationships, and the Group is investing widely in management development. Digitalisation skills, commercialisation, and continuous improvement will be vital for meeting future challenges. In 2018, Avinor launched its leadership platform programme, which is a continuation of the Group's previous leadership development programmes and is due to continue into 2019. The investment in management is being strengthened and supplemented through the development of an effective management team and courses in practical, operational leadership.

Avinor´s ambition is to be be an attractive workplace that recognises hard work and skill. Consequently, a programme has been developed for employees that stand out in terms of their initiative, attitude, and skills. The programme will help to discover, develop, and utilise talent and skills for the benefit of both Avinor and the individual employee.

Our objective is to develop a proud and improvement-oriented corporate culture. Consequently, all measures within management and employee development at Avinor use cultural development as their superstructure.

The focus on projects as a working method at Avinor was supported by Avinor's project school through to 2018. Project training will subsequently be adjusted and adapted to the needs of the organisation. Project training enables employees to develop formal skills in the field of project management and methodology.

Avinor has its own summer internship programme, where students help to shed light on specific issues and solve business-critical tasks. The internship programme benefits both Avinor and the students, who may write their bachelor's or master's thesis in this field.

Avinor established nine new internship places in 2018 (at Oslo, Stavanger, Kristiansand, and Lakselv airports) in addition to those that commenced in 2017. A total of 13 apprentices passed their apprenticeship exams at Avinor during the year. Avinor had 20 interns in 2018, compared with its target of 42. The reason for this shortfall is the lack of candidates due to competition with other companies offering internships, as well as challenges in covering the curriculum objectives for the relevant disciplines.

INCLUSION AND EQUALITY

Avinor works actively, purposefully, and systematically to promote equal opportunities and prevent discrimination. Employees shall enjoy equal opportunities in the Group, irrespective of gender, age, disability, ethnicity, or cultural background.

Avinor conducts systematised performance reviews that ensure neutral salary and career development. The Group's recruitment policy contains specific guidelines that ensure the objective measurement of qualifications in interview situations. Many positions in Avinor have statutory non-negotiable requirements regarding health, physical condition, conduct, and security clearance. This somewhat limits Avinor's inclusion and equality opportunities.

The Group is focussing on increasing the proportion of women employees. The percentage of women among permanent employees is 22.5 per cent. The proportion of women in managerial positions is approximately equal to the proportion of women in the company, with 20.5 per cent in the Group as a whole, 33.3 per cent in the executive management, and 50 per cent on the Board of Directors.

The Group had a low staff turnover rate of 4.2 per cent in 2018. Consequently, increasing the proportion of women through new employees is protracted. In addition, few women train in the professions that Avinor recruits for, such as airport operations, firefighting, rescue, and air traffic control. The percentage of women employees is monitored closely. Avinor's recruitment policy contains clear guidelines that promote a gender balance, from the design of recruitment adverts to the interview and selection process. Equal opportunities for men and women in management are a focus area in all Avinor's management and employee development programmes. In 2018, a women's network was established to assist HR in attracting and retaining skilled women. Employee surveys confirm that employees feel that they have equal opportunities regardless of their gender, and there is a high level of commitment in the Group.

As an Inclusive Working Life company, Avinor emphasises the prevention of exclusion from work and has schemes in place especially for employees who no longer meet physical and medical requirements due to illness or other circumstances. In 2018, Avinor had adapted work agreements in place with approximately 30 employees to enable them to maintain their employment within the company.

In January 2018, a separate Inclusive Working Life committee was established at Avinor. The duties of the Inclusive Working Life committee include supporting the follow-up of preventable absence in the Group and work to establish preventative measures throughout the organisation.

In 2018, several schemes were implemented for people with disabilities and reduced occupational opportunities. Partners in these efforts include NAV, HELT MED, Church City Mission, and social enterprises.

BREACH OF WORKING HOURS PROVISIONS

It is important that Avinor does not breach the working hours provisions of the Working Environment Act or collective agreements. The Group systematically monitors how working hours are planned. Training among managers and shift planners has been implemented in vulnerable units.

In the Group overall, there was an increase in the number of breaches of working hours provisions. Most units have reduced the number of violations, but some units have endured unpredictable staffing challenges at times. This is followed up by way of concrete measures aimed at the relevant units and by exploring opportunities for optimising shift patterns.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

An HSE strategy was established in Avinor for the first time in 2018. The overall objective of Avinor's HSE efforts is to prevent HSE non-compliance, personal injuries, and work-related illness. Avinor's long-term goal of zero harm govern how we think and work, with a strong emphasis on continuous improvement. Sub-goals have been defined within five areas: Effective strategic anchoring of HSE efforts; systematic efforts to reduce HSE risk; anchoring in leadership for all operational HSE work; clearer HSE requirements and the systematic monitoring of all operators; and providing motivation to over-perform and for job satisfaction.

In 2018, an HR, remuneration, and HSE committee was established as a sub-committee to the Group's Board of Directors.

There have been systematic efforts throughout 2018 to operationalise the HSE strategy in the company, such as by establishing HSE action plans for all local units. Key elements in these efforts include:

- the establishment of better systems for raising, monitoring, and reporting HSE non-compliance and personal injury
- the systematic mapping and documenting of HSE risks for all units
- the drafting of a skills plan within HSE with the aim of having all mandatory HSE training implemented and documented during 2019
- the conducting of a GAP analysis against the new ISO45001 Work Environment standard
- the conclusion of several co-ordination agreements relating to central and local contracts
- the acquisition of a system, HMS-reg, that ensures that Avinor only concludes contracts with serious operators in the construction industry
- systematic efforts to reduce absence due to illness
- the continuation of the Aktiv Bedrift (Active Business) scheme in 2018

As of 2018, the H1 value (number of injuries resulting in absence per million hours worked) and H2 value (number of injuries with and without absence per million hours worked) have been made central KPIs in Avinor.

In 2018, the H1 value was 3.8 (compared with a target of < 2) and the H2 value was 5.1 (compared with a target of < 10). There were 12 injuries that resulted in absence in Avinor AS, four of which were serious. All serious personal injuries are investigated and closely followed up.

SAFETY ORGANISATION

Avinor is divided up into specific safety areas, with a safety co-ordinator for each area. Larger airports have several safety co-ordinators. Working environment committees or HSE committees have been established at central and division level, as well as locally at unit level. The committees consist of employee and management representatives. The safety co-ordinator and occupational health service also participate. A chemicals committee, Inclusive Working Life committee, and AKAN (prevention of alcohol and drug problems in the workplace) committee have been established as sub-committees to the central work environment committee.

SYSTEMATIC EFFORTS TO REDUCE ABSENCE DUE TO ILLNESS

Avinor has good procedures for handling absence due to illness. Efforts relating to absence due to illness are a priority, with effective, systematic efforts being made throughout the organisation to maintain a low level of absence due to illness.

In 2018, a representative Inclusive Working Life committee was set up. The committee has reviewed existing procedures for following up absence due to illness. These efforts have been targeted at short-term and medium-term absence due to illness to help prevent and reduce long-term absence. New procedures have been developed and implemented. Courses in how to follow up absence due to illness raise the skills of managers in this area. Information and expectations are communicated in management environments, work environment committees, and staff meetings.

Absence due to illness was 4.7 per cent in 2018. This is above the target of 4.5 per cent or lower for the Group.

AVINOR'S EMPLOYEES – KEY FIGURES

	2018	2017	2016
Permanent employees as at 31 December	3 099	3 098	3 074
Temporary full-time equivalents [1]	199.9	209	200
Average age of permanent employees	46.7	46.6	46.0
Total turnover [2]	4.2 %	3.0 %	4.9 %
Proportion of women [3]	22.5 %	22.0 %	22.1 %
Percentage of women in managerial positions	20.5 %	20.1 %	17.9 %
Percentage of women in executive management	33.3 %	33.3 %	25.0 %
Percentage of women on the Group's Board of Directors [4]	50.0 %	37.5 %	50.0 %
Absence due to illness	4.7 %	4.5 %	4.7 %
H1 value [5]	3.8	1.4	4.0
H2 value [6]	5.1		
Avinor as an attractive company (scale 1-5)	4.0	4.0	4.0

AGE DISTRIBUTION	BOARD OF DIRECTORS	EXECUTIVE MANAGEMENT	PERMANENT EMPLOYEES	TURNOVER
<30	0.0 %	0.0 %	5.9 %	5.5 %
30-50	0.0 %	27.3 %	55.4 %	2.9 %
50<	100.0 %	72.7 %	38.7 %	5.9 %

1) Including air traffic controllers.
2) Including all reasons for termination of employment, excluding final agreements.
3) The percentage of women among permanent and temporary employees.
4) According to the Norwegian Companies Act, the requirement of having a 40 per cent proportion of women on the Board of Directors applies to owner-appointed members. At Avinor the proportion of women among owner-appointed members is 60 per cent.
5) The number injuries resulting in absence per million hours worked
6) The number of injuries with and without absence per million hours worse, first recorded in Avinor in 2018.

Avinor shall ensure that it conducts its business responsibly

Avinor is working systematically to combat all forms of corruption, discrimination, environmental crime, and harassment. The Group's ethics guidelines and effective notification procedures are obligatory for management, employees, suppliers, and partners.

ZERO-TOLERANCE POLICY IN RELATION TO ALL FORMS OF CORRUPTION

The Group has developed an anti-corruption programme focusing on prevention and control activities. Specific measures have also been established based on a risk assessment of the relevant area. Governing documents have been developed relating to these efforts and there is a constant focus on the continued development of the anti-corruption programme.

Avinor has implemented a corruption risk monitoring element within the Group's system for strategic risk management. Avinor is a major construction developer and has initiated several expansion projects in recent years. The building and construction sector has been the subject of a number of incidents relating to corruption and price fixing in Norway. Consequently, Avinor's risk exposure to corruption and misconduct has increased as a result of this investment programme. Avinor is represented throughout the country and has a broad sphere of influence as a major purchase and as an administrator of large commercial contracts. This is an additional factor that further increases the risk of corruption and misconduct. Various control and prevention activities have been established which, together, are intended to reduce the Group's risk of being involved in or exposed to corruption and misconduct.

In 2018, Avinor conducted a risk and vulnerability analysis for corruption and misconduct in project management environments in development and IT. The risks identified are managed by way of relevant measures following discussions with the compliance officer and professionals. The following up of measures and their impact are reported through the Group's corporate governance system.

Avinor is a member of Transparency International Norway. As a member, Avinor contributes to joint efforts relating to transparency, integrity, and responsibility in society to prevent corruption and fraud both nationally and internationally. In addition, we undertake to exercise zero tolerance of all forms of corruption in Avinor and to put in place appropriate anti-corruption measures.

EMPLOYEES, SUPPLIERS, AND PARTNERS MUST BE FAMILIAR WITH AND COMPLY WITH AVINOR'S ETHICS GUIDELINES

The Board has established ethics guidelines that apply to the Board and all members of staff. The ethics guidelines prohibit corruption, bribery, and anticompetitive behaviour in violation of competition rules. E-courses have been developed to address the various areas of the policy. All employees and contracted consultants must sit the course once a year.

In 2018, all management teams and staff exposed to risk completed training tailored to the risks that they are exposed to in their work. A scaled-down version of the training is being rolled out to other employees. The course is mandatory for all employees and hired personnel.

Avinor has a separate agreement on responsible business and associated principles. The requirements stipulate all of Avinor's principles relating to human rights, working standards, HSE, the external environment, and prohibited business practices. Avinor's contract partners must conclude an agreement regarding responsible business practices and associated principles no later than at the same time they enter into a contract with the Group. These contractual terms and conditions ensure that third parties with which Avinor concludes contracts have ethics guidelines and take their corporate social responsibility seriously. The requirements also apply to any subcontractors in the execution of a contract. The provisions of the agreements permit audits of each contracting party. (Please see the section "Contracted activities" on page 33). A material breach of an agreement regarding responsible business practice entitles Avinor to terminate all applicable agreements with the contracting party if critical conditions are not followed up satisfactorily.

All employees are required to register their own external duties, second jobs, and other roles electronically. This registration will form the basis for assessing the composition of teams that are in charge of procurement on Avinor's behalf, participation in exploratory assignments, participation in decision-making assignments related to business interests, etc. The members of the Group's Board of Directors and management staff regularly report their duties outside of the Avinor Group. An external auditor conducts annual reviews of the formal relationships between the executive management, Board of Directors, and suppliers in the Avinor Group. Any relationships are documented and reviewed with the relevant parties primarily in order to confirm the information provided in the self-declarations. This annual survey is in addition to the assessments that are to be made when questions arise about the individual's impartiality.

AVINOR SHALL HAVE EFFECTIVE PROCEDURES FOR THE MANAGEMENT OF REPREHENSIBLE ACTIONS OR SITUATIONS IN ALL PARTS OF THE ORGANISATION

Avinor notification institute

The Group has appointed a committee to manage notifications of reprehensible conditions in all parts of the organisation. Notifications can be submitted regarding inadequate safety procedures, bullying and harassment, careless administrative procedures, working conditions that contravene the Working Environment Act, or corruption and other financial misconduct. The person submitting the notification can choose to remain anonymous. The committee has established routines for the proper processing of notifications. The committee has also developed procedures and technical solutions that make it possible for external actors to notify Avinor of reprehensible conditions. These notifications must be handled according to the same procedures as notifications from employees of the Group. Avinor complies with the Norwegian Personal Data Act regarding the processing of personal data received by way of its notification scheme.

The committee received fewer than 200 notifications in 2018, all of which were fully addressed. In some cases, there were grounds to conclude that the matter was critical in nature. Follow-ups take place at the relevant level in the organisation. Responses and sanctions depend on the incident and its severity.

Compliance function

Avinor's compliance function works according to the mandate determined by the Group's Board of Directors and reports directly to the Group's executive management and Board. The function monitors the Group's compliance with external and internal regulations relating to corruption, misconduct, and ethics rules. The term "corruption" includes: bribery, facilitation payments, fraud, deception, extortion, disloyalty, money laundering, and receipt of gifts in a work capacity, as well as acts related to impartiality, abuse of position, and influential trading.

In addition, the function defines the substance of Avinor's responsibility to combat violations of labour market legislation, stipulate requirements, propose relevant measures, monitor how the business follows up on its legal responsibilities, and establish sanctions in the event of non-compliance.

AVINOR WILL WORK TO COMBAT ANTI-COMPETITIVE BEHAVIOUR

Avinor is subject to public procurement regulations. Group-wide guidelines have been established to supplement the regulations to ensure competition in the conclusion of individual contracts.


Attention please
e opplevelser
fått større plass
Room for
experiences

AVINOR SHALL ENSURE THAT ALL PARTIES TO AGREEMENTS HAVE ETHICS GUIDELINES AND TAKE THEIR CORPORATE SOCIAL RESPONSIBILITY SERIOUSLY

Suppliers who wish to compete for a contract with Avinor must undertake to comply with our principles for responsible supplier behaviour. We require, for example, that international human rights are respected and that our suppliers are not complicit in their violation. Furthermore, the supplier must ensure that its workers' salaries meet minimum wage requirements, that their working hours are in accordance with applicable national legislation, that their workers have the opportunity for adequate rest, and that employment contracts are written in a language that the workers understand.

Avinor is subject to public procurement regulations. The regulations give us the opportunity, subject to certain conditions, to preclude suppliers from competing for assignments for Avinor if the supplier has been legally convicted of or been fined for corruption, among other things. The European Single Procurement Document (ESPD) is used in the qualification phase of procurement processes to document on an ongoing basis that the supplier meets all the qualification requirements of the competition. Whether the supplier requires further examination depends on, for example, whether the industry in question is at risk of corruption and misconduct, whether the supplier or subcontractor engages in significant levels of production outside Europe, etc.

Avinor has concluded a co-operation agreement with the Norwegian Tax Administration regarding the intensification of efforts to combat violations of labour market legislation. The purpose of the agreement is to establish ongoing collaboration that reinforces and develops the effect of the parties' action combat violations of labour market legislation. The agreement must ensure that all of Avinor's suppliers and subcontractors in building and construction, as well as in cleaning, fulfil their statutory obligations, including the Working Environment Act, regulations relating to pay and working conditions in public-sector contracts, and tax legislation.

Avinor has contracted audit access in all of its contract templates. All aspects of the contractual provisions may be revised or followed up through the life of the contract. The contracts permit us to penalise the other party in the event of non-compliance with contractual provisions.

AVINOR SHALL ENSURE THE RESPONSIBLE PROCESSING OF PERSONAL DATA

Avinor has appointed a data protection officer tasked with assisting people registered with the business (such as in customer databases) and employees in matters relating to Avinor's processing of personal data. In addition, the data protection officer must notify the management of breaches of the Norwegian Personal Data Act and be the company's contact for enquiries from the Norwegian Data Protection Authority. Avinor has established a system for internal control pursuant to the regulations of the Norwegian Personal Data Act. Internal and external privacy policies have also been established that outline Avinor's processing of personal data, and inform visitors to Avinor's websites of the use of cookies. We have concluded data processing agreements with subcontractors that process personal data on our behalf.

In 2018, Avinor has focused on compliance with new privacy regulations, including the GDPR. The processing overview and legal basis for processing have been reviewed and updated. Treatment purposes are described and templates have been created for assessing the implications for privacy when introducing new technical solutions. We are in continuous dialogue with our airport partners in terms of roles and responsibilities concerning data flows related to passenger processing and baggage handling.

Avinor has not received any complaints concerning breaches of its customers' privacy in 2018.

Overview of GRI indicators

This report has been prepared in accordance with GRI Standards/Core. Avinor's annual accounts (company accounts and consolidated accountp. for 2018 have been audited by Ernp. & Young AS. The auditor's report is reproduced on pages 127-130.

