AVINOR

INTERIM FINANCIAL REPORT

4th quarter 2016

Content

About Avinor

Avinor has two primary business areas, operation of a nationwide network of airports, and the national air navigation services for civil and military aviation. In total, this includes 46 airports as well as control towers, control centres and other technical infrastructure for safe air navigation. In addition to the aviation-operative activities, commercial earnings are facilitated through airport hotels, parking facilities, tax-free stores, restaurants and other services for air passengers.

Avinor is a group where the operational activities are partly organised in divisions and in partly in legal entities (subsidiaries). Financially, the overall operations are run as a single aviation system. The air navigation services finance themselves by pricing the services in accordance with international provisions.

The Group has approximately 3,000 employees and annual operating revenues of NOK 10 billion. 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 Norwegian state's ownership of Avinor, and stipulates e.g. the tasks imposed on the Group to safeguard the general interests of Norwegian society, the required rate of return and dividends. 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 stipulates the Civil Aviation Authority's regulations, which have consequences for Avinor's operations.

Avinor has issued bonds that are listed on the Oslo and Luxembourg Stock Exchange. The Group's corporate governance must adhere to the Oslo Stock Exchange's recommendations for corporate governance to the extent applicable. The principles complement the government's focus on corporate governance in the management of the Norwegian state's shareholdings.

Avinor's head office is located in Oslo.

Avinor Group - Main Figures

All amounts in MNOK

	FOURTH QUARTER		TWELVE MONTHS ENDED DECEMBER	
	2016	2015	2016	2015
Traffic income	727.3	741.7	3 002.3	3 067.8
Security (cost based)	279.5	276.0	1 156.9	1 155.5
Sales- and rental income - duty free	623.4	600.7	2 552.0	2 512.0
Sales- and rental income - parking	226.7	213.7	868.6	865.9
Sales- and rental income - other	575.9	458.7	1 876.1	1 670.9
Inter - group income	68.7	49.1	219.0	152.0
Total income airport operations	2 501.5	2 339.9	9 674.9	9 424.1
En route charges	244.4	226.8	984.7	1 024.8
Inter-group income approach and control tower services	225.2	235.1	804.6	842.2
Other income	61.7	62.4	201.5	220.5
Total income air navigation services	531.3	524.3	1 990.8	2 087.5
Other group income (a)	220.0	1 496.5	827.9	2 224.3
Elimination of inter - group income	-467.8	-467.9	-1 705.6	-1 746.5
Total group income	2 785.0	3 892.8	10 788.0	11 989.4
Operating expenses airport operations (a)	-1 703.5	-1 574.7	-6 119.6	-5 972.3
Operating expenses air navigation services	-469.6	-477.5	-1 779.1	-1 874.4
Other operating expenses	-271.1	-368.7	-1 074.0	-1 197.3
Elimination of inter-group expenses	467.8	467.9	1 705.6	1 746.5
Total group expenses	-1 976.4	-1 953.0	-7 267.1	-7 297.5
EBITDA airport operations	798.0	765.2	3 555.3	3 451.8
EBITDA air navigation services	61.7	46.8	211.7	213.1
EBITDA others	-51.1	1 127.8	-246.1	1 027.0
EBITDA group	808.7	1 939.7	3 520.9	4 691.8
Depreciation, amortisation and impairment charges	-491.0	-437.3	-1 762.9	-1 459.3
Operating profit/(loss)	317.7	1 502.4	1 758.0	3 232.5
Net finance income/(costs)	-125.4	-88.4	-383.8	-328.6
Profit/(loss) before income tax	192.3	1 414.0	1 374.2	2 903.9
Income tax expense	-41.8	-52.1	-338.7	-454.9
Profit/(loss) after tax	150.5	1 361.9	1 035.5	2 449.0
EBITDA-margin airport operations	31.9 %	32.7 %	36.7 %	36.6 %
EBITDA-margin air navigation services	11.6 %	8.9 %	10.6 %	10.2 %
EBITDA-margin others	29.0 %	49.8 %	32.6 %	39.1 %
Investments airport operations	1 552.9	1 280.4	4 554.6	5 115.9
Investments air navigation services	78.1	25.5	238.1	131.1
Investments others	53.1	169.5	321.8	410.5
Total investments	1 684.1	1 475.4	5 114.5	5 657.5
Distributed dividends	-	-	-500.0	-500.0
Cash flow before borrowings	-734.2	545.0	-2 622.0	-1 726.0
Interest - bearing debts			19 956.6	18 489.7
Total assets			40 921.8	38 785.0
Equity ratio			36.6 %	38.2 %
Number of passengers (in 1000)	12 282.2	11 987.4	50 802.8	50 024.9
Number of aircraft departures (in 1000)	172.9	178.9	704.4	724.1
Number of service units (in 1000)	618.7	563.2	2 492.9	2 356.8
Punctuality (b)			87 %	88 %
Regularity (b)			99 %	98 %