A detailed account of the reporting standard and the various indicators can be found on GRI's web pages: www.globalreporting/standards

About Avinor and Avinor’s work regarding corporate social responsibility

STRATEGY AND ANALYSIS

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-14	Foreword	p. 8

ORGANIZATION

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-1	Name	Avinor as
102-2	Product	p. 6-7
102-3	Main offices	Oslo
102-4	Presence	Avinor has only operations in Norway
102-5	Ownership	p. 6-7
102-6	Markets	p. 7
102-7	Size	p. 4
102-8	Employees	p. 55
102-48	Collective agreements	p. 52
102-9	Supply chain	p. 48
102-10	Changes	p. 15
102-11	Conditions	https://avinor.no/konsern/miljo-og-samfunn/miljomal/
102-12	Support for the CSR Initiative	p. 18, 20, 36
102-13	Interest-org.	Spekter: Transportation Sector Council National Programme of Supplier Development: Partner

PRIORITIZATION

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-45	Overview, Company	p. 7 The report concerns activities that the Group manages in airport operations and flight safety, but not activity in other subsidiaries.
102-46	Define report-content	p. 20-21
102-47	Prioritization	p. 21
103-1	Delimitation	All topics that have been considered important are relevant to all Avinor operations.
102-48	Modified reporting	p. 34
102-49	Modified measurement methods	-

DIALOGUE WITH PARTNERS

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-40	List of partners	p. 20-21
102-42	Selection-basis	p. 20-21
102-43	Description of dialogue	p. 20-21
102-44	Topics	p. 20-21

ABOUT THE REPORT

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-50	Applies to	2018
102-51	Previous report	2017
102-52	Interval	Annual
102-53	Contact	post@avinor.no
102-54	Type of GRI-report	GRI Standards/Core
102-55	GRI indicator overview	p. 60-65
102-56	Revision	The annual report has been audited by ERNST & YOUNG AS

CORPORATE GOVERNANCE AND COMPANY MANAGEMENT

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-18	Corporate governance and company management	p. 10-13

ETHICAL GUIDELINES

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
102-16	Ethics guidelines	p. 12, 56 https://avinor.no/konsern/om-oss/konsernet/visjon-og-verdier

FINANCIAL PERFORMANCE

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 10-13 (The Board of Director's report) p. 15-19 (Corporate governance and company management)
201-1	Financial performance	p. 4, 70-126

INDIRECT ECONOMIC IMPACT

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 26-30
203-1	Infrastructure-investments	p. 26-29
203-2	Indirect economic impact	p. 26-29

ENERGY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 45-47
302-1	Energy consumption	p. 45, 50
302-4	Energy conservation	p. 45-47, 50

BIODIVERSITY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 47-48
304-1	Property adjoining areas with high biodiversity value	p. 47-48
304-2	Impact of biodiversity	p. 47-48
304-3	Improvement – habitat	p. 47-48

AIR EMISSIONS

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 36-41
AO5	Air quality	p. 45
305-1	Direct greenhouse gas emissions	p. 37, 50
305-2	Indirect greenhouse gas emissions	p. 38-41
305-5	Reduction of greenhouse gas emissions	p. 40

EMISSIONS AND WASTE

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 42-44, 47
306-2	Waste	p. 47, 50
306-3	Accidental emissions	p. 42
AO6	De-icing fluid	p. 42, 51

COMPLIANCE WITH LEGISLATION – ENVIRONMENTAL

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 36
307-1	Fines/sanctions	No fines or similar (p. 51)

NOISE

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 44
AO7	Noise	p. 44-45

MONITORING OF SUPPLIERS/ENVIRONMENT

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Monitoring of suppliers/environment	p. 48
308-1	Screening suppliers	p. 48
308-2	Monitoring existing suppliers	p. 48

HSE IN AVINOR

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 54-55
403-1	HSE-organization	p. 54-55
403-2	Sick leave/H-value	p. 55

INTERNAL COMPETENCE BUILDING

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 52-53
404-1	Who is offered training?	p. 52-53

EQUAL OPPORTUNITIES IN AVINOR

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 54
405-1	Equal opportunity on the Board, in management, among employees	p. 54-55

MONITORING OF SUPPLIERS/WORKING CONDITIONS AND HUMAN RIGHTS

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 57

NOTIFICATION CHANNELS

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-2	Policy/management system	p. 57

NON-DISCRIMINATION

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 54
406-1	Discrimination-cases	No cases

LOCAL COMMUNITY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 8-9, 26-30

CORRUPTION PREVENTION MEASURES

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 56-57, 59
205-2	Anti-corruption training initiatives	p. 57
205-3	Corruption cases	No cases

ANTI-COMPETITIVE BEHAVIOUR PREVENTION MEASURES

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 57
206-1	Cases, violation of regulations	No cases

REGULATORY COMPLIANCE – FINANCES AND SOCIETY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 56-59
419-1	Fines, sanctions	No cases

PRODUCT LIABILITY – SAFETY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 32-35
416-1	Product safety survey	p. 32-35
416-2	Violation of regulations	No cases

REGULATORY COMPLIANCE – PRODUCT LIABILITY

STANDARD-STATEMENT	INDICATOR-KEYWORDS	PAGE NUMBER OR URL
103-1 103-2 103-3	Policy/management system	p. 32-35
419-1	Fines, sanctions	No cases

Executive management

DAG FALK-PETERSEN
CEO

ANDERS KIRSEBOM
Managing Director
Avinor Flysikring AS

ØYVIND HASAAS
Airport Director
Oslo airport

ANETTE SIGMUNDSTAD
Airport Director
Stavanger airport, Sola

MARIT HELENE STIGEN
Airport Director
Trondheim airport, Værnes

THORGEIR LANDEVAAG
Division Director national,
regional, and local airports

PETTER JOHANNESSEN
Executive Vice President
economy and finance

MARGRETHE SNEKKERBAKKEN
Executive Vice President
strategy, safety, and the
environment

EGIL THOMPSON
Executive Vice President
communication and marketing

MARI HERMANSEN
Executive Vice President
HR, legal and business support

STINE RAMSTAD WESTBY
Executive Vice President
operations and infrastructure

Leif Anker Lorentzen stood down as Airport Director for Stavanger Airport, Sola on 1 March 2019 and was replaced by Anette Sigmundstad. Aslak Sverdrup stood down as Airport Director for Bergen Airport, Flesland on 1 March 2019. A recruitment process for a replacement will take place in March 2019.

Board of Directors

ANNE CARINE TANUM
Chair

OLA HENRIK STRAND
Vice Chair

CEO, BluWrap

LINDA BERNANDER SILSETH
Board member

HERLOF NILSSEN
Board member

Managing Director,
Helse Vest RHF

ELI SKRØVSET
Board member

Executive Vice President
operations management,
BaneNOR

BJØRN TORE MIKKELSEN
Board member,
employee representative

Team leader, Kirkenes airport

HEIDI ANETTE SØRUM
Board member,
employee representative

Head safety deputy

OLAV AADAL
Board member,
employee representative

Supervisor, Værnes TWR/APP
Avinor Flysikring AS


REDDY

Financial statements and notes

INCOME STATEMENT

All amounts in MNOK

AVINOR AS				AVINOR GROUP	
2017	2018		NOTE	2018	2017
		Operating income			
4 337.3	4 392.0	Traffic income	3, 4	5 513.1	5 472.8
5 882.0	6 004.6	Other operating income	3, 4	6 211.1	6 053.2
10 219.3	10 396.6	Total operating income		11 724.2	11 526.0
		Operating expenses			
450.5	207.7	Raw materials and consumables used	3	262.0	497.6
2 085.7	2 181.7	Employee benefits expense	3, 5, 8	3 665.8	3 483.1
4 570.4	4 368.2	Other operating expenses	3, 7, 8	3 795.4	4 016.7
170.1	-66.1	Other expenses	3, 9	-199.8	402.2
7 276.7	6 691.5	Total operating expenses		7 523.4	8 399.6
2 942.6	3 705.1	EBITDA		4 200.8	3 126.4
1 744.6	1 944.4	Depreciation, amortisation and impairment charges	8, 12	2 103.4	1 889.1
1 198.0	1 760.7	Operating profit/(loss)		2 097.4	1 237.3
1 068.6	39.9	Finance income	10	32.8	88.1
692.3	635.8	Finance costs	10	633.7	685.6
376.3	-595.9	Net finance costs		-600.9	-597.5
1 574.3	1 164.8	Profit before income tax		1 496.5	639.8
138.8	254.3	Income tax expense	11	326.8	140.5
1 435.5	910.5	Profit for the year		1 169.7	499.3
		Attributable to:			
1 435.5	910.5	Owners of the parent		1 169.7	499.3

The notes (note 1 to 25) are an intergral part of these consolidated financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

All amounts in MNOK

AVINOR AS				AVINOR GROUP	
2017	2018		NOTE	2018	2017
1 435.5	910.5	Profit for the year		1 169.7	499.3
		Other comprehensive income			
		Items that will not be reclassified to profit or loss			
-385.9	-485.6	Actuarial gains/(losses) on post employment benefit obligations	16	-666.3	-901.8
92.6	111.7	Tax effect	11	152.9	216.3
-58.6	-66.6	Change in tax rate, effect deferred tax assets/-liabilities		-82.4	-72.9
-351.9	-440.5	Total items that will not be reclassified to profit or loss, net of tax		-595.8	-758.4
		Items that may be subsequently reclassified to profit or loss			
-109.4	186.3	Cash flow hedges	14	211.9	-97.3
26.3	-42.9	Tax effect	11	-48.7	23.4
-83.1	143.4	Total items that may be subsequently reclassified to profit or loss, net of tax		163.2	-73.9
-435.0	-297.1	Other comprehensive income for the year, net of tax		-432.6	-832.3
1 000.5	613.4	Total comprehensive income for the year		737.1	-333.0
		Attributable to:			
1 000.5	613.4	Owners of the parent		737.1	-333.0

The notes (note 1 to 25) are an intergral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

All amounts in MNOK

AVINOR AS				AVINOR GROUP	
31.12.2017	31.12.2018		NOTE	31.12.2018	31.12.2017
		ASSETS			
		Non-current Assets			
		Intangible assets			
1 151.7	1 141.2	Deferred tax assets	11	1 497.4	1 511.2
35.4	30.9	Other intangible assets	12	103.4	112.8
0.0	0.0	Assets under construction, intangible	12	332.3	245.1
1 187.1	1 172.1	Total intangible assets		1 933.1	1 869.1
		Property, plant and equipment			
32 481.6	32 747.3	Property, plant and equipment	12	34 426.4	34 142.9
2 473.2	2 025.6	Assets under construction	12	2 496.1	2 948.0
34 954.8	34 772.9	Total property, plant and equipment		36 922.5	37 090.9
		Financial assets			
1 141.5	1 161.6	Investments in subsidiaries	19	0.0	0.0
120.0	190.0	Loans to group companies	23	0.0	0.0
1 215.7	1 506.2	Derivative financial instruments	14	1 506.2	1 215.7
260.1	87.2	Other financial assets	14	88.3	260.1
2 737.3	2 945.0	Total financial assets		1 594.5	1 475.8
38 879.2	38 890.0	Total non-current assets		40 450.1	40 435.8
		Current Assets			
12.9	13.2	Inventories		27.6	23.6
1 214.5	1 356.6	Trade and other receivables	14	1 418.8	1 400.1
4.1	53.5	Derivative financial instruments	14	53.5	4.2
2 071.8	1 721.6	Cash and cash equivalents	14	1 739.8	2 071.8
3 303.3	3 144.9	Total current assets		3 239.7	3 499.7
42 182.5	42 034.9	Total assets		43 689.8	43 935.5

STATEMENT OF FINANCIAL POSITION

All amounts in MNOK

AVINOR AS				AVINOR GROUP	
31.12.2017	31.12.2018		NOTE	31.12.2018	31.12.2017
		EQUITY AND LIABILITIES			
		Equity			
		Restricted equity			
5 400.1	5 400.1	Share capital	20	5 400.1	5 400.1
5 400.1	5 400.1	Total restricted equity		5 400.1	5 400.1
		Retained earnings			
8 173.1	8 536.9	Other equity	15	9 140.8	8 653.4
8 173.1	8 536.9	Total retained earnings		9 140.8	8 653.4
13 573.2	13 937.0	Total equity		14 540.9	14 053.5
		Provisions and liabilities			
		Provisions			
2 265.3	2 789.4	Pension liabilities	16	4 633.4	4 025.9
183.5	167.3	Other provisions	17	174.0	189.1
2 448.8	2 956.7	Total provisions		4 807.4	4 215.0
		Non-current liabilities			
2 083.0	1 638.6	State loan	14	1 638.6	2 083.0
0.0	0.0	Derivative financial instruments	14	0.0	25.6
19 553.7	18 570.6	Other non-current liabilities	14	18 570.6	20 097.1
21 636.7	20 209.2	Total non-current liabilities		20 209.2	22 205.7
		Current liabilities			
439.6	477.4	Trade payables		536.1	521.3
43.2	241.3	Tax payable	11	290.9	115.4
208.1	233.7	Public duties payable		361.6	313.3
0.0	0.0	Derivative financial instruments	14	6.2	4.9
579.0	1 531.5	First annual instalment on long-term liabilities	14	1 531.5	631.3
3 253.9	2 448.1	Other current liabilities	17, 18	1 406.0	1 875.1
4 523.8	4 932.0	Total current liabilities		4 132.3	3 461.3
28 609.3	28 097.9	Total liabilities		29 148.9	29 882.0
42 182.5	42 034.9	Total equity and liabilities		43 689.8	43 935.5

The notes (note 1 to 25) are an intergral part of these consolidated financial statements.

Oslo, 3 April 2019
Board of Directors of Avinor AS

Anne Carine Tanum
Chair of the Board

Ola H. Strand
Vice Chair

Eli Skrøvset

Linda Bernander Silseth

Herlof Nilssen

Bjørn Tore Mikkelsen

Heidi Anette Sørum

Olav Aadal

Dag Falk-Petersen
CEO

STATEMENT OF CHANGES IN EQUITY

All amounts in MNOK

	AVINOR AS			
	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 January 2017	5 400.1	-331.8	8 049.5	**13 117.8**
Profit for the year	0.0	0.0	1 435.5	**1 435.5**
Actuarial gain/(loss) on pension liabilities - net of tax	0.0	-293.3	0.0	**-293.3**
Cash flow hedge	0.0	-83.1	0.0	**-83.1**
Change in tax rate, effect deferred tax assets/-liabilities	0.0	-9.9	-48.7	**-58.6**
Total comprehensive income for the year	0.0	-386.3	1 386.8	**1 000.5**
Transactions with owners:				
Merger	0.0	0.0	5.1	**5.1**
Demerger	-6.0	0.0	-55.5	**-61.5**
Non-cash share capital contribution	6.0	0.0	55.5	**61.5**
Dividends relating to 2016	0.0	0.0	-550.0	**-550.0**
Total transactions with owners	0.0	0.0	-545.0	**-545.0**
Balance at 1 January 2018	5 400.1	-718.1	8 891.3	**13 573.2**
Profit for the year	0.0	0.0	910.5	**910.5**
Actuarial gain/(loss) on pension liabilities - net of tax	0.0	-373.9	0.0	**-373.9**
Cash flow hedge	0.0	143.4	0.0	**143.4**
Change in tax rate, effect deferred tax assets/-liabilities	0.0	-12.3	-54.3	**-66.6**
Total comprehensive income for the year	0.0	-242.8	856.2	**613.4**
Transactions with owners:				
Merger	0.0	0.0	0.0	**0.0**
Demerger	-6.5	0.0	6.4	**0.0**
Non-cash share capital contribution	6.5	0.0	-6.4	**0.0**
Dividends relating to 2017	0.0	0.0	-249.7	**-249.7**
Total transactions with owners	0.0	0.0	-249.7	**-249.7**
Balance at 31 December 2018	5 400.1	-960.9	9 497.8	**13 937.0**

STATEMENT OF CHANGES IN EQUITY

All amounts in MNOK

	AVINOR GROUP			
	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 January 2017	5 400.1	-362.4	9 898.8	**14 936.6**
Profit for the year	0.0	0.0	499.3	**499.3**
Actuarial gain/(loss) on pension liabilities - net of tax	0.0	-685.5	0.0	**-685.5**
Cash flow hedge	0.0	-73.9	0.0	**-73.9**
Change in tax rate, effect deferred tax assets/-liabilities	0.0	-15.8	-57.1	**-72.9**
Total comprehensive income for the year	0.0	-775.2	442.2	**-333.0**
Transactions with owners:				
Dividends relating to 2016	0.0	0.0	-550.0	**-550.0**
Total transactions with owners	0.0	0.0	-550.0	**-550.0**
Balance at 1 January 2018	5 400.1	-1 137.6	9 791.0	**14 053.5**
Profit for the year	0.0	0.0	1 169.7	**1 169.7**
Actuarial gain/(loss) on pension liabilities - net of tax	0.0	-513.4	0.0	**-513.4**
Cash flow hedge	0.0	163.2	0.0	**163.2**
Change in tax rate, effect deferred tax assets/-liabilities	0.0	-19.6	-62.8	**-82.4**
Total comprehensive income for the year	0.0	-369.8	1 106.9	**737.1**
Transactions with owners:				
Dividends relating to 2017	0.0	0.0	-249.7	**-249.7**
Total transactions with owners	0.0	0.0	-249.7	**-249.7**
Balance at 31 December 2018	5 400.1	-1 507.4	10 648.2	**14 540.9**

For specification of other reserves, see note 15.
The notes (note 1 to 25) are an intergral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

All amounts in MNOK

AVINOR AS				AVINOR GROUP	
2017	2018		NOTE	2018	2017
		Cash flow from operating activities			
2 318.2	3 325.0	Cash generated from operations [1)]		4 202.5	3 740.6
58.2	37.0	Interest received		37.4	59.4
-82.3	-43.4	Income tax paid		-115.6	-147.5
2 294.1	3 318.6	Net cash generated from operating activities		4 124.3	3 652.5
		Cash flow from investing activities			
-3 045.6	-2 264.6	Investments in property, plant and equipment (PPE)	12	-2 523.5	-3 414.0
15.9	21.8	Proceeds from sale of PPE, including assets under construction		26.4	16.3
20.0	-70.0	Group loans		0.0	0.0
-26.3	-9.4	Group interests		0.0	0.0
1 000.0	0.9	Net group contribution/dividend		0.0	0.0
-57.3	134.6	Change in other investments		153.8	19.9
-2 093.3	-2 186.7	Net cash used in investing activities		-2 343.3	-3 377.8
		Cash flow from financing activities			
4 439.5	0.0	Proceeds from borrowings	14	0.0	4 439.5
-964.7	-579.0	Repayment of borrowings	14	-1 174.7	-1 016.9
-1 400.0	0.0	Net proceeds/repayment of short term borrowings (commercial papers)	14	0.0	-1 400.0
-543.2	-652.8	Interest paid		-688.0	-575.9
-48.7	-0.6	Other borrowing charges		-0.6	-48.7
-550.0	-249.7	Dividends paid to owner		-249.7	-550.0
932.9	-1 482.1	Net cash generated/used in financing activities		-2 113.0	848.0
1 133.7	-350.2	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		-332.0	1 122.7
938.1	2 071.8	Cash, cash equivalents and bank overdrafts at beginning of year	14	2 071.8	949.1
2 071.8	1 721.6	Cash, cash equivalents and bank overdrafts at end of year		1 739.8	2 071.8

STATEMENT OF CASH FLOWS

All amounts in MNOK

1) CASH GENERATED FROM OPERATIONS

AVINOR AS			AVINOR GROUP	
2017	2018		2018	2017
1 574.3	1 164.8	Profit before income tax	1 496.5	639.8
1 744.6	1 944.4	Depreciation	2 103.4	1 889.1
-0.3	-8.6	(Profit)/loss on disposals of non-current assets	-8.5	-0.5
-4.4	-49.4	Changes in value and other losses/(gains) - net (unrealised)	-47.9	0.2
-376.3	595.9	Net finance costs	600.9	597.5
-158.7	49.5	Change in inventories, trade receivables and trade payables	15.4	-161.2
228.0	38.5	Difference between pension cost and amount paid/received	-58.8	536.6
267.5	56.7	Change in other working capital items	101.5	239.1
-956.5	-466.8	Change in group receivables and payables	0.0	0.0
2 318.2	3 325.0	Cash generated from operations	4 202.5	3 740.6
		In the cash flow statement, proceeds from sale of PPE comprise:		
15.6	13.2	Net book amount	17.9	15.8
0.3	8.6	Profit/(loss) on disposals of PPE	8.5	0.5
15.9	21.8	Proceeds from disposal of PPE	26.4	16.3

The notes (note 1 to 25) are an intergral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

Avinor AS and its subsidiaries (together 'the group') own, manage and develop aviation infrastructure and systems by facilitating safe and efficient aviation. The group also renders services within the same areas together with other activities that add to the group's main business, including commercial development. The Avinor group's headquarters are located in Oslo, Dronning Eufemias gate 6.

NOTE 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and in each note to the financial statement. These policies have been consistently applied to all the years presented, unless otherwise stated.

The accounting policies set out below do also apply to the preparation of the financial statements of Avinor AS.

BASIS OF PREPERATION

The consolidated financial statements of Avinor AS and Avinor Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) recognised partly at fair value through profit or loss and partly (cash flow hedges) in other comprehensive income.

The whole of Avinor group's operations are defined as two cash-generating unit (CGU), one air navigation service unit and one airport operation unit including property development and hotels.

For the airport operation unit, the group's economic model is based on the assumption that there is full cross-subsidisation between profitable and unprofitable airports as well as all areas of operations (overall system). The group has a distinct expressed objective to develop, within the overall system, commercial activities in order to provide capital for unprofitable activities (social considerations/responsibilities) and reduce the level of traffic charges. Due to this the group assess that a solution where the group's operations, exclusive of the Air Navigation Services, are evaluated as a whole, presents a true and fair view of the operations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires managment to exercise its judgement in the process of applying the group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in particular.

The company's most significant accounting estimates and judgements are related to the following items, specified further in each individual note:

- Deferred taxes
- Estimated impairment of property, plant and equipment
- Depreciation of property, plant and equipment
- Net pension obligation

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities measured at fair value denominated in foreign currencies are translated using the exchange rate at the balance sheet date.

Foreign exchange gains and losses are recognised in the income statement. The functional currency of the group companies is NOK.

Foreign exchange gains and losses that relate to receivables, liabilities, cash and cash equivalents are considered to be operational and have been classified as changes in value and other losses/(gains) - net, presented within 'other expenses'.

NOTE 3 Segment information

All amounts in MNOK

Operating segments are reported consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group management.

The Avinor group operates 44 airports in Norway including Oslo Airport. Operations also include air traffic control towers, control centres and technical infrastructure for aircraft navigation. The operating segments are determined based on the reports used by the group management to evaluate presentations and profitability at a strategic level. The segment information shows the operating profit/(loss) distributed according to the internal organising of the group.

For management purpose the group is organised in one air navigation service unit and one airport operation unit according to the group's cash generating units. To better the evaluation of the airport operation unit, the management has choosen to present the airports in Oslo, Bergen, Stavanger, Trondheim and the rest inn addition to property development and hotels separately. Property developments and hotels consists of office buildings and hotels.

The segment information provided to the group management for the reportable segments for the year ended 31 December 2018 is as follows:

AVINOR GROUP AS AT 31 DECEMBER 2018

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	2 144.2	561.2	411.6	366.1	923.2	4 406.4
Other operating income	3 772.8	609.4	445.2	330.1	663.8	5 821.2
Inter-segment income	1.7	3.9	5.0	2.2	62.1	74.9
Total income	5 918.7	1 174.5	861.8	698.4	1 649.1	10 302.6
Employee benefits expense	505.2	129.5	106.9	92.2	815.0	1 648.7
Other operating expenses	1 467.7	231.6	180.6	136.8	965.2	2 981.9
Inter-segment expenses	369.1	145.7	114.6	93.4	659.5	1 382.3
Total expenses	2 342.0	506.7	402.0	322.4	2 439.7	6 012.9
EBITDA	3 576.8	667.8	459.8	376.0	-790.6	4 289.7
Depreciation and amortisation	942.4	276.6	121.2	101.5	447.2	1 888.9
Operating profit/(loss)	2 634.4	391.1	338.6	274.5	-1 237.8	2 400.8
Assets	17 537.1	5 697.0	1 893.1	1 739.4	5 869.8	32 736.4

AVINOR GROUP AS AT 31 DECEMBER 2018 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	4 406.4	1 106.7	0.0	0.0		5 513.1
Other operating income	5 821.2	151.4	108.2	130.2		6 211.1
Inter-segment income	74.9	849.1	21.3	609.5	(1 554.9)	0.0
Total income	10 302.6	2 107.2	129.5	739.7	-1 554.9	11 724.2
Employee benefits expense	1 648.7	1 457.6	0.1	559.4		3 665.8
Other operating expenses	2 981.9	222.2	5.8	647.7		3 857.6
Inter-segment expenses	1 382.3	89.6	1.4	81.6	(1 554.9)	0.0
Total expenses	6 012.9	1 769.4	7.3	1 288.7	-1 554.9	7 523.5
EBITDA	4 289.7	337.8	122.2	-549.0		4 200.8
Depreciation and amortisation	1 888.9	104.3	36.0	74.1		2 103.4
Operating profit/(loss)	2 400.8	233.4	86.2	-623.1	0.0	2 097.4
Assets	32 736.4	760.0	795.8	237.6		34 529.8

The segment information provided to the group management for the reportable segments for the year ended 31 December 2017 is as follows:

AVINOR GROUP AS AT 31 DECEMBER 2017:

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	2 100.7	548.7	408.8	368.3	924.0	4 350.5
Other operating income	3 730.1	558.8	439.7	324.4	645.2	5 698.2
Inter-segment income	17.0	2.8	5.3	2.7	85.6	113.4
Total income	5 847.7	1 110.3	853.8	695.4	1 654.9	10 162.1
Employee benefits expense	534.9	137.9	100.7	88.0	784.4	1 645.9
Other operating expenses	1 938.2	312.5	175.3	136.3	1 021.3	3 583.5
Inter-segment expenses	339.4	137.9	115.9	89.2	682.0	1 364.4
Total expenses	2 812.6	588.3	391.9	313.5	2 487.6	6 593.9
EBITDA	3 035.2	522.0	462.0	381.9	-832.8	3 568.2
Depreciation and amortisation	862.1	238.8	116.7	96.2	402.5	1 716.4
Operating profit/(loss)	2 173.0	283.1	345.2	285.7	-1 235.3	1 851.9
Assets	17 753.6	5 190.6	1 798.3	1 773.4	6 052.0	32 567.9

AVINOR GROUP AS AT 31 DECEMBER 2017 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	4 350.5	1 122.3	0.0	0.0		5 472.8
Other operating income	5 698.2	148.8	109.2	97.0		6 053.2
Inter-segment income	113.4	814.2	21.0	600.5	(1 549.1)	0.0
Total income	10 162.1	2 085.2	130.2	697.5	-1 549.1	11 526.0
Employee benefits expense	1 645.9	1 368.6	0.0	468.6		3 483.1
Other operating expenses	3 583.5	593.2	10.4	729.4		4 916.5
Inter-segment expenses	1 364.4	105.0	(1.0)	80.6	(1 549.1)	0.0
Total expenses	6 593.9	2 066.8	9.5	1 278.6	-1 549.1	8 399.6
EBITDA	3 568.2	18.4	120.7	-581.1		3 126.4
Depreciation and amortisation	1 716.4	90.3	36.4	46.1		1 889.1
Operating profit/(loss)	1 851.9	-71.9	84.4	-627.2	0.0	1 237.3
Assets	32 567.9	705.0	830.1	152.7		34 255.7

Sales between segments are according to the arm's length principle. The revenue from external parties reported to group management is measured consistent with that in the income statement.

Revenue of approximately 2.6 billions, 1.7 billions and 1.5 billions, total 5.8 billions (2017: NOK 2.5 billions, 1.6 billions and 1.4 billions, total 5.6 billions) and 49 per cent (2017: 49 per cent) of total operating income are derived from three main customers. Revenue from the first customer is attributable to Oslo Airport, Bergen Airport, Stavanger Airport and Trondheim Airport. Revenue from the two other customers are attributable to all segments.

NOTE 4 Operating income and other income

All amounts in MNOK

REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers was implemented on 1 January 2018 using the full retrospective method. The implementation of the standard has not led to changes in the company or the group's recognition of revenues in 2018, see note 25.

Traffic income, income from sale of goods and services and income from sale of property is recognized to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

RENTAL INCOME

Revenue from property leases with fixed lease payment is recognised in the period the services are provided, using a straight-line basis over the term of the contract. Revenue from property leases with revenue-based lease payments is recognised when it is earned.

Traffic income

Traffic income encompasses all charges related to infrastructure and services necessary to carry out flights to/from Norway as well as domestic flights and is considered as a whole as one delivery obligation. En route charges will in addition also encompass flights across Norwegian air space. The delivery obligation is satisfied when actual the flight is carried out.

Traffic income encompasses airport charges and air navigation charges. Airport charges includes takeoff charges for essential services/infrastructure for operating a departure from one of Avinor's airports, terminal charges for essential infrastructure and provision of services to passengers on arrival, at departure, during transit, or corresponding flight services at Avinor's airports and security charges for essential services/infrastructure for carrying out security checks at Avinor's airports in line with applicable regulations. The take-off charge is calculated based on the weight of the air craft, the terminal charge on the number of passengers departed and the security charge on the number of passenger on the actual flight less passengers in transit. Air navigation charges includes en route charges for services provided during the in-flight/en route stage of the flight in Norwegian air space of which Avinor is responsible, and terminal navigation charges for services related to monoring and control during take-off, landing and movement to/from gate. The en route charge is calculated based on the weight of the air craft in combination with the distans travelled, while the terminal navigation charge is calculated based on the weight of the air craft.

The traffic charges are invoiced when the actual flight is carried out, in accordance with regulations set by the Ministry of Transport and Communication. Normally the charges are invoiced weekly with payment terms of 30 days. The en route charges are collected by Eurocontrol on behalf of the member countries.

Other operating income

Avinor AS and the group have income from sale of goods and services directly to the customer or through rental income from the same use ot the areas. Encompasses duty free, kiosk, parking, shops, services, refreshments, advertising, aviation fuel, handling services, hotels and infrastructure etc.

Revenue from contracts with customers

Includes both cash and credit sale. The credit sale is invoiced consecutivly with payment term 30 days from invoice date.

Rental income

Includes fixed lease paymets and revenue-based lease payments, based on lease agreements entered into, and consecutivly reports of revenue. Fixed lease payments are invoiced in advance and recognised when earned. Revenue-based lease payments are reported and invoiced weekly. Payment term is normally 30 days from invoice date.

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Traffic income				
Takeoff charges	1 158.0	1 120.0	1 162.3	1 123.7
Terminal charges	1 237.0	1 238.5	1 241.4	1 242.6
En route charges	0.0	0.0	1 106.7	1 122.3
Security charges	1 400.8	1 390.2	1 406.5	1 395.6
Terminal navigation charges	596.2	588.6	596.2	588.6
Total traffic income	4 392.0	4 337.3	5 513.1	5 472.8
Other operating income				
Revenue from contracts with customers:				
Duty free	141.0	140.5	141.0	140.5
Parking	35.6	124.0	35.7	124.1
Other	659.9	886.0	770.2	959.4
Total	836.5	1 150.5	946.9	1 224.0
Rental income:				
Duty free	2 708.6	2 522.7	2 708.6	2 522.7
Parking	931.6	814.6	931.6	814.6
Other	1 527.9	1 394.2	1 624.0	1 491.9
Total	5 168.1	4 731.5	5 264.2	4 829.2
Total other operating income	6 004.6	5 882.0	6 211.1	6 053.2
Total income from contracts with customers	5 228.5	5 487.8	6 460.0	6 696.8
Total rental income	5 168.1	4 731.5	5 264.2	4 829.2
Total operating income	10 396.6	10 219.3	11 724.2	11 526.0

NOTE 5 Salaries and personnel costs, number of employees, remunerations

All amounts in MNOK

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Salaries and personnel costs				
Salaries	1 535.2	1 507.2	2 586.2	2 521.0
Payroll tax	236.5	230.2	377.3	377.5
Pension costs	328.2	271.8	577.6	460.0
Other personnel costs	81.8	76.5	124.7	124.6
Total	2 181.7	2 085.7	3 665.8	3 483.1
Reduction of total salaries and personnel costs:				
Salaries and personnel costs recognised in the balance sheet	70.2	50.3	156.8	128.6
Average number of man-years employed	2 072	2 128	3 179	3 185

Group management:

The group management consists of the group CEO and the managing director of each division and the largest subsidiary in addition to the managing directors of each corporate staff.

2018

AMOUNT IN NOK	BOARD FEE	SALARY	OTHER BENEFITS	ESTIMATED PENSION COST	TOTAL
Group management					
Dag Falk-Petersen	0	2 840 958	26 779	853 857	3 721 594
Øyvind Hasaas	0	2 164 490	23 156	778 307	2 965 954
Aslak Sverdrup	0	1 758 589	13 728	322 070	2 094 387
Leif Anker Lorentzen	0	1 717 919	11 956	431 467	2 161 342
Marit Helene Stigen (from 01.02.2018)	0	1 517 681	19 039	286 585	1 823 305
Mari Hermansen	0	1 771 431	33 507	485 937	2 290 874
Petter Johannessen	0	1 886 115	34 172	601 899	2 522 185
Anders Kirsebom	0	2 122 586	18 610	471 686	2 612 882
Thorgeir Landevaag (from 01.08.2018)	0	1 723 598	10 012	238 438	1 972 048
Jon Sjølander (until 01.08.2018)	0	1 915 225	24 306	461 706	2 401 237
Margrethe Snekkerbakken	0	2 086 933	15 052	504 826	2 606 812
Egil Thompson	0	1 780 232	25 155	463 043	2 268 431
Stine Ramstad Westby	0	1 769 988	17 696	345 126	2 132 811
Total	0	25 055 746	273 168	6 244 947	31 573 861
Board					
Anne Carine Tanum (from 01.07.2018)	239 000	0	0	0	239 000
Ola Mørkved Rinnan (until 30.06.2018)	217 250	365	0	0	217 615
Ola H. Strand	271 750	3 709	0	0	275 459
Herlof Nilssen	261 000	0	0	0	261 000
Linda Bernander Silseth	234 500	374	0	0	234 874
Eli Skrøvset	285 750	0	0	0	285 750
Olav Aadal	219 000	1 602 019	5 242	281 749	2 108 010
Heidi Anette Sørum	258 500	814 269	10 012	146 468	1 229 249
Bjørn Tore Mikkelsen	231 250	1 005 604	10 012	295 159	1 542 025
Total	2 218 000	3 426 341	25 266	723 376	6 392 983

2017

AMOUNT IN NOK	BOARD FEE	SALARY	OTHER BENEFITS	ESTIMATED PENSION COST	TOTAL
Group management					
Dag Falk-Petersen	0	2 764 454	26 551	752 481	3 543 487
Øyvind Hasaas	0	2 216 518	29 234	669 043	2 914 795
Aslak Sverdrup	0	1 807 918	16 202	265 140	2 089 259
Leif Anker Lorentzen	0	1 708 024	22 364	345 686	2 076 073
Lasse Bardal (until 11.08.2017)	0	1 716 722	23 534	390 697	2 130 953
Thomas Wintervold (from 11.08.2017)	0	1 211 550	10 160	226 278	1 447 987
Mari Hermansen	0	1 709 300	27 369	428 943	2 165 612
Petter Johannessen (leave of absence from 20.08.2017)	0	1 828 981	33 490	480 666	2 343 137
Thomas Rønning Øyn (acting CFO from 20.08.2017)	0	1 221 851	10 160	221 758	1 453 770
Anders Kirsebom	0	2 047 973	20 458	405 654	2 474 085
Jon Sjølander	0	1 872 016	14 634	436 582	2 323 232
Margrethe Snekkerbakken	0	1 884 101	16 446	458 075	2 358 622
Egil Thompson	0	1 717 910	27 234	429 159	2 174 303
Stine Ramstad Westby	0	1 698 541	19 832	291 659	2 010 032
Total	0	25 405 858	297 670	5 801 820	31 505 348
Board					
Ola Mørkved Rinnan	430 750	0	0	0	430 750
Ola H. Strand	278 000	0	0	0	278 000
Tone Merethe Lindberg (until 29.05.2017)	112 250	0	0	0	112 250
Herlof Nilssen	261 500	0	0	0	261 500
Linda Bernander Silseth	223 000	0	0	0	223 000
Eli Skrøvset	280 500	0	0	0	280 500
Per Erik Nordsveen (until 26.09.2017)	147 583	751 373	5 768	88 602	993 326
Grete Ovnerud (until 26.09.2017)	168 666	979 045	5 417	251 437	1 404 566
Olav Aadal (from 26.09.2017)	2 500	1 530 170	5 417	181 691	1 719 778
Heidi Anette Sørum	237 000	745 047	10 160	127 844	1 120 050
Bjørn Tore Mikkelsen	219 750	962 332	10 160	234 444	1 426 686
Total	2 361 499	4 967 968	36 922	884 018	8 250 406

On termination or changes in conditions of employment or board appointment no obligations exist to give the group management or the board any distinct compensation, beyond what is stated in note 6. Nor are there any arrangements concerning bonuses, profit sharing or share-based payments. No loans or guarantees have been given to the members of the group management or the board. None of the members of the group management have received any remunerations or economic benefits from other companies in the group, other than shown in the table above. There is no additional remuneration to executives for special services other than normal operations, see note 6.

NOTE 6 Declaration on the determination of salaries and other remuneration for the CEO and other executive employees

THE BOARD OF DIRECTORS' DECLARATION ON THE DETERMINATION OF SALARIES AND OTHER REMUNERATION FOR THE CEO AND OTHER EXECUTIVE EMPLOYEES OF THE AVINOR GROUP - 2018

According to article 8 of the company's articles of association, the Board of Directors shall prepare a declaration concerning the determination of salaries and other remuneration for the senior management. This declaration shall be included as a note in the annual accounts. The declaration shall contain the contents specified in section 6-16a of the Public Limited Companies Act, and shall in addition give an account of how the 'Government's policy for the remuneration of leading personnel in state-owned enterprises and companies' is followed up in the company's wholly owned subsidiaries. The declaration shall be handled at the company's ordinary general meeting. Reference is made to section 5-6 third paragraph of the Public Limited Companies Act and the Government's policy for the remuneration of leading personnel in state-owned enterprises and companies, as set out by the Ministry of Industry and Fisheries, effective as from 13.2.2015.

1. Employees covered by the declaration

This declaration covers executive employees of the Group; Avinor AS and the wholly owned subsidiaries Avinor Flysikring AS and Svalbard Lufthavn AS. At 1 January 2019 , the Group's executive management team comprised the following employees, who are covered by this declaration:

Avinor AS:

- Dag Falk-Petersen, CEO
- Petter Johannessen, CFO
- Mari Hermansen, Executive Vice President HR, Legal and Business support
- Egil Thompson, Executive Vice President Communications, Brand and Public Relations
- Margrethe Snekkerbakken, Executive Vice President Strategy, Safety and Environment
- Thorgeir Landevaag, Executive Vice President Regional and Local Airports Division
- Øyvind Hasaas, Airport Director Oslo Airport
- Marit Helene Stigen, Airport Director Trondheim Airport Værnes
- Leif A. Lorentzen, Airport Director Stavanger Airport Sola
- Aslak Sverdrup, Airport Director Bergen Airport Flesland
- Stine R. Westby, Executive Vice President Operations and Infrastructure

Avinor Flysikring AS:

- Anders Kirsebom, Managing Director
- Jan-Gunnar Pedersen, Director Business Area En-Route
- Snorre Andresen, Director Business Area Tower and Approach Services
- Ellen Lystad, Director Technology Services
- Håkan Olsson, Director Projects
- Tor-Øivind Skogseth, Assistent Managing Director and Director Customers and Public Relations
- Jan Østby, Director Remote Services
- Marisa Luisa Ruiz Retamar, Director HR and Competence
- Kresten Lyngstad, CFO
- Anne-Kr. Aagaard Chavez, Director Safety and Quality
- Geir Ove Heir, Director Remote Tower Center

Svalbard Lufthavn AS:

- Carl Einar Ianssen, Managing Director

2. Declaration's validity

The declaration applies for the coming financial year, ref. article 8 of the articles of association and section 6-16a (2) of the Public Limited Companies Act. The Group's Board of Directors will use the principles described in this declaration as the basis for determining the remuneration of the CEO and in its assessment and monitoring of the CEO's determination of remuneration of executive employees.

3. The main principles of the Group's executive employee remuneration policy

Avinor's executive remuneration policy has to comply with the Government's policy for the remuneration of leading personnel in state-owned enterprises and companies (as set out by the Ministry of Industry and Fisheries, effective as from 13.2.2016). Executive remuneration in the Group should comprise a competitive but not leading salary when compared to similar companies.

3.1 Salary

The main element of the Group's remuneration packages must be a fixed basic salary.

3.2 Directors' remuneration

No remuneration is paid to executive employees for board appointments in other companies in the Avinor Group.

3.3 Benefits in kind

Executive employees shall receive the benefits in kind that are common for comparable positions. These may include a car allowance, free newspapers/magazines, free phone, laptop, printer and free broadband service.

In the CEO's agreement, a car allowance may be replaced with a company car within the framework set by the Board.

3.4 Performance pay

A performance pay scheme may be established for executive employees based on individual targets. There must be a clear correlation between performance pay targets and the Group's targets. Any scheme will be structured in accordance with the guidelines specified in the owner's statement.

3.5 Extraordinary lump sum payment for exceptional performance

A lump sum payment may be awarded to executive employees following exceptional performance beyond what may be expected in the relevant position, in connection with defined activities of major strategic importance.

There must be a clear connection between the exceptional performance which have caused the lump sum payment and the company's goals. The scheme is time limited in the sense that it concerns a concrete lump sum payment. The lump sum payment must be approved by the group's Board of Directors following nomination by the CEO and after discussion in the HR, Compensation and HSE committee. The scheme is not an ordinary bonus plan, in which the management may expect bonus payments if certain milestones or criteria are met. General guidelines have been established for the scheme in which maximum amounts for such payments are set.

4. Options and share programmes

No options or similar schemes will be established in the company. No share programme involving share-based remuneration will be established in the company.