(a) Exclusive of inter - group leases on land
(b) Past 12 months

Board of Directors Report

IMPORTANT EVENTS

Air traffic measured as the number of passengers travelling through Avinor's airports during the period 01/01 – 31/12/2016 rose by 1.6 per cent compared with 2015. Traffic through Oslo Airport increased by 4.5 per cent, but Sola saw a reduction of 6.8 per cent. Overall, traffic at other airports was at the same level as in 2015. Air traffic to/from Stavanger is still affected by the downturn in the oil and gas industry.

Trial operation of the new terminal areas and associated underlying infrastructure at Gardermoen began on 01/12/2016, with the scheduled escalation of passenger volumes and workload at the new facilities. Outstanding construction works include completion of the link to the old terminal and commercial areas. Everything is now in place for a complete and fully tested facility ready for official opening on 27/04/2017. The project will be completed on time and on budget.

The new terminal at Flesland will open on 17/08/2017 as planned. The project's milestone plan shows that this objective is expected to be reached within the agreed budget.

In order to strengthen future emergency preparedness, create attractive workplaces, make the operation more efficient and avoid new tower facility investments, Remote Services has been established as a unit under Avinor Air Navigation Services AS. Remote Services is mandated to develop, implement and commercialise remotely operated tower services. Kongsberg Defence & Aerospace is a partner and system supplier for the development project. A remotely operated tower centre is under construction in Bodø, with a targeted 15 towers in operation by the end of 2020. This is a ground-breaking air navigation service project that involves technical, economical and regulatory risk when it comes to progress. The project is on schedule with regards to the milestone plan.

Avinor's goal is to contribute to replacing fossil jet fuel with sustainable alternative fuel in Norwegian aviation. In January 2016 Avinor Oslo Airport, in cooperation with AirBP, SkyNRG, Lufthansa Group, KLM and SAS, became the first international hub in the world to offer sustainable jet biofuel to all airlines on a commercial basis. In Q4 a new batch of fuel was delivered from AltAir in California.

The group's modernisation programme is on schedule and preliminary projected savings are above target. The programme's targeted cost-savings of NOK 600 million per year from 2018 compared to the group's previous long term business plan (baseline) remain the same. In spite of large capacity expansions and increased production, the number of man-years are reduced by 2.5 per cent in 2016.

The group is able to demonstrate continuous safe and stable operations with average regularity of 99 per cent and punctuality of 87 per cent over the past 12 months.

Sick leave amounted to 4.7 per cent over the last 12 months with an LTI rate of 4.0.

The matter of a new airport in Bodø will be presented in the first half of 2017 in connection with the National Transportation Plan. The Norwegian Defence Estates Agency has assessed a collective state property strategy for the areas. The study sets out a possible model for sharing the funding between Avinor, assets from the properties and an external funding source. On behalf of the Ministry of Transport and Communications, Avinor has carried out a renewed review of the prerequisites for establishing a new airport. The cost of a new airport is estimated at between NOK 4.5 and 5.0 billion (2016 values). Avinor's part of the funding has been estimated at NOK 1.5 billion. The government have declared that they will include a construction of a new airport in Bodø in the National Transport Plan for the period 2018-2029 with a public funding of NOK 2.2 billion.

The 2015 travel habits survey showed that more leisure trips than business trips were made on domestic air services for the first time. Tourists are increasingly travelling to Norway. Growth during the past two years primarily stems from foreign nationals travelling to Norway.