5. Pension plans

Executive employees shall participate in the Group's general pension plan, a defined benefit plan in Statens Pensjonskasse (the Norwegian Public Service Pension Fund)(closed as at 1 January 2019) or the new defined contribution pension scheme. The basis for calculating pension entitlements shall not exceed 12G (where G = National Insurance Scheme's basic amount). The terms shall be similar to the terms that apply for other company employees. The age limit is 70 years. For most of the executive employees; members of the Group's executive management and Managing Director of Avinor Flysikring AS the age limit is 67 years. For newer members of the executive management the age limit is 70 years.

In the Agreement with the Group's executive management and Managing Director of Avinor Flysikring AS concluded before the guidelines from 15.2.2015, a defined-contribution retirement pension scheme for salaries exceeding 12G have been established, inclusive a disability pension scheme.

For this group the retirement pension is contribution-based for salaries exeeding 12G with different rates dependent on age and are administered through the company's operating budget until further notice. Current personnel are divided into four age groups. The pension basis for contributions is the agreed fixed salary, and payment will commence once the retirement age has been reached in accordance with the individual agreement. Payment of the supplementary pension is executed by Avinor's payroll department monthly once the age limit of 67 is reached. A condition of payment is that the employee has resigned from their position in the company. If the employee retires from the Group before reaching their pensionable age, the severance agreement is to include a date for when payment of the pension is to start.

The following contribution plan applies:

For senior executives aged 60 and over:
- 30 per cent of pensionable income from 12G to 18G and
- 25 per cent of pensionable income over 18G

For senior executives aged 55 to 60:
- 25 per cent of pensionable income from 12G to 18G and
- 20 per cent of pensionable income over 18G

For senior executives aged 50 to 55:
- 20 per cent of pensionable income from 12G to 18G and
- 15 per cent of pensionable income over 18G

For senior executives aged up to 50:
- 15 per cent of pensionable income from 12G to 18G and
- 10 per cent of pensionable income over 18G

When moving up to a new rate following a birthday, this takes effect from the first date of the month following the birthday.

The employer has the full right to manage their pension scheme for salaries exceeding 12G.

Executive employees appointed after 13.2.2015 are only entitled to be a member of the Group's general pension plan. As at 31.12.2018 this applies to three members of the Group executive management.

Annual disability pension amounts to (100 per cent disability) 38.4 per cent of salaries between 12G and 27G. The full annual disability pension presupposes that the insured at retirement will get a service period of at least 20 years. If the length of services is less, the disability pension will be reduced proportionally.

6. Termination and severance pay

There is a three-month notice period applicable to both parties calculated from the first day of the month after notice is given. Notice shall be given in writing.

The CEO and Managing Directors of subsidiaries have waived their employment protection under the Norwegian Working Environment Act. For these people severance pay equivalent to 12 months' fixed salary may be agreed, including the salary of any notice period. Severance pay is calculated on the basis of the employee's regular monthly salary at the time of termination. No holiday pay is accrued on the basis of the severance pay beyond the salary during the notice period.

The severance package, for those employed after 01.01.2015, will be reduced by a proportional amount calculated on the basis of the new annual income in the event of appointment to a new position or if an income is received from an enterprise of which the employee concerned is an active owner.

The employee is only entitled to severance pay in excess of their salary during the notice period if they accept the termination, leave at the request of the employer, and do not submit any claim in relation to the rules of the Norwegian Working Environment Act with regard to protection against dismissal, etc.

Severance pay may be withheld if there are ground for dismissal, or if irregularities or omissions are found during the period in which severance pay is to be given, which may result in liability for damages or the employees being prosecuted for violation of the law.

The CEO has concluded such an agreement dated 14 January 2011. A notice period of three months and a severance payment of 12 months have been agreed, which become payable upon termination by the Company. The agreement contains provisions for the deduction of income from a new employer, and ceases if the employee is entitled to a disability benefit or retirement pension under the agreement. The CEO is not entitled to pay after termination of employment if the employment is terminated due to circumstances which may result in grounds for dismissal.

Members of the Group's executive management have agreed final remuneration figures in their contracts of employment should their employment be terminated by the employer. For those members of the of the Group's executive management employed before the scheme was established in 2015, this has been defined as 12 months of their regular fixed salary. For three members of the Group's executive management, remuneration has been defined as "reasonable final remuneration determined at the time of termination" based on their regular monthly salary. Final remuneration will only be paid if the director accepts the termination and does not commence proceedings under the termination regulations of the Norwegian Working Environment Act, etc.

For other executive employees, an advanced agreement for severance pay with finally determined compensation at retirement, can not be entered into. Instead, an advance agreement with a reasonable severance pay may be agreed on, effective only if the employee is not contesting dismissal. These agreements apply correspondingly to the agreements applicable to the CEO and Managing Directors of subsidiaries. The Managing Director of Svalbard Lufthavn AS has ordinary protection against dismissal and no clause regarding severance pay.

7. Executive remuneration policy and implementation of the guidelines in the preceding year

The salary policy for executive employees in 2018 has been conducted in accordance with the above guidelines and the guidelines discussed at the Annual General Meeting on 13 June 2018. This applies both to Avinor AS, Avinor Flysikring AS and Svalbard Lufthavn AS.

In connection with the wage settlement, the CEO's fixed salary was adjusted by 3.4 per cent. The basic salary of other senior personnel in Avinor AS was adjusted in average by 3.4 per cent.

The base salary of the Managing Director of Avinor Flysikring AS was adjusted by 3.4 per cent. Other senior personnel in Avinor Flysikring AS was adjusted in average 3.4 per cent. The wage settlement is based on evaluation of performance.

The fixed salary of the managing director of Svalbard Lufthavn AS was adjusted by 11.5 per cent. The adjustment was due to approval as operational manager and performance rating.

The total cost of the contribution-based pension scheme for salary exceeding 12G for senior personnel before 13 February 2015 was NOK 2,692,045 in 2018. The scheme is administered by Avinor through day-to-day operations. The premium is not taxable and dutiable. The scheme is closed for new senior personnel after 13 February 2015.

The individual's total pension cost is stated in the notes to the financial statements.

Lump sum payments of NOK 150,000 have been awarded for exceptional performance in connection with project management. This concern Margrethe Snekkerbakken.

The Board's declaration concerning the determination of salaries and other remuneration was published for the first time in the 2011 financial year. Executive remuneration packages are reviewed by the Board on an annual basis. Executive remuneration agreements entered into before this point in time shall not be negatively affected by this declaration.

The remuneration and other benefits received by executive employees in 2018 are provided in note 5 of the annual financial statement for 2018.

NOTE 7 Other operating expenses

All amounts in MNOK

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Rent - buildings/land	55.2	72.2	44.9	58.4
Management/maintenance - buildings	749.2	745.5	786.1	791.9
Repairs, maintenance operational materials	390.7	400.2	434.8	450.6
Control/security/guard services	902.5	939.1	909.0	945.5
Meteorological services	3.5	3.2	43.7	43.3
Consulting services	273.2	310.9	289.1	345.5
Other external services	662.1	695.9	692.0	724.2
Other operating expenses	1 331.8	1 403.4	595.8	657.3
Total	4 368.2	4 570.4	3 795.4	4 016.7

OPERATING LEASE COMMITMENTS

AVINOR AS:

	REMAINING PERIOD				
	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL	INTRA-GROUP INCLUDED IN TOTAL
31 December 2018					
Rental agreement HQ Oslo	21.8	88.8	206.7	317.3	0.0
Rental agreement Bodø Airport	18.0	75.7	40.2	133.9	0.0
Rental agreements other premises	22.5	93.9	109.0	225.4	195.2
Other rental agreements	3.6	6.0	17.6	27.2	6.2
Total - rental payments at nominal value	65.9	264.4	373.5	703.8	201.4
Total - rental payments at present value	65.1	242.4	288.0	595.5	175.3

AVINOR GROUP:

	REMAINING PERIOD			
	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
31 December 2018				
Rental agreement HQ Oslo	28.2	115.9	232.3	376.4
Rental agreement Bodø Airport	18.0	75.7	40.2	133.9
Rental agreements other premises	6.2	22.0	26.5	54.7
Other rental agreements	2.2	6.3	15.3	23.8
Total - rental payments at nominal value	54.6	219.9	314.3	588.8
Total - rental payments at present value	54.0	202.0	240.7	496.7

For accounting policies concerning operating leases, see note 12.

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Auditor's fees				
Auditor's fee - fixed charge (VAT not included):				
Statutory audit fee	1.7	1.4	2.2	1.8
Other auditors's fees charged to profit and loss (VAT not included):				
Other attestation services	0.4	0.5	0.6	0.7
Tax advisory services	0.0	0.0	0.0	0.0
Other services	0.7	0.7	0.7	0.7
Total	1.1	1.2	1.3	1.3

NOTE 8 Impact on earnings – Terminal 2 project

All amounts in MNOK

As a result of the development of Gardermoen (Terminal 2 project) the income statement includes charges for extra costs related to the maintenance of normal operations during the construction period, as well as costs related to the scrapping of assets, including higher depreciation as a result of a re-assessed economic life. The new terminal areas were fully operational as from April 2017.

SPECIFICATION	2018	2017
Employee benefits expense		
Payroll and other personnel expenses for operating personnel	0.0	20.6
Total	0.0	20.6
Depreciation, amortisation and impairment charges		
Higher depreciation as the result of scrapping portions of the terminal	0.0	4.5
Total	0.0	4.5
Other operating expenses		
Operational coordination	0.0	35.9
Security	0.0	5.4
More bussing	0.0	0.8
Consulting services	0.0	1.2
Staff/support	0.0	27.5
Demolishing expenses existing plant	0.0	35.3
Additional contract costs related to maintenance of normal operations during the construction period	0.0	29.2
Other	0.0	0.4
Total	0.0	135.7
Total	0.0	160.8

NOTE 9 Other expenses

All amounts in MNOK

The group uses derivative financial instruments related to the purchase of energy and foreign currency. For energy, forward energy contracts are purchased at Nasdaq OMX. None of these derivatives qualify for hedge accounting.

Changes in the fair value of derivatives that do not qualify for hedge accounting are, depending on whether the derivative is related to operating or financing activities, recognised in the income statement within 'changes in value and other losses/gains - net' or within 'finance cost'.

	AVINOR AS		AVINOR GROUP	
SPECIFICATION	2018	2017	2018	2017
Other expenses				
Pension - see note 16	0.0	170.0	-128.8	415.0
Changes in value and other losses/gains - net	-66.1	0.1	-71.0	-12.8
Total	-66.1	170.1	-199.8	402.2
Changes in value and other losses/gains - net:				
Changes in value - unrealised (note 14)	-49.4	-4.4	-47.9	0.2
Changes in value - realised energy contracts	-20.9	2.8	-22.7	2.9
Foreign currency translation gains/losses	4.2	1.7	-0.4	-15.9
Total	-66.1	0.1	-71.0	-12.8

NOTE 10 Finance income and costs

All amounts in MNOK

Dividend income

Dividend income is recognised when the right to receive payment is established.
Accounting principles regarding finance items are described in note 14.

	AVINOR AS		AVINOR GROUP	
SPECIFICATION	2018	2017	2018	2017
Finance income				
Interest income on short-term bank deposits	28.4	58.3	31.6	59.7
Interest income on loans to group companies	10.6	6.2	0.0	0.0
Group contributions and dividends received	0.9	1 000.0	1.2	6.0
Gains on financial instruments	0.0	4.1	0.0	22.4
Total	39.9	1 068.6	32.8	88.1
Finance costs				
Interest expense on bank borrowings	630.0	650.1	640.0	680.4
Interest expense on loans from group companies	19.9	28.0	0.0	0.0
Interest expense on others	1.3	3.8	1.4	4.2
Other borrowing expenses	9.7	37.2	10.0	37.3
Borrowing costs capitalised (note 12)	-24.8	-38.2	-37.8	-47.7
Foreign currency translation gains/losses	-0.3	-3.2	-0.3	-3.2
Net fair value gains/losses on bank borrowings including derivatives	22.5	-14.5	22.5	-14.5
Fair value loss on financial instruments (note 14)				
- interest rate swaps: cash flow hedges, transfer from equity	0.0	14.6	20.4	14.6
- interest rate swaps: fair value hedges	-22.5	14.5	-22.5	14.5
Total	635.8	692.3	633.7	685.6
Finance income/(costs) - net	-595.9	376.3	-600.9	-597.5

NOTE 11 Income tax expense and deferred income tax

All amounts in MNOK

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Deferred income tax assets are assessed against future taxable income and are evaluated separately.

Net deferred tax asset

The group has significant temporary differences between the carrying amounts of assets and liabilities and its tax base. This has resulted in a significant deferred tax asset. An analysis made of the group's tax position shows that it is probable that this asset may be utilised by the group.

Loss carried forward

Svalbard Lufthavn AS have a loss carried forward of MNOK 120,0. The tax effect of the loss is not included owing to the uncertainty regarding the utilization of the loss.

Change in tax rate

The tax rate was changed from January 1 2019 from 23 per cent to 22 per cent. Correspondingly, the change from 2017 to 2018 was from 24 per cent to 23 per cent.

	AVINOR AS		AVINOR GROUP	
SPECIFICATION	2018	2017	2018	2017
Income tax expense				
Current tax on profit for the year	241.3	42.7	290.9	115.4
Current tax on adjustments in respect of prior years	0.2	10.8	0.3	10.8
Current tax on group contributions	0.4	4.6	0.0	0.0
Deferred tax on origination and reversal of temporary differences	27.0	89.2	50.2	21.7
Change in tax rate, effect deferred tax assets/-liabilities	-14.6	-8.5	-14.6	-7.4
Total	254.3	138.8	326.8	140.5
Effective tax rate reconciliation				
23 (24)% of profit before tax	267.9	377.8	343.3	152.1
Effect of adjustments prior years	0.2	-4.2	-2.9	-7.7
Change in tax rate, effect deferred tax assets/-liabilities	-14.6	-8.5	-14.6	-7.4
Group contribution received (not subject to tax)	0.0	-235.4	0.0	0.0
Dividends received	0.8	0.0	1.0	-1.4
Permanent differences 23 (24)%	0.0	9.0	0.0	4.9
Income tax expense	254.3	138.8	326.8	140.5
Effective tax rate	21.8 %	8.8 %	21.9 %	22.2 %

AVINOR AS:
DEFERRED TAX ASSETS AND LIABILITIES

	ADAPTED TO NEW ANNUAL TAX RATE AT 31 DECEMBER 2017	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO OTHER COM-PREHENSIVE INCOME	AT 31 DECEMBER 2018	ADAPTED TO NEW ANNUAL TAX RATE AT 31 DECEMBER 2018
Receivables	-1.7	-0.7	0.0	-2.4	-2.3
Non-current assets	-540.3	48.2	0.0	-492.1	-470.7
Borrowings	-307.5	-23.9	0.0	-331.4	-317.0
Provisions	-47.8	-26.4	0.0	-74.1	-70.9
Pension benefits	-521.0	-8.9	-111.7	-641.6	-613.7
Group contributions (payables)	0.0	0.0	0.4	0.4	0.4
Profit and loss account	-13.8	3.2	0.0	-10.6	-10.2
Derivative financial instruments	280.6	35.3	42.9	358.7	343.1
Deferred tax asset(-)/liability (net)	-1 151.7	27.0	-68.4	-1 193.1	-1 141.2
Change in tax rate, deferred tax asset reduction	50.1				52.0
Presented as:					
Other comprehensive income expense	58.6				66.6
Profit and loss expense	-8.5				-14.6

	AT 1 JANUARY 2017	MERGER/ DEMERGER	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO OTHER COM-PREHENSIVE INCOME	AT 31 DECEMBER 2017
Receivables	0.0	0.0	-1.8	0.0	-1.8
Non-current assets	-689.4	0.3	125.3	0.0	-563.8
Borrowings	-121.2	0.0	-199.7	0.0	-320.9
Provisions	-74.2	0.0	24.4	0.0	-49.9
Pension benefits	-396.4	-0.1	-54.6	-92.6	-543.7
Group contributions (payables)	0.0	0.0	0.0	0.0	0.0
Profit and loss account	-8.4	0.0	-6.0	0.0	-14.4
Derivative financial instruments	117.4	0.0	201.6	-26.2	292.8
Deferred tax asset(-)/liability (net)	-1 172.2	0.2	89.2	-118.9	-1 201.7

	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	-1 411.6	-1 382.8
Deferred tax asset to be recovered within 12 months	-73.2	-49.5
	-1 484.8	-1 432.3
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	343.1	280.6
Deferred tax liability to be recovered within 12 months	0.4	0.0
	343.5	280.6
Deferred tax asset(-)/liability (net)	-1 141.2	-1 151.7

AVINOR GROUP:
DEFERRED TAX ASSETS AND LIABILITIES

	ADAPTED TO NEW ANNUAL TAX RATE AT 31 DECEMBER 2017	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO OTHER COM-PREHENSIVE INCOME	AT 31 DECEMBER 2018	ADAPTED TO NEW ANNUAL TAX RATE AT 31 DECEMBER 2018
Receivables	-2.0	-2.0	0.0	-4.0	-3.8
Non-current assets	-484.7	51.5	0.0	-433.3	-414.5
Borrowings	-307.5	-23.9	0.0	-331.4	-317.0
Provisions	-51.0	-27.0	0.0	-78.0	-74.6
Pension benefits	-925.1	13.7	-152.9	-1 064.5	-1 018.2
Profit and loss account	-14.3	3.0	0.0	-11.3	-10.8
Derivative financial instruments	273.5	35.0	48.7	357.3	341.7
Deferred tax asset(-)/liability (net)	-1 511.2	50.2	-104.2	-1 565.2	-1 497.6
Change in tax rate, deferred tax asset reduction	65.5				67.8
Presented as:					
Other comprehensive income expense	72.9				82.4
Profit and loss expense	-7.4				-14.6

	AT 1 JANUARY 2017	CHARGED/ CREDITED TO THE INCOME STATEMENT	CHARGED/ CREDITED TO OTHER COM-PREHENSIVE INCOME	AT 31 DECEMBER 2017
Receivables	-0.1	-2.0	0.0	-2.1
Non-current assets	-635.8	130.0	0.0	-505.8
Borrowings	-121.2	-199.7	0.0	-320.9
Provisions	-80.9	27.7	0.0	-53.2
Pension benefits	-620.5	-128.4	-216.4	-965.3
Profit and loss account	-8.6	-6.3	0.0	-14.9
Derivative financial instruments	108.3	200.4	-23.3	285.4
Deferred tax asset(-)/liability (net)	-1 358.8	21.7	-239.7	-1 576.8

	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	-1 819.4	-1 797.5
Deferred tax asset to be recovered within 12 months	-78.5	-53.0
	-1 897.9	-1 850.5
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	400.5	339.3
Deferred tax liability to be recovered within 12 months	0.0	0.0
	400.5	339.3
Deferred tax asset(-)/liability (net)	-1 497.4	-1 511.2

NOTE 12 Intangible assets, property, plant and equipment

All amounts in MNOK

INTANGIBLE ASSETS

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets are carried at cost less accumulated depreciation and amortisation.

Internally generated intangible assets, with the exception of development costs that are recognised as intangible assets, are recogised as an expense as incurred. Development costs are recognised as an intangible asset when all the criterias in IAS 38 are met.

The useful life of an intangible asset is either finite or indefinite. Intangible assets with finite useful life are amortised using the straight-line method to allocate the cost over their estimated useful lives. Method of amortisation and estimated useful life is reviewed at least at the end of each reporting period. Changes in method and/or estimated useful life is accounted for as changes in estimates.

Computer software

Costs associated with purchasing new computer software are recognised as an intangible asset, unless it is a part of the acquisition of hardware. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful life, normally 5 years. Cost associated with maintaining computer software programs or maintaining future usage of computer software programs are expensed unless the changes enchance the future usage of the program.

AIR TRAFFIC MANAGEMENT SYSTEMS, AIRSPACE ORGANIZATION

	AVINOR AS	AVINOR GROUP
At 1 January 2017		
Cost	80.5	303.8
Accumulated amortisation and impairment	-40.5	-194.9
Net book amount	39.9	108.8
Year ended 31 December 2017		
Opening net book amount	39.9	108.8
Additions	0.0	17.2
Amortisation charge	-4.5	-13.2
Closing net book amount	35.4	112.8
At 31 December 2017		
Cost	80.5	321.0
Accumulated amortisation and impairment	-45.0	-208.1
Net book amount	35.4	112.8
Year ended 31 December 2018		
Opening net book amount	35.4	112.8
Additions	0.0	6.9
Amortisation charge	-4.5	-16.3
Closing net book amount	30.9	103.4
At 31 December 2018		
Cost	80.5	327.9
Accumulated amortisation and impairment	-49.5	-224.4
Net book value	30.9	103.4
Estimated useful life	10 years	10 years
Method of depreciation	Straight-line	Straight-line

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Each material component of an asset is evaluated separately for the object of depreciation. The materiality is assessed from the cost of a component in relation to the cost of the whole asset. Land and housing are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 - 50 years
Infrastructure	5 - 40 years
Runways and other related assets	15 - 50 years
Vehicles	10 - 20 years
Other non-current assets	5 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

LEASES

The group as a lessee

Finance leases:
Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. The group have no Finance leases.

Operating leases:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The group as a lessor

Operating leases:
A substantial part of Avinor's commercial income consists of rental income , which are accounted for according to IAS 17. The rental income consists of fixed amounts as well as revenue based parts, which are recognized based on the time of delivery during the period of the lease. The group presents rental assets as non-current assets in the balance sheet.

GOVERNMENT GRANTS

A government grant is recognised at fair value when there is reasonable assurance that the group will comply with the conditions attached to it, and that the grant will be received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants related to assets are presented in the statement of financial position by deducting the grant to arrive at the carrying amount of the asset.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement. The recoverable amount is the highest of the cash-generating unit's fair value less cost to sell and its value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of assessing impairment the whole group is defined as two cash generating units (CGU's), see note 2. The assessment requires a great degree of professional judgement. Among other things, an assessment has to be made of how long a period of time the impairment may last and the difference between the fair value and the carrying amount, in addition to the financial position and expected development in the market, including operating and financing cash flows.

AVINOR AS

	LAND	BUILDINGS	RUNWAYS AND OTHER RELATED ASSETS	VEHICLES	FURNITURE, FITTINGS AND EQUIPMENT	INFRA-STRUCTURE	TOTAL
At 1 January 2017							
Cost	1 176.2	19 141.0	12 246.7	1 319.3	6 065.7	3 017.1	**42 966.0**
Accumulated depreciation	-1.7	-5 806.3	-3 629.3	-585.4	-3 844.8	-1 270.8	**-15 138.3**
Net book amount	1 174.5	13 334.7	8 617.4	733.9	2 220.9	1 746.3	**27 827.7**
Year ended 31 December 2017							
Opening net book amount	1 174.5	13 334.7	8 617.4	733.9	2 220.9	1 746.3	**27 827.7**
Additions	26.7	3 979.8	754.6	108.5	1 166.4	373.9	**6 409.9**
Disposals	-0.4	-4.6	-0.3	-2.3	-8.3	0.0	**-15.9**
Depreciation charge	0.0	-681.2	-404.3	-65.5	-464.2	-124.9	**-1 740.1**
Closing net book amount	1 200.8	16 628.7	8 967.4	774.6	2 914.8	1 995.3	**32 481.6**
At 31 December 2017							
Cost	1 202.5	23 114.2	12 988.7	1 389.1	7 137.2	3 334.0	**49 165.7**
Accumulated depreciation	-1.7	-6 485.5	-4 021.3	-614.5	-4 222.4	-1 338.7	**-16 684.1**
Net book amount	1 200.8	16 628.7	8 967.4	774.6	2 914.8	1 995.3	**32 481.6**
Year ended 31 December 2018							
Opening net book amount	1 200.8	16 628.7	8 967.4	774.6	2 914.8	1 995.3	**32 481.6**
Additions	119.3	655.5	841.6	87.7	435.2	105.5	**2 244.8**
Reclassification	-222.8	0.0	222.8	0.0	0.0	0.0	**0.0**
Disposals	-1.5	-1.3	0.0	-4.3	-31.5	-0.5	**-39.1**
Depreciation charge	0.0	-784.0	-461.7	-69.8	-515.6	-108.8	**-1 939.9**
Closing net book amount	1 095.8	16 498.9	9 570.1	788.2	2 802.9	1 991.5	**32 747.3**
At 31 December 2018							
Cost	1 097.5	23 693.7	14 053.0	1 401.8	7 355.1	3 396.4	**50 997.5**
Accumulated depreciation	-1.7	-7 194.8	-4 482.9	-613.6	-4 552.2	-1 404.9	**-18 250.1**
Net book amount	1 095.8	16 498.9	9 570.1	788.2	2 802.9	1 991.5	**32 747.3**

AVINOR GROUP

	LAND	BUILDINGS	RUNWAYS AND OTHER RELATED ASSETS	VEHICLES	FURNITURE, FITTINGS AND EQUIPMENT	INFRA-STRUCTURE	TOTAL
At 1 January 2017							
Cost	1 838.4	19 633.8	11 752.6	1 401.6	7 283.5	2 656.9	44 566.8
Accumulated depreciation	-1.2	-5 647.1	-3 169.6	-634.0	-4 594.2	-1 018.9	-15 065.0
Net book amount	1 837.2	13 986.7	8 583.0	767.6	2 689.3	1 638.0	29 501.8
Year ended 31 December 2017							
Opening net book amount	1 837.2	13 986.7	8 583.0	767.6	2 689.3	1 638.0	29 501.8
Additions	26.7	4 001.6	754.6	112.6	1 262.1	375.3	6 532.9
Disposals	0.0	-4.6	-0.3	-2.7	-8.3	0.0	-15.9
Depreciation charge	0.0	-724.0	-409.5	-70.2	-546.4	-125.8	-1 875.9
Closing net book amount	1 863.9	17 259.7	8 927.8	807.3	3 396.7	1 887.5	34 142.9
At 31 December 2017							
Cost	1 865.1	23 628.8	12 494.7	1 473.3	8 440.1	2 975.2	50 877.2
Accumulated depreciation	-1.2	-6 369.1	-3 566.9	-666.0	-5 043.4	-1 087.7	-16 734.3
Net book amount	1 863.9	17 259.7	8 927.8	807.3	3 396.7	1 887.5	34 142.9
Year ended 31 December 2018							
Opening net book amount	1 863.9	17 259.7	8 927.8	807.3	3 396.7	1 887.5	34 142.9
Additions	123.5	703.9	844.5	97.8	535.9	108.6	2 414.2
Reclassification	-222.8	0.0	222.8	0.0	0.0	0.0	0.0
Disposals	-5.3	-1.6	0.0	-4.5	-31.7	-0.5	-43.6
Depreciation charge	0.0	-828.7	-467.0	-74.9	-606.6	-109.9	-2 087.1
Closing net book amount	1 759.3	17 133.3	9 528.1	825.7	3 294.3	1 885.7	34 426.4
At 31 December 2018							
Cost	1 760.5	24 256.3	13 562.0	1 491.1	8 751.7	3 040.7	52 862.3
Accumulated depreciation	-1.2	-7 123.0	-4 033.9	-665.4	-5 457.4	-1 155.0	-18 435.9
Net book amount	1 759.3	17 133.3	9 528.1	825.7	3 294.3	1 885.7	34 426.4
Estimated useful life		10 - 50 years	15 - 50 years	10 - 20 years	5 - 15 years	5 - 40 years	
Method of depreciation	NA	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

ASSETS UNDER CONSTRUCTION

	AVINOR AS	AVINOR GROUP
At 1 January 2017		
Cost	6 250.9	6 717.1
Accumulated depreciation	0.0	0.0
Net book amount	6 250.9	6 717.1
Year ended 31 December 2017		
Opening net book amount	6 250.9	6 717.1
Additions	2 632.2	3 008.9
Reclassification	-6 409.9	-6 532.9
Closing net book amount	2 473.2	3 193.1
At 31 December 2017		
Cost	2 473.2	3 193.1
Accumulated depreciation	0.0	0.0
Net book amount	2 473.2	3 193.1
Year ended 31 December 2018		
Opening net book amount	2 473.2	3 193.1
Additions	1 797.2	2 305.5
Reclassification	-2 244.8	-2 670.2
Closing net book amount	2 025.6	2 828.4
At 31 December 2018		
Cost	2 025.6	2 828.4
Accumulated depreciation	0.0	0.0
Net book amount	2 025.6	2 828.4
Classified as intangible	0.0	332.3

Borrowing costs

Property plant and equipment includes borrowing costs when the construction period of major asset is longer than one year. Capitalised borrowing costs amounted to MNOK 38.2 in 2018 and MNOK 47.7 in 2017.

The average capitalisation rate for 2018 was 2.96 per cent (2017: 2.69 per cent).

Security

Under Avinor AS's Articles of Association, assets from basic operations cannot be pledged as security.

Basis for the measurement of recoverable amount – impairment evaluation

Due to the materiality of the group's assets and a future high investment level, impairment tests are carried out regularly.

The whole of Avinor group's operations have been defined as two cash-generating units (CGU's), see basic principles note 2.

An impairment loss is recognised if the recoverable amount of the group's assets is less than its carrying amount. The recoverable amount is the highest of the cash-generating unit's fair value less cost to sell and its value in use. The group estimates both fair value and value in use based on the present value of future cash flows. Value in use is the present value of future cash flows derived from existing assets (without improving or enhancing the performance of these assets).

The group operates in its entirety in Norway and the present value of future cash flow is therefore estimated in NOK. The future cash flow is then discounted based on an weighted average discount rate relevant for the group's type of operations. The rate of return is based on 10-year Norwegian government securities adjusted for the group's business risk. The expense related to the debt ratio part of the weighted average rate of return is based on the average market rate for the group. In the present value estimate for 2018 the discount rate is 6.7 per cent before tax.

As at 31 December 2018 the measurement of recoverable amount for the whole group is estimated based on fair value less cost to sell. Fair value is estimated based on future cash flows from operations, including future capacity increasing activities.

The valuation is based on several assumptions. The main assumptions used in the estimation of recoverable amount are (2017 figures in brackets):

	2019	2020	2021	2022	2023	2024
Passenger growth (%)	2.8 (3.9)	3.5 (3.5)	4.4 (4.0)	2.4 (2.4)	2.4 (2.4)	2.2 (2.3)
Consumer price index (%)	1.5 (2.0)	1.9 (2.0)	2.1 (1.5)	1.5 (1.5)	1.5 (1.5)	1.5 (1.5)

	2025	2026	2027	2028	2029	2030 - 2034
Passenger growth (%)	2.3 (2.3)	2.2 (2.2)	2.2 (2.2)	2.2 (2.2)	2.2 (2.2)	2.0-2.2 (2.0-2.2)
Consumer price index (%)	1.5 (1.5)	1.5 (1.5)	1.5 (1.5)	1.5 (1.5)	1.5 (1.5)	1.5 (1.5)

There is close correlation between GDP (Norwegian mainland) and passenger growth.

The estimates are based on real growth in expenses.

The estimates include expected investments based on the group's long-term investment plan, including existing public regulations.

The expected value of operations past fifteen years is determined as a terminal value. The terminal value is based on the assumption of a constant growth of 0.0 per cent and an estimated normalised investment level.

As at 31 December 2018 there are no indications that the recoverable amount is less than the carrying amount.

NOTE 13 Financial risk factors

All amounts in MNOK

The group's activities exposes it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall rsik management programme seeks to minimise the volatility of the group's financial performance. The group uses derivative financial instruments in addition to borrowings with fixed interest rates to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investment of excess liquidity.

For details about financial assets and liabilities including hedging, see note 14.

MARKET RISK

(i) Foreign exchange risk

The group and Avinor AS are exposed to foreign exchange risk with respect to the value of NOK against currencies caused by income and expenses in foreign currency. The group uses forward contracts to reduce the foreign exchange risk in cash flow nominated in foreign currency. The group and Avinor AS are primarily exposed to foreign exchange risk with respect to EUR.

The group's income from en route charges is exposed to foreign exchange risk. For Avinor Flysikring AS the risk is connected to the transfer of the revenue to Norway. The period from the determination of the exchange rate to the actual payment is about three months.

Revenue in foreign currency is sold forward to the extent that it is not hedged by cash outflow in the same currency. The group also has foreign exchange risk connected to contractual payments in foreign currency.

Avinor AS has as part of the hedging of larger aquisitions, entered into forward foreign exchange contracts in connection with the development of the airport terminals. These are contracts in EUR for the payment of luggage handling systems, navigation equipment, vehicles and others. Foreign exchange rate derivatives do not normally qualify for hedge accounting.

The group has issued bond loans denominated in EUR. The loans is hedged by a combined interest rate and forward foreign exchange contract in which Avinor receives coupon payment and principle amount in EUR and pay a predetermined amount in NOK at the same point in time.

As the foreign exchange risk in overall is assessed to be limited, the group has not estimated any sensitivities. For the notional principal amount of the outstanding foreign exchange contracts, see note 14.

(ii) Interest rate risk

The group are exposed to interest rate risk through its financial activities (see note 14). Parts of the borrowings are issued at variable rates, which means that the group is influenced by the changes in the interest rates.

The objective of the group's interest rate management is to keep the volatility of future interest costs within acceptable limits. Group policy is to interest rate hedge all long-term loans till at least 60 per cent of total debt at all time is hedged for at least 12 months.

The group manages its effective interest exposure risk by using various interest rate swaps.

At 31 December 2018 approximately all interest rate swaps are adopted to the terms of specific loans and other conditions. When the interest rate swaps are taken into consideration, the group has 85 per cent of its long-term borrowings at a fixed rate of interest for at least 12 months.

At 31 December 2018 the group had interest rate swaps at a face value of MNOK 8,194 (2017: MNOK 8,194), where the group receives a variable rate and pays a fixed average rate of 3.15 per cent of face value. The group also have interest rate swaps at face value of MNOK 1,265 (2017: MNOK 1,265) where the group pays a floating interest rate of NIBOR and fixed Euro interest rate. The duration of the interest rate swaps are MNOK 2,490 till 2021, MNOK 2,530 till 2025 and MNOK 4,439 till 2027. The interest rate swaps are used to hedge against volatility in the P&L reportings as a result of changes in the interest levels.

All interest swaps are made as a hedge against financial risk caused by cash flow interest rate risk. All interest swaps are carried at their fair value in the balance sheet.

The following table presents the group's sensitivity to a defined interest rate shift as at 31 December. The simulation take into consideration all interest rate derivatives.

AVINOR AS

	CHANGES IN INTEREST LEVELS IN BASIS POINTS	IMPACT ON PRE-TAX PROFIT (MNOK)	IMPACT ON EQUITY (MNOK)
2018	+50	-8.0	-48.3
	-50	8.0	48.3
2017	+50	-8.0	-48.3
	-50	8.0	48.3

AVINOR GROUP

	CHANGES IN INTEREST LEVELS IN BASIS POINTS	IMPACT ON PRE-TAX PROFIT (MNOK)	IMPACT ON EQUITY (MNOK)
2018	+50	-8.0	-48.3
	-50	8.0	48.3
2017	+50	-8.7	-45.1
	-50	8.7	45.1

Based on the financial instruments at 31 December 2018, the simulation shows that if the interest rate had been 0.5 per cent higher, pretax profit for the group for the year would have been MNOK 8.0 lower (2017: MNOK 8.7).

The average yield on financial instruments were as follows:

	2018 (%)	2017 (%)
Overdraft	NA	NA
State Loan	1.61	1.64
Bonds	3.22	3.13
Bank Loan	3.21	3.30

The figures include interest hedging derivatives.

At 31 December 2018 Avinor AS had total borrowings amounting to MNOK 21,740.7 (2017: MNOK 22,208.1) in addition to a overdraft of MNOK 0.0 (2017: MNOK 0.0).

(iii) Power price risk

The group is a consumer of electrical power. Avinor AS has entered into financial power contracts via Nasdaq OMX to hedge parts of it's power consumption.

At 31 December 2018 approximately 100 per cent of 2019's estimated consumption is covered by such contracts. The group does not apply hedge accounting to these contracts. Power purchases are made in EUR.

The fair value of power contracts is estimated at MNOK 53.4 (2017: MNOK 3.8) based on the exchange rate at year-end.

Sensitivity analysis of electrical power contracts at 31 December (impact on pre-tax profit (MNOK) as a consequense of a 20 per cent increase in power price):

AVINOR AS AND AVINOR GROUP

	MARKET VALUE 31 DECEMBER	IMPACT ON PRE-TAX PROFIT
2018	53.4	43.1
2017	3.8	21.2

CREDIT RISK

The group's credit risks are mainly connected to airlines and air traffic-related industries.

The group has credit risks attached to three main customers. The group assesses the risk that customers cannot fulfil their obligations as moderate.

The group has guidelines to limit exposure to possible losses.

The group has not made any third-party guarantees.

Maximum risk exposure is illustrated by the carried amount of the financial assets, including derivatives in the balance sheet. Since the opposite party in derivatives trading is normally banks and the power trade exchange, the credit risk connected to derivatives is assessed as small. The group's assessment is that the group's maximum credit exposure is illustrated by the carried amounts of trade receivables and other short-term assets (see note 14). The group does not have any material overdue trade receivables (see note 14).

The group's main bank connexion has external credit rating A-1 (short term) and A+ (long term) (Standard & Poors).

Creditworthiness in trade receivables and intra-group accounts in detail

Credit risk in non-due financial instruments which have not been written down, may be evaluated by external sources (if available) or based on previous negative credit records.

Classification of historical information (unimpaired trade receivables):

- Group 1 – new customers/related parties (in the last six months)
- Group 2 – existing customers/related parties (for more than six months) with no history of default
- Group 3 – existing customers/related parties (for more than six months) with a history of default. All amounts have been paid in full after the default.

All intra-groups accounts and the major part part of customer receivables are classified in group 2. No financial assets have been renegotiated during the last financial year. No part of the loans to related parties is overdue or impaired.

LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial obligations when they are due. The group strategy is to meet the risk by having sufficient funds available at anytime to be able to fulfil the financial obligations when they are due, both under normal or extraordinary circumstances, without risking unacceptable losses. The group shall have a liquidity reserve sufficient, at anytime, to maintain business for at least twelve months without raising new loans. Unused credit facilities are described in note 14.

The table below analyses the maturity structure of the group's financial obligations, based on contracual undisconted cash-flow. In the case where the opposite party may demand an earlier payment, the amount is presented in the earliest period the payment may be demanded. If payment may be demanded on request, the obligations are included in the first column (less than 1 month):

AVINOR AS

	REMAINING PERIOD [1]					
	LESS THAN 1 MONTH	BETWEEN 1-3 MONTHS	BETWEEN 3-12 MONTHS	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
31 December 2018						
State, bond and bank borrowings [1]	9.4	221.2	1 919.0	8 349.9	13 887.6	**24 387.1**
Other commitments	0.1	0.1	0.5	167.4	0.0	**168.1**
Trade payables	319.9	157.5	0.0	0.0	0.0	**477.4**
Other current liabilities	277.0	136.5	0.0	0.0	0.0	**413.5**
Total	606.4	515.3	1 919.5	8 517.3	13 887.6	**25 446.1**
31 December 2017						
State, bond and bank borrowings [1]	5.7	221.3	963.3	9 277.3	15 032.8	**25 500.4**
Other commitments	0.6	1.2	2.2	183.5	0.0	**187.5**
Trade payables	294.5	145.1	0.0	0.0	0.0	**439.6**
Other current liabilities	212.5	104.6	0.0	0.0	0.0	**317.1**
Total	513.3	472.2	965.5	9 460.8	15 032.8	**26 444.6**

[1] Derivatives included

AVINOR GROUP

	REMAINING PERIOD [1]					
	LESS THAN 1 MONTH	BETWEEN 1-3 MONTHS	BETWEEN 3-12 MONTHS	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
31 December 2018						
State, bond and bank borrowings [1]	9.4	221.2	1 919.0	8 349.9	13 887.6	**24 387.1**
Other commitments	0.8	1.7	7.6	174.0	0.0	**184.1**
Trade payables	359.2	176.9	0.0	0.0	0.0	**536.1**
Other current liabilities	279.1	137.4	0.0	0.0	0.0	**416.5**
Total	648.4	537.3	1 926.6	8 523.9	13 887.6	**25 523.8**
31 December 2017						
State, bond and bank borrowings [1]	14.8	225.3	1 030.3	9 550.4	15 399.1	**26 219.9**
Other commitments	1.0	2.0	9.3	189.1	0.0	**201.4**
Trade payables	349.3	172.0	0.0	0.0	0.0	**521.3**
Other current liabilities	221.4	109.0	0.0	0.0	0.0	**330.4**
Total	586.4	508.4	1 039.6	9 739.5	15 399.1	**27 273.0**

[1] Derivatives included

See note 14 for information about long - term loans.