FOURTH QUARTER 2016

TABLE 1: KEY FINANCIAL FIGURES

MNOK	Q4 2016	Q4 2015	CHANGE
Operating income	2 785.0	2 626.5	6.0 %
Other income	-	1 266.3	
EBITDA	808.7	1 939.7	-58.3 %
EBIT	317.7	1 502.4	-78.9 %
Profit for the year	150.5	1 361.9	-88.9 %
Investments	1 684.1	1 475.4	14.1 %

Traffic during the fourth quarter of 2016 was strong, with 6.5 per cent more passengers at Oslo Airport compared with the fourth quarter of 2015. Sola Airport is still affected by the reduced activity levels within the oil and gas sector, and recorded 4.9 per cent fewer passengers than in the corresponding period in 2015. At other airports, the volume of traffic was reduced by 0.7 per cent. On a group basis, traffic growth amounted to 2.5 per cent compared with the fourth quarter of 2015.

Operating income during the fourth quarter of 2016 amounted to NOK 2785 million, compared with NOK 3893 million during the fourth quarter of 2015. The downturn in operating income was due to a profit of NOK 1266 million made on the sale of property during the fourth quarter of 2015. Excluding this sales profit, the year-on-year increase in operating income was 6 per cent. Airport operations were the primary driving force behind the growth in the group's revenues in the fourth quarter.

Operating expenses during the fourth quarter amounted to NOK 1976 million, compared with NOK 1953 million during the corresponding quarter of 2015. This increase was due to an increase in the cost of sales and higher costs relating to the expansion project at Oslo Airport; see Note 5 of the consolidated accounts.

During the fourth quarter, NOK 113 million (excl. depreciation and write-downs) was charged as an expense relating to additional costs for maintaining operations and safe traffic control during the expansion of Oslo Airport. The corresponding figure for the fourth quarter of 2015 was NOK 78 million, see note 5 of the consolidated accounts.

Depreciation and write-downs on the group's property, plant and equipment totalled NOK 491 million in the fourth quarter, compared with NOK 437 million in the fourth quarter of 2015. The increase was due to the completion and commissioning of several facilities previously under construction.

The group's net financial loss in the fourth quarter was NOK 125 million, compared with a loss of NOK 88 million in the fourth quarter of 2015. The change was primarily due to lower recognised interest expenses as a result of a decrease in facilities under construction.

With a tax rate of 25 per cent on an annual basis, the group's profit after tax amounted to NOK 151 million during the fourth quarter, compared with NOK 1362 million during the corresponding reporting period in 2015. The change in the result was largely due to the above-mentioned profit from property sales in 2015.

01/01 – 31/12/2016

TABLE 2: KEY FINANCIAL FIGURES

MNOK	01.01 - 31.12.16	01.01 - 31.12.15	CHANGE
Operating income	10 788.0	10 723.1	0.6 %
Other income	-	1 266.3	
EBITDA	3 520.9	4 691.8	-25.0 %
EBIT	1 758.0	3 232.5	-45.6 %
Profit for the period	1 035.5	2 449.0	-57.7 %
Investments	5 114.5	5 657.5	-9.6 %

During the period 01/01 – 31/12/2016, the group achieved a profit after tax of NOK 1036 million. Through the comprehensive income, a total of NOK 415 million has been charged as an expense, primarily linked to an increased pension obligation. Comprehensive income for the year thus amounted to NOK 620 million.

Due to ongoing expansion projects, the group's balance sheet increased year-on-year by NOK 2.1 billion during 2016 and amounted to NOK 40.9 billion as at 31/12/2016.

Operating income

Operating income during the period 01/01 - 31/12/2016 amounted to NOK 10,788 million, compared with NOK 11,989 in 2015. Included in the operating income in 2015 were profits made on the sale of property amounting to NOK 1266 million. Adjusted for this profit, operating income rose year-on-year by 0.6 per cent.

Within airport operations, operating income increased year-on-year by 2.7 per cent during 2016, driven by an increase in traffic volumes and higher sales and rental income at Oslo Airport. Within air navigation services, the increase in traffic volume was more than offset by planned price reductions, with the result that total operating income fell by 4.6 per cent. Rental income from property decreased as a result of the sale of Radisson BLU Gardermoen during the fourth quarter of 2015.

The reduction in intra-group services reflects the merger between Avinor AS and Oslo Lufthavn AS on 01/01/2016.