In addition to refinancing of the borrowings described above, the group will, the next few years, require financing of new infrastructure in the form of capacity expansion measures. The gross financing requirement includes refinancing of existing borrowings as described above and other plenned investment activities.

OTHER INFORMATION

The fair value of derivatives designated as hedging instruments is presented as a current asset/short-term debt or financial asset/long-term debt depending upon the maturity date of the corresponding hedged item.

The interest swaps have terms between 2.2 and 8.1 years as at 31 December 2018 (0.2 and 9.1 years as at 31 December 2017).

CAPITAL STRUCTURE AND EQUITY

The main objective of the group's management of capital structure is to ensure that the group's main business objectives are reached within sound financial limits.

The paramount financial objectives (sound financial limits) are the following:

1. Equity ratio: 40 per cent (according to article 5 of the company's Articles of Association)
2. Net asset value shall minimum be equal to the carried value of equity

The group manages its capital structure and makes necessary adjustments based on a continuing evaluation of the existing economic business climate and the outlook in the short- and medium-term.

Article 5 of the company's Articles of Association lays down the following financial limitation: Long-term borrowings for the funding of long-term assets may only be raised within a limit which ensures that the group's equity does not fall at any time below 40 per cent of the carrying amount of the group's long-term interest-bearing debt plus equity.

Existing borrowings have covenants regarding amount of equity. There are no equity requirement for the bonds.
The loan agreements with EIB and NIB requires equity of minimum 30 per cent of equity pluss net interest-bearing debt.

AVINOR AS

	2018	2017
Interest-bearing debt including interest rate swaps	20 234.5	20 999.9
Cash and cash equivalents	1 721.6	2 071.8
Net interest-bearing debt	18 512.9	18 928.1
Equity	13 937.0	13 573.2
Total equity and net interest-bearing debt	32 449.9	32 501.3
Net debt to equity ratio [1)]	42.9 %	41.8 %

AVINOR GROUP

	2018	2017
Interest-bearing debt including interest rate swaps	20 234.5	21 621.3
Cash and cash equivalents	1 739.8	2 071.8
Net interest-bearing debt	18 494.7	19 549.5
Equity	14 540.9	14 053.5
Total equity and net interest-bearing debt	33 035.6	33 603.0
Net debt to equity ratio [1)]	44.0 %	41.8 %

1) Equity as a percentage of total equity and net interest-bearing debt. According to article 5 of the company's Article of Association.

FAIR VALUE ESTIMATION

The fair value of foreign exchange forward contracts and financial power forward contracts is based on market value at the balance sheet date. The fair value of all interest rate swaps is confirmed by the financial institutions which are the company's opposite party in the financial contracts entered into.

The carrying amount of cash and bank overdrafts is approximately equal to the fair value of these instruments as they fall due in a short period of time. Similarly, the carrying amount of receivables and payables is approximately equal to fair value as they are entered into under "normal" conditions.

The fair value of long-term debt is based on quoted market prices or on the interest rates for debt with corresponding terms and similar credit margin. The fair value of commercial papers equals principal amount.

Below is a comparison of the carrying amounts and fair values of Avinor AS and the group's interest-bearing debt.

AVINOR AS

	2018		2017	
SPECIFICATION	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing debt:				
State loan	2 083.0	2 090.5	2 527.3	2 551.5
Bonds	14 050.3	14 690.8	13 946.3	14 560.5
Bank borrowings	5 607.4	6 041.7	5 734.5	6 267.2

AVINOR GROUP

SPECIFICATION	2018 CARRYING AMOUNT	2018 FAIR VALUE	2017 CARRYING AMOUNT	2017 FAIR VALUE
Interest-bearing debt:				
State loan	2 083.0	2 090.5	2 527.3	2 551.5
Bonds	14 050.3	14 690.8	13 946.3	14 560.5
Bank borrowings	5 607.4	6 041.7	6 330.2	6 949.0

The table below shows financial instruments at fair value by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's, and also in all essentials the company's, assets and liabilities that are measured at fair value, and assets and liabilities for which fair values are disclosed at 31 December 2018:

AVINOR GROUP

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss				
Foreign exchange contracts	0.0	0.1	0.0	0.1
Power contracts	53.4	0.0	0.0	53.4
Derivatives used for hedging				
Interest rate contracts	0.0	1 506.2	0.0	1 506.2
Total assets	53.4	1 506.3	0.0	1 559.7
Liabilities				
Financial liabilities at fair value through profit or loss				
Foreign exchange contracts	0.0	6.2	0.0	6.2
Bonds	0.0	1 493.9	0.0	1 439.9
Total liabilities	0.0	1 500.1	0.0	1 500.1
Liabilities for which fair values are disclosed				
Interest-bearing debt				
State loan	0.0	2 090.5	0.0	2 090.5
Bonds	0.0	14 690.8	0.0	14 690.8
Bank borrowings	0.0	6 041.7	0.0	6 041.7
Total	0.0	22 823.0	0.0	22 823.0

There were no transfers between levels during the year.

The following table presents the group's, and also in all essentials the company's, assets and liabilities that are measured at fair value, and assets and liabilities for which fair values are disclosed at 31 December 2017:

AVINOR GROUP

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss				
Foreign exchange contracts	0.0	0.4	0.0	0.4
Power contracts	3.8	0.0	0.0	3.8
Derivatives used for hedging				
Interest rate contracts	0.0	1 215.7	0.0	1 215.7
Total assets	3.8	1 216.1	0.0	1 219.9
Liabilities				
Financial liabilities at fair value through profit or loss				
Foreign exchange contracts	0.0	4.9	0.0	4.9
Bonds	0.0	1 460.2	0.0	1 460.2
Derivatives used for hedging				
Interest rate contracts	0.0	25.6	0.0	25.6
Total liabilities	0.0	1 490.7	0.0	1 490.7
Liabilities for which fair values are disclosed				
Interest-bearing debt				
State loan	0.0	2 551.5	0.0	2 551.5
Bonds	0.0	14 560.5	0.0	14 560.5
Bank borrowings	0.0	6 949.0	0.0	6 949.0
Total	0.0	24 061.0	0.0	24 061.0

There were no transfers between levels during the year.

Interest-bearing debt and derivatives in level 2.

The fair value estimation of derivatives is collected from the groups treasury system and checked against fair value estimates from the main bank connections. The fair value estimation of interest-bearing debt is collected from the groups treasury system and is estimated based on the difference between the coupon/fixed rate of interest on the interest-bearing debt compared with relevant NIBOR interest rate swaps and and implicit funding spread from the market.

NOTE 14 Financial assets and liabilities

All amounts in MNOK

FINANCIAL ASSETS

IFRS 9 Financial Instruments was implemented on 1 January 2018, using the prospective method. The implementation of the standard has not had any significant effect on the company or the group's reporting, see note 25.

Classification

The group classifies its financial assets in the following categories: At fair value through profit or loss and amortised cost. The classification is determined based on the contractual cash flow characteristic of the instrument and the business model the instrument is held within. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are derivatives with a positive fair value. Assets in this category are classified as current if expected realisation is within 12 months after the end of the reporting period.

Amortised cost

Financial assets at amortised cost are assets where both the following conditions are met: The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

The group's financial assets at amortised cost comprise 'trade and other receivables' in the balance sheet.

Other receivables consists of accruals of rental income.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss, with the exception of trade receivables which are initially recognised at transaction price in accordance with IFRS 15. Thereafter they are carried at amortised cost.

Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

With the exception of trade receivables, the Group do not have any financial assets covered by the impairment rules. For trade receivables without a significant financing component, the Group has applied the standard's simplified approach and measure the loss allowance at an amount equal to lifetime expected credit loss for the asset from initial recognition.

The Group has established a provision model that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has historical had minor losses on trade receivables.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets, liabilities or a firm commitment (fair value hedge)

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

The assesment of the hedge effectiveness is based on the economic relationship between the hedging instrument and the hedged item, and that the credit risk is not dominant in the change in fair value of the hedging instrument. The hedge effectiveness is assessed prospectively.

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

The group normally defines derivatives related to borrowings as hedging derivatives and as designated and qualified for hedge accounting.

The group uses derivative financial instruments related to the purchase of energy and foreign currency. For energy, forward energy contracts are purchased at Nasdaq OMX. None of these derivatives qualify for hedge accounting.

Changes in the fair value of derivatives that do not qualify for hedge accounting are, depending on whether the derivative is related to operating or financing activities, recognised in the income statement within 'changes in value and other losses/gains - net' or within 'finance cost'.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'changes in value and other losses/(gains) - net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement within 'net finance costs'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

FINANCIAL LIABILITIES

The group classifies its financial liabilities in the following categories: At fair value through profit or loss and amortised cost. The classification is determined based on the contractual cash flow characteristic of the instrument and the business model the instrument is held within. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are derivatives with a negative fair value. Derivatives are initially recognised at fair value. Subsequent changes in fair value are recorded in the income statement. Assets in this category are classified as current if expected realisation is within 12 months after the end of the reporting period.

Amortised cost
Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Financial liabilities at amortised cost are recognised intially at fair value and subsequently measured at amortised cost using the effective interest method. They are included in current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. These are classified as non-current liabilities.

Categories of financial instruments in the balance sheet:

AVINOR AS

	ASSETS AT AMORTISED COST	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
31 December 2018				
Assets as per balance sheet				
Loans and receivables to group companies	376.6	0.0	0.0	**376.6**
Derivative financial instruments	0.0	53.5	1 506.2	**1 559.7**
Other financial assets	87.2	0.0	0.0	**87.2**
Trade receivables	899.2	0.0	0.0	**899.2**
Other receivables	230.3	0.0	0.0	**230.3**
Cash and cash equivalents	1 721.6	0.0	0.0	**1 721.6**
Total	3 314.9	53.5	1 506.2	**4 874.6**

	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES USED FOR HEDGING	LIABILITIES AT AMORTISED COST	TOTAL
Liabilities as per balance sheet				
State loan	0.0	0.0	1 638.6	**1 638.6**
Loans and payables to group companies	0.0	0.0	1 280.9	**1 280.9**
Other long-term liabilities	0.0	0.0	18 570.6	**18 570.6**
Trade payables and other liabilities	0.0	0.0	2 422.4	**2 422.4**
Total	0.0	0.0	23 912.5	**23 912.5**

	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
31 December 2017				
Assets as per balance sheet				
Loans and receivables to group companies	172.1	0.0	0.0	172.1
Derivative financial instruments	0.0	4.1	1 215.7	1 219.8
Other financial assets	260.1	0.0	0.0	260.1
Trade receivables	942.1	0.0	0.0	942.1
Other receivables	176.8	0.0	0.0	176.8
Cash and cash equivalents	2 071.8	0.0	0.0	2 071.8
Total	3 622.9	4.1	1 215.7	4 842.7

	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet				
State loan	0.0	0.0	2 083.0	2 083.0
Loans and payables to group companies	0.0	0.0	1 613.2	1 613.2
Other long-term liabilities	0.0	0.0	19 553.7	19 553.7
Trade payables and other liabilities	0.0	0.0	1 335.7	1 335.7
Total	0.0	0.0	24 585.6	24 585.6

AVINOR GROUP

	ASSETS AT AMORTISED COST	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
31 December 2018				
Assets as per balance sheet				
Derivative financial instruments	0.0	53.5	1 506.2	1 559.7
Other financial assets	88.3	0.0	0.0	88.3
Trade receivables	1 130.7	0.0	0.0	1 130.7
Other receivables	245.6	0.0	0.0	245.6
Cash and cash equivalents	1 739.8	0.0	0.0	1 739.8
Total	3 204.4	53.5	1 506.2	4 764.1

	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES USED FOR HEDGING	LIABILITIES AT AMORTISED COST	TOTAL
Liabilities as per balance sheet				
State loan	0.0	0.0	1 638.6	1 638.6
Derivative financial instruments	6.2	0.0	0.0	6.2
Other long-term liabilities	0.0	0.0	18 570.6	18 570.6
Trade payables and other liabilities	0.0	0.0	2 484.1	2 484.1
Total	6.2	0.0	22 693.3	22 699.5

	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
31 December 2017				
Assets as per balance sheet				
Derivative financial instruments	0.0	4.2	1 215.7	**1 219.9**
Other financial assets	260.1	0.0	0.0	**260.1**
Trade receivables	1 153.7	0.0	0.0	**1 153.7**
Other receivables	193.5	0.0	0.0	**193.5**
Cash and cash equivalents	2 071.8	0.0	0.0	**2 071.8**
Total	3 679.1	4.2	1 215.7	**4 899.0**

	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet				
State loan	0.0	0.0	2 083.0	**2 083.0**
Derivative financial instruments	4.9	25.6	0.0	**30.5**
Other long-term liabilities	0.0	0.0	20 097.1	**20 097.1**
Trade payables and other liabilities	0.0	0.0	1 483.0	**1 483.0**
Total	4.9	25.6	23 663.1	**23 693.6**

For information about the credit quality of financial assets - see note 13.

DERIVATIVE FINANCIAL INSTRUMENTS

	AVINOR AS			AVINOR GROUP		
	2018	2017	MOVEMENT	2018	2017	MOVEMENT
Assets						
Interest rate swaps - cash flow hedges	**1 283.3**	1 026.7	256.6	**1 283.3**	1 026.7	256.6
Interest rate swaps - fair value hedges	**222.9**	189.0	33.9	**222.9**	189.0	33.9
Forward foreign exchange contracts	**0.1**	0.3	-0.2	**0.1**	0.4	-0.3
Forward energy contracts	**53.4**	3.8	49.6	**53.4**	3.8	49.6
	1 559.7	1 219.8	339.9	**1 559.7**	1 219.9	339.8
Liabilities						
Interest rate swaps - cash flow hedges	**0.0**	0.0	0.0	**0.0**	25.6	-25.6
Forward foreign exchange contracts	**0.0**	0.0	0.0	**6.2**	4.9	1.3
Forward energy contracts	**0.0**	0.0	0.0	**0.0**	0.0	0.0
	0.0	0.0	0.0	**6.2**	30.5	-24.3
Net movement			339.9			364.1
Details of net movement:						
Changes in value and other losses/(gains) - net (note 9)			49.4			47.9
Interest rate swaps - recognised in other comprehensive income			186.3			211.9
Interests rate swaps - changes in value			103.9			103.9

DERIVATIVE FINANCIAL INSTRUMENTS [1]

AVINOR AS AND AVINOR GROUP	AS AT 31 DECEMBER 2018 CARRYING AMOUNT	MOVEMENT IN CARRYING AMOUNT 2018	RECOGNISED IN OCI 2018	TOTAL HEDGING GAIN/LOSS(-) RECOGNISED IN OCI
Interest rate swaps - cash flow hedges	1 283.3	256.6	186.1	52.1
Interest rate swaps - fair value hedges	222.9	33.9	0.2	-4.1
Total	1 506.2	290.5	186.3	48.0

[1] Line item in the statement of financial position

These derivative financial instruments are also cash flow hedges of foreign exchange loans in EUR to fixed NOK. There has been no ineffectivity in these hedging instruments.

All interest rate swaps, with the exception of one fair value hedge, are designated as cash flow hedges.

Forward foreign exchange and energy contracts are not defined as hedge accounting and are classified as a current asset and/or liability.

Interest rate swaps are defined as hedge accounting instruments and the fair value of the hedging instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The ineffective portion of the hedge is recognised in the income statement.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2018 was MNOK 203 (2017: MNOK 200).

The notional principal amount of the outstanding forward energy contracts at 31 December 2018 was MNOK 162 (2017: MNOK 102).

The notional principal amount of the outstanding interest rate swaps contracts at 31 December 2018 were MNOK 9,459 (2017: MNOK 9,459). At 31 December 2018, the fixed interest rates vary from 1.11 per cent to 4.58 per cent (2017: 1.11 per cent to 5.56 per cent). The main floating rate is NIBOR and fixed Euro interest rate.

Gains and losses recognised in the hedging reserve in other comprehensive income (note 15) on interest rate swap contracts as of 31 December 2018 will be continuously released to the income statement until the repayment of the bank borrowings.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Other financial assets				
Other non-current receivables	87.2	260.1	88.3	260.1
Total	87.2	260.1	88.3	260.1

Other non-current receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Fair value of other financial assets are substantially identical with book value.

TRADE RECEIVABLES, OTHER SHORT TERM RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Trade receivables				
Trade receivables	911.3	950.4	1 149.7	1 163.1
Less: Provision for impairment of trade receivables	-12.1	-8.3	-19.1	-9.4
Trade receivables - net	899.2	942.1	1 130.7	1 153.7
Receivables written off during the year	7.9	0.4	7.9	0.4

The fair value of trade receivables is approximately equal to the carrying amount.

Loss on trade receivables is classified as other operating expense in the income statement.

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES:

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
At 1 January	8.3	1.7	9.4	2.1
This years provisions for receivables impairment	12.1	8.3	19.1	9.4
Receivables written off during the year as uncollectible	-7.9	-0.4	-7.9	-0.4
Unused amounts reversed	-0.4	-1.3	-1.5	-1.7
At 31 December	12.1	8.3	19.1	9.4

Credit risk and foreign exchange risk are described in note 13.

AT 31 DECEMBER THE AGING OF THE COMPANY'S RECEIVABLES WAS AS FOLLOWS:

	TOTAL	NOT DUE	<30 D	30-60D	60-90D	>90D
2018	911.3	753.5	121.5	5.4	10.5	20.4
2017	950.4	734.2	133.0	7.8	2.7	72.7

AT 31 DECEMBER THE AGING OF THE GROUP'S RECEIVABLES WAS AS FOLLOWS:

	TOTAL	NOT DUE	<30 D	30-60D	60-90D	>90D
2018	1 149.7	991.7	121.6	5.4	10.6	20.4
2017	1 163.1	942.7	136.0	7.9	2.7	73.8

SPECIFICATION OF TRADE AND OTHER RECEIVABLES

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Specification of trade and other receivables				
Trade receivables	899.2	942.1	1 130.7	1 153.7
Intra-group accounts	186.6	52.1	0.0	0.0
Accrued income	199.0	148.4	199.7	149.3
Prepaid expenses	40.5	43.4	42.5	52.9
Other short-term assets	31.3	28.5	45.9	44.2
Total	1 356.6	1 214.5	1 418.8	1 400.1

Fair value of trade and other receivables is approximately equal to the carrying amount.

THE CARRYING AMOUNT OF TRADE AND OTHER RECEIVABLES IN FOREIGN CURRENCY IS:

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Euro	0.0	0.0	98.9	104.8
Total	0.0	0.0	98.9	104.8

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts.

CASH AND CASH EQUIVALENTS

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Cash and bank at hand	1 721.6	2 071.8	1 739.8	2 071.8
Short-term bank deposits	0.0	0.0	0.0	0.0
Total	1 721.6	2 071.8	1 739.8	2 071.8

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and cash equivalents	1 721.6	2 071.8	1 739.8	2 071.8
Bank overdrafts	0.0	0.0	0.0	0.0
Total	1 721.6	2 071.8	1 739.8	2 071.8

Avinor AS has a credit facility of MNOK 4,000 and a overdraft limit of MNOK 600 in a bank.

Group bank account system:

The Avinor bank accounts are organised as a group bank account system. Avinor AS is the formal holder of the bank account. The bank accounts of all subsidiaries are therefore formally receivables from Avinor AS, and these companies are jointly responsible for the withdrawals that the Avinor group has made.

BORROWINGS

Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost using the effective interest method, except for borrowings hedged with a derivative fair value hedge, which is also carried at fair value in subsequent periods. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Non-current borrowings				
State loan	1 638.6	2 083.0	1 638.6	2 083.0
Bonds	13 350.3	13 946.3	13 350.3	13 946.3
Bank borrowings	5 220.3	5 607.4	5 220.3	6 150.8
Total long-term	20 209.2	21 636.7	20 209.2	22 180.1
Current borrowings				
First year instalment on long-term debt	1 531.5	579.0	1 531.5	631.3
Total current	1 531.5	579.0	1 531.5	631.3
Total current and long-term borrowings	21 740.7	22 215.7	21 740.7	22 811.4

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Movement in borrowings				
Opening net book amount at 1 January	22 215.7	19 308.7	22 811.4	19 956.6
Proceeds from borrowings	0.0	4 439.5	0.0	4 439.5
Repayment of borrowings	-579.0	-964.7	-1 174.7	-1 016.9
Net proceeds/repayment of short term borrowings (commercial papers)	0.0	-1 400.0	0.0	-1 400.0
Changes in value	103.9	832.2	103.9	832.2
Closing net book amount at 31 December	21 740.7	22 215.7	21 740.7	22 811.4

INFORMATION ABOUT STATE LOAN AND BANK BORROWINGS	CURRENCY	EFFECTIVE INTEREST RATE (%)
State loan	NOK	1.61 %
Bonds, inclusive commercial papers	NOK/EUR	3.22 %
Bank borrowings	NOK	3.21 %

The figures include interest hedging derivatives. The effective interest rate is calculated as a weighted average depending the relative size of the borrowings. See note 13 for a description of interest risk.

INSTALMENT PROFILE:	2020	2021	2022	2023	2024	THEREAFTER	TOTAL
State loan	444.4	444.4	444.4	250.0	55.5	0.0	**1 638.6**
Bonds	450.0	2 970.2	0.0	0.0	0.0	9 930.1	**13 350.3**
Bank borrowings	447.1	447.1	447.1	527.1	527.1	2 824.8	**5 220.3**

State loan

The loan is divided into six equal debentures with different interest terms. Debentures one to five have interest rates equal to the interest rate used by the State when lending to public sector enterprises (average interest rate on five-year government bonds in the period October-September) plus 30 basis points. The interest on one of the debentures is renewed each year. The interest is payable in arrears at 31 December. The loan had originally a payment period of 20 years starting 2002. The term of the loan has subsequently been extended so that the final maturity date is in 2024. The first instalment was paid 30 June 2002.

Bonds

The loans, as at 31 December 2018, are as follows:

- Face value MNOK 450, maturity date 8 May 2020, interest rate 3.75 per cent
- Face value MNOK 2,000, maturity date 8 May 2028, interest rate 4.45 per cent
- Face value MEUR 300, maturity date 20 March 2021, interest rate 1.75 per cent
- Face value MNOK 700, maturity date 30 October 2019, interest rate 3 months NIBOR pluss 0.37 per cent
- Face value MEUR 300, maturity date 29 April 2025, interest rate 1.00 per cent
- Face value MEUR 500, maturity date 9 February 2027, interest rate 1.25 per cent

Bank borrowings

Bank borrowings in Avinor AS, as at 31 December 2018, are as follows:

- Loan of NOK 1.5 billion from the Nordic Investment Bank (NIB). The loan, disbursed in December 2011, has a term of 20 years and is irredeemable for 8 years.
- Loan of MNOK 1525.3 from the European Investment Bank (EIB). The loan, disbursed in June 2012, has a term of 16 years and is irredeemable for 4.5 years.
- Loan of NOK 1.0 billion from the Nordic Investment Bank (NIB). The loan, disbursed in November 2016, has a term of 20 years and is irredeemable for 8 years.
- Loan of MNOK 1899.9 from the European Investment Bank (EIB). The loan, disbursed in April 2017, has a term of 12 years and is irredeemable for 3 years.

According to its Articles of Association the company is not allowed to pledge assets connected to the core business of the group as security.

Drawing rights

The group has an unused bank credit facility of MNOK 4,000 at a floating interest rate, expiring in 2020.
The group also has an unused bank overdraft limit of MNOK 600 at a floating interest rate. This overdraft facility is part of the group's cash management agreement.

NOTE 15 Other reserves

All amounts in MNOK

AVINOR AS

	PENSIONS	HEDGES	TOTAL
At 1 January 2017	-320.2	-11.7	-331.8
Actuarial gains/(losses) on pensions	-385.9	0.0	-385.9
Tax effect	92.6	0.0	92.6
Fair value change cash flow hedge	0.0	-109.4	-109.4
Tax effect	0.0	26.3	26.3
Change in tax rate, effect deferred tax assets/-liabilities	-8.7	-1.2	-9.9
At 31 December 2017	-622.2	-96.0	-718.1
Actuarial gains/(losses) on pensions			0.0
Tax effect	-485.6	0.0	-485.6
Fair value change cash flow hedge	111.7	0.0	111.7
Tax effect	0.0	186.3	186.3
Change in tax rate, effect deferred tax assets/-liabilities	0.0	-42.9	-42.9
At 31 December 2018	-12.9	0.6	-12.3
Balanseført verdi 31.12.2018	-1 009.0	48.0	-960.9

AVINOR GROUP

	PENSIONS	HEDGES	TOTAL
At 1 January 2017	-321.9	-40.3	-362.4
Actuarial gains/(losses) on pensions	-901.8	0.0	-901.8
Tax effect	216.3	0.0	216.3
Fair value change cash flow hedge	0.0	-97.3	-97.3
Tax effect	0.0	23.4	23.4
Change in tax rate, effect deferred tax assets/-liabilities	-14.2	-1.6	-15.8
At 31 December 2017	-1 021.6	-115.8	-1 137.6
Actuarial gains/(losses) on pensions	-666.3	0.0	-666.3
Tax effect	152.9	0.0	152.9
Fair value change cash flow hedge	0.0	211.9	211.9
Tax effect	0.0	-48.7	-48.7
Change in tax rate, effect deferred tax assets/-liabilities	-20.2	0.6	-19.6
At 31 December 2018	-1 555.2	48.0	-1 507.4

NOTE 16 Pension obligation

All amounts in MNOK

DEFINED BENEFIT PLAN STATENS PENSJONSKASSE (SPK)

The pension schemes are generally funded through payments to Statens Pensjonskasse (the Norwegian Public Service Pension Fund, SPK), determined by periodic actuarial calculations. The group has a defined benefit plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of high-quality corporate bonds (or long-term treasury bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Changes in assumptions, basic data and the benefits of the pension plan which have as an effect an accounting loss or gain will be set off against equity through other comprehensive income in the period they occur.

A change in the benefits which refers to previous periods of earning implies a change in the pension plan which is a cost related to previous periods of earning. A negative cost occurs when the benefits are changed in such a way that the present value of the projected benefits are reduced.

The pension scheme is not directly funded. The pension payments are guaranteed by the Norwegian government (Section 1 of the Pensions Act). Management of the allocated fund (fictitious fund) is simulated as if the funds were invested in long - term government bonds. Three per cent of the fund related to Avinor Flysikring AS is simulated as invested in the Government Pension Fund Global. The pension scheme is not movable in the same way as private pensions schemes and it is assumed that the pension scheme will be continued in SPK. In the simulation it is assumed that the bonds are held to maturity. The pension fund is therefore estimated at nominal value plus the return on the fund.

Net pension obligation

The value of net pension obligations is determined on an actuarial basis using a number of assumptions. These include, among others, the discount rate, future salary increases, regulation of pensions and demographic assumptions about disability and mortality experience. The assumptions are based on verifiable market prices and the historical development in the company and in the rest of society. Changes in the assumptions will have material effect on the estimated pension obligation-/cost.

Defined benefit plan

The group is required by law to have a pension plan. The pension plan of the group satisfies these requirements.

The pension plan includes pension benefits in accordance with the act relating to the Norwegian Public Service Fund (SPK). The benefits are retirement pension, disability pension and dependent pension. In addition, the calculations do include a contractual pension right, which is a tariff - regulated early retirement scheme from 62 years of age.

The benefits are coordinated with the National Insurance Scheme and any previous membership periods with service pensions fund within the public sector. The pensions have a guaranteed level of gross payment independent of the National Insurance Scheme. About 50 per cent of the employees have an ordinary retirement age of 62 or 65 years.

With effect from 1 January 2018, new rules were introduced that transferred the obligation to pay for the adjustment premium on pension liabilities related former employees from the state to the individual company. The increase in the pension liability as of the second quarter of 2017 as a result of this was recognized in the income statement for 2017 (MNOK 415.0 in the Group and MNOK 170.0 in the parent).

Actuarial loss in 2018 (MNOK 666.3 for the group and MNOK 485.6 for the parent) is due to changes in financial and actuarial assumptions.

New Act on public occupational pension schemes and change of the group's pension scheme

The new Act on public occupational pension schemes will, according to the plan, come into force from 2020. The Act is expected to be adopted in 2019. New regulations for coordination between the public occupational pension schemes and the National Insurance Scheme have been adopted but not implemented pending the new Act.

The public occupational pension scheme in the Group is closed with effect from 1 January 2019. From the same date, a defined contribution pension is introduced in accordance with the Act on Contribution Pension. In Avinor Flysikring AS, it is agreed that all employees under the age of 53 as of 31 December 2018 will be transferred to the defined contribution plan. Employees over the age of 53 in Avinor Flysikring AS and employees of Avinor AS and Svalbard Lufthavn AS may choose to continue in the public occupational pension scheme or change to the defined contribution pension scheme introduced. (A defined contribution pension scheme is a scheme whereby the employer commits to paying an agreed premium to the scheme and where the premium payments are recognized in statement of income.)

As a consequence of the closure of the public occupational pension scheme in Avinor Flysikring AS and the transition to a privat pension scheme for all employees under the age of 53 as of 31 December 2018, a new scheme has been established relating to special-age pensions. The Group will also, as from 1 January 2019, be affiliated with the private early retirement scheme (AFP) for employees that have transitioned to the new pension scheme. The changes in special-age pension and AFP are considered as a change to the defined benefit plan causing a recognized profit in the 2018 income statement of MNOK 128.8. Additional accounting consequences of the changes described above are not reflected in the financial statements as of 31 December 2018 due to uncertainty regarding the scope of the transition to the new pension scheme and the accounting consequences of the changes.

As of 1 January 1 2019 the Group will be affiliated with the private early retirement pension scheme (AFP), which is a collective pension scheme for the tariff based sector in Norway.

The AFP scheme is based on a tripartite collaboration between employer organizations, employee organizations and the state. The state covers one third of the pension expenses of AFP, while affiliated companies cover two thirds. For accounting purposes, the scheme is regarded as a defined benefit multi enterprise scheme. It is not yet, with sufficient degree of reliability, possible to calculate the Group's share of the liability in the scheme. The scheme is therefore accounted for as a defined contribution plan where the premium payments are recognized in the income statement. There is a significant underfunding in the APF scheme. In addition, companies participating in the AFP scheme are jointly and severally liable for two thirds of future pension payments. An increase in the premiums for the AFP scheme is therefore expected in the future. The premium for 2019 will be 2.5 per cent of a salary basis which is defined in more detail in the AFP scheme's articles of association.

The tariff K2013 have been used for calculating life and mortality expectancy, while the tariff K1963 multiplied by 200 per cent have been used for determination of disability risk.

	LIFE EXPECTANCY		MORTALITY EXPECTANCY		DISABILITY EXPECTANCY	
AGE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
20	81	85	0.023 %	0.009 %	0.115 %	0.172 %
40	82	86	0.058 %	0.034 %	0.264 %	0.524 %
60	84	87	0.428 %	0.288 %	1.406 %	2.404 %
80	89	91	4.304 %	2.947 %	IA	IA

The amounts recognised in the income statement are as follows:

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Current service cost	265.3	369.7	449.7	737.9
Plan amendment	0.0	0.0	-113.0	0.0
Interest cost	136.9	135.1	229.3	218.4
Return on plan assets	-93.5	-98.0	-151.4	-156.5
Contribution from the employees	-28.4	-27.6	-47.3	-45.8
Administration fee	4.0	4.8	6.7	7.9
Payroll tax, employers contribution	43.9	57.7	74.8	113.0
Total pension cost (Note 5, 9)	328.2	441.8	448.8	874.9

Pension obligation and plan assets:

AVINOR AS

	FUNDED	UNFUNDED	2018 TOTAL	FUNDED	UNFUNDED	2017 TOTAL
Pension obligations and plan assets:						
Change in gross pension obligation:						
Obligation at 1 January	5 817.8	27.6	5 845.4	5 158.3	25.3	5 183.6
Current service cost	268.2	1.1	269.3	372.2	2.3	374.5
Interest cost	136.9	0.0	136.9	135.1	0.0	135.1
Merger/demerger	0.0	0.0	0.0	8.7	0.0	8.7
Actuarial losses/(gains)	371.5	0.0	371.5	306.2	0.0	306.2
Benefits paid	-162.7	0.0	-162.7	-162.7	0.0	-162.7
Gross pension obligation at 31 December	6 431.7	28.7	6 460.4	5 817.8	27.6	5 845.4
Change in pension funds:						
Fair value at 1 January	3 853.0	0.0	3 853.0	3 727.9	0.0	3 727.9
Expected return on plan assets	93.5	0.0	93.5	98.0	0.0	98.0
Merger/demerger	0.0	0.0	0.0	8.2	0.0	8.2
Employer contributions	282.4	0.0	282.4	213.6	0.0	213.6
Actuarial (losses)/gains	-54.1	0.0	-54.1	-32.1	0.0	-32.1
Benefits paid	-162.7	0.0	-162.7	-162.7	0.0	-162.7
Fair value of plan assets at 31 December	4 012.1	0.0	4 012.1	3 853.0	0.0	3 853.0
Net pension obligation	2 419.6	28.7	2 448.3	1 964.9	27.6	1 992.4
Payroll tax, employers contribution	341.1	0.0	341.1	272.9	0.0	272.9
Net pension obligation recognised in the balance sheet at 31 December	2 760.7	28.7	2 789.4	2 237.7	27.6	2 265.3
Actual return on plan assets last year	69.6		69.6	65.5		65.5
Expected employer contribution next year	245.4		245.4	202.6		202.6
Expected payment of benefits next year	-175.0		-175.0	-165.1		-165.1

AVINOR GROUP

	FUNDED	UNFUNDED	2018 TOTAL	FUNDED	UNFUNDED	2017 TOTAL
Pension obligations and plan assets:						
Change in gross pension obligation:						
Obligation at 1 January	9 706.7	28.1	9 734.8	8 195.5	25.6	8 221.1
Current service cost	455.1	1.3	456.4	743.3	2.5	745.8
Plan amendment	-370.4	257.4	-113.0	0.0	0.0	0.0
Interest cost	229.3	0.0	229.3	218.4	0.0	218.4
Actuarial losses/(gains)	542.3	0.0	542.3	743.4	0.0	743.4
Benefits paid	-204.8	0.0	-204.8	-193.9	0.0	-193.9
Gross pension obligation at 31 December	10 358.2	286.8	10 645.0	9 706.7	28.1	9 734.8
Change in pension funds:						
Fair value at 1 January	6 195.4	0.0	6 195.4	5 943.5	0.0	5 943.5
Expected return on plan assets	151.4	0.0	151.4	156.5	0.0	156.5
Employer contributions	478.7	0.0	478.7	336.5	0.0	336.5
Actuarial (losses)/gains	-42.4	0.0	-42.4	-47.3	0.0	-47.3
Benefits paid	-204.8	0.0	-204.8	-193.9	0.0	-193.9
Fair value of plan assets at 31 December	6 578.3	0.0	6 578.3	6 195.4	0.0	6 195.4
Net pension obligation	3 779.9	286.8	4 066.7	3 511.4	28.1	3 539.5
Payroll tax, employers contribution.	530.3	36.3	566.6	486.4	0.0	486.4
Net pension obligation recognised in the balance sheet at 31 December	4 310.2	323.1	4 633.4	3 997.8	28.1	4 025.9
Actual return on plan assets last year	121.6		121.6	102.3		102.3
Expected employer/employee contribution next year	251.5		251.5	340.1		340.1
Expected payment of benefits next year	-217.9		-217.9	-196.8		-196.8

Movement in the defined benefit obligation over the year:

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Movement in the defined benefit obligation over the year:				
Obligation at 1 January	1 992.4	1 455.6	3 539.4	2 277.5
Pension cost charged to the income statement	312.7	411.6	421.3	807.9
Employer/employee contribution	-286.4	-218.4	-485.4	-344.4
Administration fee	4.0	4.8	6.7	7.9
Merger/demerger	0.0	0.5	0.0	0.0
Actuarial (gains)/losses recognised in other comprehensive income	425.6	338.3	584.7	790.7
Liability in the balance sheet at 31 December	2 448.3	1 992.4	4 066.7	3 539.5
Actuarial (gains)/losses on post-employment benefit obligations				
Actuarial (gains)/losses	425.6	338.3	584.7	790.7
Effect change in payroll tax rate	60.0	47.7	81.6	111.2
Total actuarial (gains)/losses on post-employment benefit obligations	485.6	386.0	666.2	901.9

The calculation of pension cost and net pension obligation are made based on a set of assumptions. The discount rate is based on Norwegian covered bond interest rates. The pension obligation's weighted average duration is 24 years for the Group and 21 years for the parent. Assumptions regarding future salary and pension increases in addition to official pension benefit adjustments are based on updated recommendations from the The Norwegian Accounting Standards Board (NASB).

	2018	2017
Discount rate	2.60 %	2.40 %
Future salary increases	2.75 %	2.50 %
Future pension increases	1.75 %	1.50 %
Early retirement scheme	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 probability of retiring by use of special age pensions in Avinor AS and Svalbard Lufthavn AS is estimated at 50 per cent if >50 years, 35 per cent if 55-40 years and 10 per cent if <40 years. For Avinor Flysikring AS, corresponding estimates are 90 per cent if >55 years, 40 per cent if 55-40 years and 10 per cent if <40 years.

Determination of premium levels

The determination of premium levels and the calculation of provisions for pension obligations are based on ordinary actuarial principles.

PENSION OBLIGATION - SENSITIVITIES

	2018		2017	
CHANGE IN PENSION OBLIGATION AS A RESULT OF ONE PERCENTAGE POINT CHANGES IN WEIGHTED FINANCIAL ASSUMPTIONS:	+ 1	- 1	+ 1	- 1
Discount rate	-1 879	2 535	-1 541	2 055
Future salary increase	970	-1 125	744	-853
Pension regulation	1 001	-1 167	905	-984

NOTE 17 Provisions for other liabilities and charges

All amounts in MNOK

PROVISIONS

Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

AVINOR AS

	SEVERANCE PAY	EARLY RETIREMENT PAY	ENVIRON-MENTAL POLLUTION	OTHER	TOTAL
At 1 January 2017	3.9	18.2	156.3	0.0	**178.5**
Additional provision	0.0	1.1	40.0	0.0	**41.1**
Reversed	-0.9	0.0	0.0	0.0	**-0.9**
Used	-1.2	-16.0	-14.0	0.0	**-31.2**
At 1 January 2018	1.8	3.3	182.3	0.0	**187.5**
Additional provision	0.1	0.0	0.0	0.0	**0.1**
Reversed	0.0	-2.1	0.0	0.0	**-2.1**
Used	-0.7	-1.2	-15.5	0.0	**-17.4**
At 31 December 2018	1.2	0.0	166.8	0.0	**168.1**

AVINOR GROUP

	SEVERANCE PAY	EARLY RETIREMENT PAY	ENVIRON-MENTAL POLLUTION	OTHER	TOTAL
At 1 January 2017	3.9	37.7	158.4	0.2	**200.2**
Additional provision	0.0	6.3	40.0	0.0	**46.3**
Reversed	-0.9	0.0	0.0	0.0	**-0.9**
Used	-1.2	-28.9	-14.0	-0.2	**-44.3**
At 1 January 2018	1.8	15.1	184.4	0.0	**201.4**
Additional provision	0.1	10.4	0.0	0.0	**10.5**
Reversed	0.0	-2.1	0.0	0.0	**-2.1**
Used	-0.7	-9.5	-15.5	0.0	**-25.7**
At 31 December 2018	1.2	13.9	168.9	0.0	**184.1**

The short-term part of provisions for other liabilities and charges are included in other short term liability. See note 13.