TABLE 3: OPERATING AND OTHER INCOME

MNOK	01.01 - 31.12.16	01.01 - 31.12.15	CHANGE
Airports operations	9 674.9	9 424.1	2.7 %
Air traffic services	1 990.8	2 087.5	-4.6 %
Property development and hotels	146.5	1 509.7	-90.3 %
Group services	681.6	1 135.9	-40.0 %
Consolidated items	-1 705.7	-2 167.8	-21.3 %
Avinor group	10 788.1	11 989.4	-10.0 %

Operating expenses, depreciation and other items

Operating expenses during the period 01/01 – 31/12/2016 amounted to NOK 7267 million, compared with NOK 7297 million in 2015, a decrease of 0.4 per cent. Operating expenses per passenger decreased by 1.9 per cent year-on-year in 2016.

In 2016, NOK 356 million (excl.depreciaton and write-downs) was charged as an additional expense related to maintaining effective operations and traffic control during the expansion of Oslo Airport. The corresponding figure for 2015 was NOK 248 million, see note 5 of the consolidated accounts.

Depreciation and write-downs totalled NOK 1763 million during the period 01/01 – 31/12/2016, compared with NOK 1459 million for the corresponding period in 2015. The increase was due to the completion and commissioning of several facilities previously under construction. Accelerated depreciation relating to the expansion project at Oslo Airport accounted for NOK 82 million, compared with NOK 61 million in 2015,see note 5 of the consolidated accounts.

EBITDA AND EBIT

EBITDA during the period 01/01 – 31/12/2016 amounted to NOK 3520 million, with an EBITDA margin of 32.5 per cent. Adjusted for a non-recurring profit on the sale of property during 2015, the group's EBITDA margin in 2016 strengthened by 0.7 percentage points compared with 2015.

Operating profit during the period 01/01 – 31/12/2016 amounted to NOK 1758 million, compared with NOK 3233 million in 2015. The reduced operating profit can be explained by higher depreciation, additional expenses related to maintaining effective operations and traffic control during the expansion of Oslo Airport, reduced rental income following the sale of Radisson BLU Gardermoen, as well as reduced prices in the air navigation service. In addition, included in the operating profit in 2015 is a non-recurring profit of NOK 1266 as a result of the sale of Radisson BLU Gardermoen.

Financial items and tax

The group's net financial loss for the period 01/01 to 31/12/2016 was NOK 384 million, compared with a loss of NOK 329 million in 2015. The change in net financial result was due to interest expenses linked to higher borrowing and a reduction in the scope of recognised project-related interest expenses.

Tax expenses are estimated at 25 per cent of the consolidated profit before tax, amounting to NOK 339 million.

Investments

Recognised additions to property, plant and equipment in the period 01/01 – 31/12/2016 amounted to NOK 5114 million compared with NOK 5658 million for the corresponding period last year.

The investments can be broken down into business areas as follows:

TABLE 4: ADDITION TO PPE RECOGNISED IN THE BALANCE SHEET

MNOK	01.01 - 31.12.16	01.01 - 31.12.15	CHANGE
Airports operations	4 554.6	5 115.9	-561.2
Air traffic services	238.1	131.1	107.0
Property development and hotels	0.3	-0.4	0.7
Joint items, group	97.9	122.7	-24.9
Consolidated items	223.6	288.2	-64.6
Avinor group	5 114.5	5 657.5	-543.0

Trial operation of the new terminal areas and associated underlying infrastructure at Gardermoen began on 01/12/2016, with the scheduled escalation of passenger volumes and aircraft movements at the new facilities. Outstanding construction works include completion of the link to the old terminal and commercial areas. Everything is now in place for a complete and fully tested facility ready for official opening on 27/04/2017. The project will be completed on time and on budget.

The new terminal at Flesland will open on 17/08/2017 as planned. The project's milestone plan shows that this objective is expected to be reached within the agreed budget.

Against the background of the collaboration agreement with the Norwegian Armed Forces dating from 2010, a judicial appraisal was carried out which is legally enforceable for determining the annual fee for using the Norwegian Defence Estates Agency's land and facilities in connection with the runway facilities at Bergen Airport (known as "aviation-critical areas"), and the purchase sum in connection with the prospective transfer. Against this background, the areas have been recognised as an investment in Q4 2016 amounting to NOK 436 million.

In order to make the air navigation services more efficient, Remote Services has been established as a unit under Avinor Air Navigation Services AS to develop, implement and commercialise remotely operated tower services. Kongsberg Defence & Aerospace is a partner and system supplier for the development project. A remotely operated tower centre is under construction in Bodø, with a targeted 15 towers in operation by the end of 2020. This involves technical, economical and regulatory risk when it comes to progress, but the project is on schedule with regards to the milestone plan.

Cash flow, financing and commitments

As a result of investment payments exceeding the contribution from current operations, the group had a negative cash flow of NOK 2622 million during the period 01/01 – 31/12/2016 before changes in liabilities. Avinor disbursed a dividend of NOK 500 million to the Norwegian state in 2016.

Interest-bearing liabilities as at 31/12/2016 amounted to NOK 19,957 million, which represents an increase of NOK 1467 million since 31/12/2015. The increase was primarily due to full utilisation in the second quarter of 2016 of the loan facility provided by the European Investment Bank (EIB) amounting to EUR 200 million. The loan was raised in NOK and amounts to approximately NOK 1.9 billion; it will run with instalments until 2028. In addition, a total of NOK 1000 million was taken out as short-term certificate loans during the third and fourth quarters. In 2016, debt amounting to NOK 996 million was repaid.

On 2 February 2017, Avinor AS issued loans worth a total of EUR 500 million under the company's EMTN programme. The loan is secured in Norwegian kroner and will run with a fixed interest rate for 10 years.

The group's total capital amounted to NOK 40.9 billion as at 31/12/2016, with an equity ratio of 36.5 per cent. The equity as defined in the articles of association expressed as a percentage of the sum of equity and net interest-bearing liabilities totalled 42.8 per cent as at 31/12/2016. Taking into account cash and cash equivalents, the ratio amounted to 44.0 per cent.

Against the backdrop of developments in the interest markets and other factors, equity was down by NOK 415 million after tax as at 31/12/2016. This is mainly due to the negative effects of changes in actuarial assumptions used for estimating pension obligations. As of 31/12/2016, calculations of the group's pension obligations assumed a discount rate of 2.6 per cent and a long-term anticipated salary growth rate of 2.5 per cent.

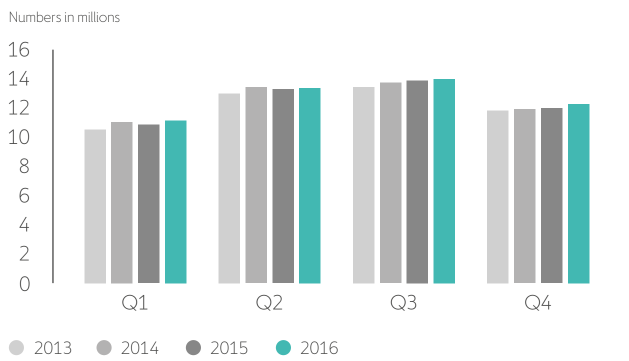
As at 31/12/2016, the group's cash reserves amounted to NOK 5749 million, split between NOK 949 million in bank deposits and NOK 4800 million in unused bank overdrafts.

Traffic development and service goals

A total of 50.8 million passengers travelled through Avinor's airports during the period 01/01 – 31/12/2016, an increase of 1.6 per cent compared with 2015.

The figure below shows the trend in traffic on a quarterly basis for the period 2013–2016:

PASSENGERS



Compared with 2015, domestic and international traffic rose by 1.2 per cent and 2.6 per cent respectively, while offshore helicopter traffic fell by around 18 per cent. Domestic traffic accounted for 59 per cent of the total traffic volume.

Passenger volume distributed among the airports is as follows:

TABLE 5: NO. OF AIR PASSENGERS

PASSASJERER (1 000)	01.01 - 31.12.16	01.01 - 31.12.15	CHANGE
Gardermoen	25 764	24 657	4.5 %
Flesland	5 872	5 946	-1.2 %
Sola	4 183	4 489	-6.8 %
Værnes	4 410	4 343	1.5 %
Others	10 574	10 590	-0.2 %
Avinor group	50 803	50 025	1.6 %

The number of commercial aircraft movements fell by 2.7 per cent compared with 2015. Traffic volume for the en route service measured as the number of service units rose by 4.4 per cent during the year.

Over the past 12 months, average regularity has been recorded at 99 per cent, and average punctuality has been recorded at 87 per cent in Avinor's network of airports.