Severance pay

Until 31.12.2005, employees were entitled to severance pay pursuant to the Civil Service Act on involuntary termination. The carrying amount of the severance pay liability is defined as the present value of the defined benefits at the balance sheet date.

On 4 December 2003, the board of directors approved a substantial restructuring of the group, called Take-off-05.

One of the consequences of this decision was a substantial cut in the workforce. Part of the cut was carried out by use of redundancy pay.

Redundancy pay is still covered by the company. The period of time for the right to redundancy pay depends on age and seniority at time of resignation. The provision for redundancy pay is based on expectations about the redundancy pay period based on the above-mentioned rules.

Early retirement pay air navigation management

The group has entered into individual early retirement pay agreements covering 72 per cent of normal wages in the period 60-62 years. After this period the individuals will be covered by ordinary pension plans.

Early retirement pay others

This include optional retirement pay in accordance with the group's policy related to restructuring.

Environmental pollution

A provison is made for cost related to surveys and mapping, as well as handling of contamined land (see note 21).

NOTE 18 Other short-term liabilities

All amounts in MNOK

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Holiday allowance	**180.3**	176.2	**307.2**	299.7
Advance from customers	**135.4**	126.1	**161.4**	130.7
Wages and social security	**57.9**	58.5	**92.0**	95.9
Accruals	**380.0**	962.8	**428.9**	1 018.4
Intra-group liability	**1 280.9**	1 613.2	**0.0**	0.0
Other short-term liability	**413.5**	317.1	**416.5**	330.4
Total	**2 448.1**	3 253.9	**1 406.0**	1 875.1

NOTE 19 Subsidiaries

All amounts in MNOK

AVINOR GROUP

The consolidated financial statements encompasses Avinor AS and all entities over which Avinor AS has control.

The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

As at 31 December 2018 all subsidiaries are wholly owned.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

AVINOR AS

Shares in subsidiaries are recognised at cost at the acquisition date and are classified as a long-term investment. The shares are assessed whether there is any indication that their carrying amount exceeds the amount to be recovered through use or sale.

The consolidated financial statement of the group includes the following subsidiaries as at 31 December 2018:

DIRECTLY OWNED SUBSIDIARIES	HOME	BUSINESS OFFICE	MAIN BUSINESS	OWNERSHIP/ VOTING SHARES	BOOK VALUE	TOTAL EQUITY 31.12.2018	PROFIT/ LOSS 2018
Svalbard Lufthavn AS	Norway	Longyearbyen	Airport operations	100 %	104.3	142.2	13.9
Avinor Flysikring AS	Norway	Oslo	Air navigation services	100 %	367.2	304.2	184.4
Avinor Utvikling AS	Norway	Oslo	Real estate	100 %	670.0	1 105.8	4.9
Sjømatterminalen AS	Norway	Oslo	Real estate	100 %	20.0	20.0	-1.4
Total					1 161.6	1 572.2	201.8

INDIRECTLY OWNED SUBSIDIARIES:	HOME	BUSINESS OFFICE	MAIN BUSINESS	OWNERSHIP/ VOTING SHARES	BOOK VALUE	TOTAL EQUITY 31.12.2018	PROFIT/ LOSS 2018
Flesland Eiendom AS	Norway	Oslo	Real estate	100 %	108.0	147.8	6.9
Værnes Eiendom AS	Norway	Oslo	Real estate	100 %	132.8	109.1	-0.2
Sola Hotel Eiendom AS	Norway	Oslo	Real estate	100 %	86.7	118.6	3.9
Hell Eiendom AS	Norway	Oslo	Real estate	100 %	24.6	18.8	0.3
Hotell Østre AS	Norway	Oslo	Real estate	100 %	171.2	265.0	26.4
Flyporten AS	Norway	Oslo	Real estate	100 %	61.7	95.7	9.9
Total					585.1	755.0	47.2

The consolidated financial statement of the group includes the following subsidiaries as at 31 December 2017:

DIRECTLY OWNED SUBSIDIARIES	HOME	BUSINESS OFFICE	MAIN BUSINESS	OWNERSHIP/ VOTING SHARES	BOOK VALUE	TOTAL EQUITY 31.12.2017	PROFIT/ LOSS 2017
Svalbard Lufthavn AS	Norway	Longyearbyen	Airport operations	100 %	104.3	132.3	18.4
Avinor Flysikring AS	Norway	Oslo	Air navigation services	100 %	367.2	271.1	-26.6
Avinor Utvikling AS	Norway	Oslo	Real estate	100 %	670.0	1 100.9	8.3
Total					1 141.5	1 504.3	0.1

INDIRECTLY OWNED SUBSIDIARIES:	HOME	BUSINESS OFFICE	MAIN BUSINESS	OWNERSHIP/ VOTING SHARES	BOOK VALUE	TOTAL EQUITY 31.12.2017	PROFIT/ LOSS 2017
Flesland Eiendom AS	Norway	Oslo	Real estate	100 %	108.0	140.9	7.2
Værnes Eiendom AS	Norway	Oslo	Real estate	100 %	132.5	102.7	1.2
Sola Hotel Eiendom AS	Norway	Oslo	Real estate	100 %	86.7	110.0	5.2
Hell Eiendom AS	Norway	Oslo	Real estate	100 %	24.6	18.6	0.3
Hotell Østre AS	Norway	Oslo	Real estate	100 %	171.2	231.5	24.9
Flyporten AS	Norway	Oslo	Real estate	100 %	61.7	84.3	11.2
Total					584.7	688.0	50.0

NOTE 20 Share capital, shareholder information, dividend and results

All amounts in MNOK

SHARE CAPITAL AND PREMIUM RESERVE

Ordinary shares are classified as equity.

DIVIDEND DISTRUBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

	NUMBER OF SHARES	FACE VALUE	SHARE-CAPITAL
Ordinary shares	540 010	0.01	5 400.1
Total	540 010	0.01	5 400.1

The company has paid the following dividend on ordinary shares:

	2018	2017
NOK 1018.5 per share in 2016	0.0	550.0
NOK 462.3 per share in 2017	249.7	0.0
Total	249.7	550.0

Proposed dividend for approval in the general assembly (Not presented as a liability at 31 December)

	2018	2017
NOK 462.3 per share	0.0	249.7
NOK 1083 per share	584.9	0.0
Total	584.9	249.7

All shares are owned by the Norwegian State, represented by the Ministry of Transport and Communication.

NOTE 21 Contingencies and uncertainties

Norwegian Defence

There is a cooperation agreement between Norwegian Defence and Avinor with corresponding local agreements concerning allocation of responsibilities and expenses for airports where both parties have activities. Based on a mandate from the Ministry of Transportation and the Ministry of Defence a new agreement was established and approved by the government in February 2011, with effect from 1 January 2010. The agreement establishes principles for allocation of investment - and operational expenses between the parties at the airports owned by Avinor and the Norwegian Defence, and the Defence's payment for air navigation services.

There is still no clarification of the level of payment for the Norwegian Defence's use of Avinor's airports, which also entails uncertainty in relation to the Norwegian Defence's payment to Avinor back in time, until 2010. Avinor expects that the regulations for airport charges and aviation charges will be changed, so that the Norwegian Defence will pay according to the same regulations. This is dependent on a political clarification.

Air stations owned by the Defence

The Storting decided, in 2012, that Bodø's main air station, will be closed down, while Evenes will be the advanced base for fighter planes in the north. Bodø airport shall function as an advanced base after the close-down of Bodø main air station. This will be an intermediate solution until the new fighter planes are operational and have replaced the existing planes. This is estimated to come into effect in 2022. The cost picture may also be affected by the construction of a new airport in Bodø which is included in the National Transport Plan 2018-2029 during the first six-year period.

The Storting decided on November 15, 2016, that Andøya military aircraft station will be shut down when today's P-3 Orion surveillance aircraft are phased out and that a main base for surveillance/ advanced base for fighter aircraft at Harstad/Narvik airport, Evenes, will be established, estimated to 2022. This will mean changes in operational responsibility at Andøya airport. Changes in operational responsibility mean that the Norwegian Defence are no longer the airport manager and airport operator. This means that the airport operation must be taken care of by another party, and then a party in civil aviation. The consequence is that the company that receives the operational responsibility also receives responsibility for all revenues and costs. This entails a risk of increased deficits, and then an increased cost burden on the parties in civil aviation. There is a high probability that Avinor will be subject to this operational responsibility, with associated consequences.

The external environment

It has been uncovered that the environmental pollutant PFOS (fire foam) is spread at several airports. Risk assessments have been carried out to identify possible injuries these pollutants have for human health and the environment. Efforts are being made to clarify the scope of measures that are necessary to implement. The economic consequences of this work depend on the extent of the localities on which measures need to be taken, as well as regulatory requirements and available measures. The Norwegian Environment Agency has given Avinor a an assignment to compile available data for each airport, prepare proposals for measures and cost calculations. Except are Evenes airport, Oslo airport, Kristiansand airport and Svalbard airport where there are already ongoing cases.

Pensions

The new Act on public occupational pension schemes is scheduled to come into force from 2020. In addition, new regulations have been adopted for the coordination of public occupational pension schemes and the National Insurance Scheme. The Ministry of Labor and Social Affairs has prepared a consultation paper with proposals for necessary legislative amendments. The consultation memorandum does not contain legislative proposals for a new early retirement scheme ("AFP") or terms related to special-age pensions. The regulations for the coordination have not been implemented and are therefore not reflected in the financial statements as of 31 December 2018.

The public occupational pension schemes in Avinor in the Norwegian Public Service Pension Fund (SPK) closes with effect from 1 January 2019 and the employees with membership of the Norwegian Public Service Pension Fund will on this date be offered membership in a defined contribution pension scheme. This means that the pension scheme in the Group gradually changes from a defined benefit pension scheme where the pension is based on final salary at the time of retirement to an arrangement with approximate balance earnings. This will have consequences for the accounting treatment of pension costs and obligations in Avinor, but as of today there are insufficient basis for calculating the effects. Accounting effects will be taken into account when the new scheme is adopted or introduced.

NOTE 22 Commitments

All amounts in MNOK

The parent company and the group have contracted for capital expenditure not yet incurred at the end of the reporting period as follows:

	AVINOR AS		AVINOR GROUP	
	2018	2017	2018	2017
Property, plant and equipment	716.6	564.7	729.1	611.0
Total	716.6	564.7	729.1	611.0

NOTE 23 Related-party transactions

All amounts in MNOK

The Ministry of Transport and Communication

As the sole owner of Avinor AS the Norwegian State represented by the Ministry of Transport and Communication (SD) is a related party.

SD has the principal authority regarding the structure of the airport network and the traffic charges. Any closing down of an airport or other material changes in the airport structure shall be presented to SD. The final decision is made by the Storting. The charges regulation which decides the setting of air traffic charges shall be sanctioned by SD.

Group companies

Outstanding accounts between companies in the group:

AVINOR AS AT 31 DECEMBER 2018

	SVALBARD LUFTHAVN AS	AVINOR FLYSIKRING AS	SJØMAT-TERMINALEN AS	AVINOR UTVIKLING AS	FLESLAND EIENDOM AS	VÆRNES EIENDOM AS
Loans to group companies	120.0	0.0	0.0	0.0	0.0	45.0
Intra-group receivables	2.5	161.7	0.0	0.0	0.0	0.3
Total	122.5	161.7	0.0	0.0	0.0	45.3
Other short-term intra-group liability	65.7	601.5	0.0	522.5	21.7	-2.1
Total	65.7	601.5	0.0	522.5	21.7	-2.1

AVINOR AS AT 31 DECEMBER 2018 CONT.

	SOLA HOTEL EIENDOM AS	HELL EIENDOM AS	HOTELL ØSTRE AS	FLYPORTEN AS	TOTAL
Loans to group companies	25.0	0.0	0.0	0.0	190.0
Intra-group receivables	0.2	0.0	17.6	4.3	186.6
Total	25.2	0.0	17.6	4.3	376.6
Other short-term intra-group liability	1.9	17.3	29.0	23.5	1 280.9
Total	1.9	17.3	29.0	23.5	1 280.9

AVINOR AS AT 31 DECEMBER 2017

	SVALBARD LUFTHAVN AS	AVINOR FLYSIKRING AS	AVINOR UTVIKLING AS	FLESLAND EIENDOM AS	VÆRNES EIENDOM AS
Loans to group companies	120.0	0.0	0.0	0.0	0.0
Intra-group receivables	6.1	24.4	0.0	0.0	0.0
Total	126.1	24.4	0.0	0.0	0.0
Other short-term intra-group liability	24.1	526.4	519.1	113.2	62.6
Total	24.1	526.4	519.1	113.2	62.6

AVINOR AS AT 31 DECEMBER 2017 CONT.

	SOLA HOTEL EIENDOM AS	HELL EIENDOM AS	HOTELL ØSTRE AS	FLYPORTEN AS	TOTAL
Loans to group companies	0.0	0.0	0.0	0.0	**120.0**
Intra-group receivables	0.0	0.0	17.6	4.0	**52.1**
Total	0.0	0.0	17.6	4.0	**172.1**
Other short-term intra-group liability	94.4	17.0	177.8	78.6	**1 613.2**
Total	94.4	17.0	177.8	78.6	**1 613.2**

NOTE 24 Events after the reporting period

New information after the reporting period about conditions that existed at the end of the reporting period is recognised in the financial statement. Events after the reporting period affecting the group's future financial position are disclosed if material.

Avinor and the Norwegian Defence have in March 2019 reached an agreement which regulates payments from Avinor for the use of the Defence – owned airports from 2017 until 2022 , and a rental agreement with the Norwegian Defence Estates Agency for the rent of land and infrastructure at Bodoe airport until 2021. This have been reflected in the accounts.

NOTE 25 New and future accounting standards

New and amended standards adopted by the group

There are several changes that came into force for the financial year 2018 that are relevant to the Group.

IFRS 9 Financial Instruments was implemented on 1 January 2018, using the prospective method. The implementation of the standard has not had any significant effect on the company or the group's reporting. Financial instruments are mainly discussed in notes 13 and 14.

IFRS 15 Revenue Recognition was implemented on 1 January 2018 using the full retrospective method. The implementation of the standard has not led to changes in the company or the group's recognition of revenues in 2018. Revenues are mainly discussed in note 4.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statement.

Avinor has chosen not to early implement any of these standards.

IFRS 16 Leases replaces IAS 17.

IFRS 16 addresses the principles of recognition, measurement, presentation and disclosure of lease agreements for both parties in the agreement, the customer (lessee) and the offerer (lessor). The new standard demands that the lessee recognise assets and obligations for the majority of lease agreements, which is a material change from today's rules. For the lessor the accounting treatment will mainly remain unchanged, which implies that the asset is derecognized in the case of financial lease and a profit or loss is recognized. The classification of operational and financial leases are described in note 12 (Intangible assets, property, plant and equipment).

The standard is effective from 1 January 2019 and will be implemented according to a modified retrospective method where the right to use assets equals the obligations (no restatement of earlier comparative periods in the year-end accounts of 2019). The company and the Group will apply the recognition exemptions for immaterial lease agreements (IFRS 16.5 b.) and short-term lease agreements (IFRS 16.5 a.). The company and the Group will also choose not to apply IFRS 16 to intangible assets (IFRS 16.4). Recognized assets and liabilities under IFRS 16 will be presented separately in the company's and the Group's balance sheet.

Estimated lease obligation is calculated as the present value of expected rental payments over the lease term. Expected rental payments are index-adjusted where applicable. A discount rate similar to the Group's incremental borrowing rate has been used.

The company's and the Group's lease obligations as of 1 January 2019 as a result of this are mainly related to office rent, including the head office in Oslo (Bjørvika), the lease of Bodø Airport from the Norwegian Defence and various lease agreements related to machinery, equipment, etc. The total calculated lease obligation/ right of use for the Group is MNOK 497, of which MNOK 420 relates to the parent company Avinor AS. In addition, intra-group leases are estimated at MNOK 176.

There are no other IFRSs or IFRIC interpretation that are not yet effective that would be expected to have a material impact on the group.

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 3 April 2019
Board of Directors of Avinor AS

Anne Carine Tanum
Chair of the Board

Ola H. Strand
Vice Chair

Eli Skrøvset

Linda Bernander Silseth

Herlof Nilssen

Bjørn Tore Mikkelsen

Heidi Anette Sørum

Olav Aadal

Dag Falk-Petersen
CEO

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Avinor AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Avinor AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2018, income statement, statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Pensions

The parent company and the Group have significant pension obligations recognized in the balance sheet. At the end of the accounting year, gross pension obligations amounted to MNOK 6 460.4 and MNOK 10 645 respectively, for the parent company and the Group. The valuation of the pension obligations requires a considerable degree of judgment and technical competence, including the use of an external actuary to calculate the obligations. Even small changes in the most important assumptions applied in the valuation of the Group's pension obligations including salary growth, inflation, discount interest, mortality and withdrawals from the early retirement scheme (AFP) and special age arrangements can significantly impact the calculation of the obligation. Avinor Flysikring, a subsidiary of Avinor AS, has in 2018 changed the pension scheme, resulting in that all employees under the age of 53 will be transferred to a defined contribution pension scheme and a private AFP scheme. Overall, these conditions are of great importance to the financial accounts, hence this issue have been a key audit matter.

Our audit of the parent company and Group's treatment of pensions has included assessments of assumptions used as a basis in the calculation of the pension obligations, control procedures of input data, effects of the transition to a new scheme for employees in Avinor Flysikring and an evaluation of external expertise used in the estimation of the obligations.

We have, in particular:

- verified that assumptions related to inflation, discount interest and mortality are based on external and publicly available data from acknowledged organizations
- compared assumptions related to salary growth against the Group's historical and expected future development
- assessed changes in assumptions for withdrawals of the early retirement scheme (AFP) and special age arrangement against historical information and expected future development
- considered the basis for increase in pension obligations related to future pension regulations and the accounting treatment of this change
- reviewed the data components used as a basis in the calculation of the pension obligations
- assessed basis and estimates for the exit of employees under the age of 53 from the Government Pension Fund
- evaluated the competence and objectivity of the Group's external actuary
- considered whether the recognition of pensions complies with the relevant framework for financial reporting (IAS 19).

Note 16 to the financial statements has additional information.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Building a better working world

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 3 April 2019
ERNST & YOUNG AS

Jan Wellum Svensen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

MORE ABOUT AVINOR

Interim reports and annual reports

Avinor publishes reports about its operations annually and quarterly. The interim reports present key figures and the financial statements, as well as a brief report on financial conditions. Avinor's interim reports and annual reports are available on Avinor's website.

The Section 10 plan

Section 10 of Avinor's Articles of Association states that each year the board of directors must prepare a report to the Norwegian Ministry of Transport and Communications about the company's overall operations, which include its plans for the future. The document is publicly available and is known as the Section 10 plan. At least once per parliamentary term (usually four years) Avinor's Section 10 plan serves as the basis for a report to the Storting on Avinor's operations. The last report to the Storting about Avinor was submitted in April 2017.

Avinor's contribution to the National Transport Plan

The National Transport Plan (NTP) presents the Norwegian government's transport policy. It lays the foundation for comprehensive political assessments, the efficient use of tools, and improved interaction between the different modes of transport. Aviation infrastructure forms part of the report. The NTP is discussed by the Committee for Transport and Communications, which presents its opinion to the Storting. The NTP for the period 2018 to 2029 was discussed in the Storting in the spring of 2017 and can be found at www.ntp.dep.no.

Photo: Hans Olav Nygård (p. 21), AirBP (p.41), Fasett (p. 47), Catchlight

Avinor is responsible for the 43 state-owned airports and air navigation services for civilian and military aviation in Norway. This network links Norway together – and links Norway to the world.

Avinor is a driving force in environmental work in aviation and a driving force to reduce the combined greenhouse gas emissions from Norwegian aviation. The company has a leading role in the work on developing and delivering biofuel for aircraft and the electrification of aviation.

Every year, Avinor contributes to conducting safely and efficiently more than 50 million flights. About one half travel to and from Oslo airport

More than 3,000 employees are responsible for planning, developing and operating airports and air navigation services. Avinor is funded by aviation fees and commercial sales at the airports.

Design and production: artbox.no

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