AVIATION SAFETY AND HSE

There was one aviation accident and no serious aviation incidents to which Avinor was a contributing party during 2016, although investigations have not yet been concluded. The investigation into the aviation accident in Stavanger on 05/07/2016, when a helicopter collided with a vehicle while taxiing towards the parking space, has been completed. The investigation concluded that Avinor was an indirectly contributing party to the accident. This indirect contribution can be explained by poor understanding of the purpose of the barriers that had been erected, and failure to follow requirements concerning safety distances in connection with the positioning and checking of barriers cordoning off the operating area.

During the fourth quarter, work was underway to develop a strategy for a management system and safety management for 2017 – 2020.

In connection with requirements being introduced in new EU regulations, Avinor must have an overview of hazards and manage operational risks linked to identified hazards. Avinor has developed a process for this, as well as tools which will contribute to simpler registration, follow-up and monitoring of operational risks at all airports. The implementation of operational risk management will start during Q1 2017.

The new reporting regulations require non-conformities to be classified according to risk, and work has begun to comply with this requirement. Work is also underway to develop dashboards which will provide more accessible and dynamic management information within aviation safety at every level within the organisation.

In 2016, there were 20 injuries amongst the Avinor group's own employees which resulted in absence. The group's LTI rate (number of injuries resulting in absence per million hours worked) for 2016 was 4.0, compared with 3.3 in 2015. A new parameter, number of days' absence following injury (F-value), was introduced in 2016. This parameter provides an indication of the scope and therefore also the severity of an injury. At the end of 2016, the Avinor Group had recorded a total of 266 days of absence, split between 20 injured persons, resulting in an F-value corresponding to 53.06.

RISK FACTORS

The group's activities focus on safe air traffic management using procedures and measures to minimise both the probability 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 sector-policy objectives. The Norwegian state lays down guidelines for a number of factors including airport structure, emergency preparedness, aviation fees and public service obligations. The scope and organisation of sectoral policy guidelines can change over time.

The enterprise's recognised business assets are of a long-term nature and operations are largely governed by regulations and statutory provisions. Consequently, Avinor has a high share of fixed costs which vary only slightly according to traffic volume and capacity utilisation. The group's earnings and financial value are affected by changes in traffic volume.

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

Revenues from services and facilities for passengers are key to the group's financing. Changes in the framework conditions for the duty-free scheme in particular would have a major impact on the group's earnings and financial value.

Financial hedging instruments are used to mitigate risk linked to fluctuation of foreign interest rates, exchange rates and energy prices. The value of the hedging instruments changes according to prices in the market and may have an effect on the income statement. When investing the group's surplus cash, emphasis is given to the issuer's solidity and the liquidity of the investment. The group's cash reserves are deposited in banks on negotiated terms.

There is disagreement between the Norwegian Armed Forces and Avinor with respect to allocation of costs at airports with joint operations. Avinor has reflected this in the accounts through provisions based on the best discretionary estimate.

As a result of the establishment a new fighter plane base for the Norwegian Armed Forces at Ørland, Avinor was asked in 2014 to assume responsibility for airport operations at Bodø Airport by 01/08/2016. The takeover of operations was carried out according to plan. However, ownership of real property and facilities was not transferred. We are still awaiting clarification of terms from the Ministries of Defence and Transport and Communications. There are some unclarified questions related to the phasing out of the Norwegian Armed Forces activities in Bodø.The government have declared that they will include a construction of a new airport in Bodø in the National Transport Plan for the period 2018-2029. Due to the above-mentioned circumstances, there is financial uncertainty relating to investment in property and facilities and the basis for future airport operations in Bodø.

In connection with the pension settlement in 2005, it was determined that public service pensions should be adjusted for an increase in life expectancy, and be made subject to the new pension adjustment rules. However, there were no provisions for the coordination of public service pension benefits and new social security rules. Regulations for such coordination have therefore not been clarified and are thus not considered in the accounts. A new public occupational pension solution is being considered, but it has not been clarified what this solution would entail, when it would enter into force or what the transitional rules would be. A committee consisting of representatives of the administration and the employee organisations has been appointed to evaluate alternative pension schemes.

The airports have discharge permits which require risk assessments to identify possible sources of acute pollution which represent a risk of damage to the external environment. Avinor works continuously to reduce the risk of environmentally hazardous incidents, while past contamination is being mapped and cleaned up. Environmentally hazardous additives have been detected in fire extinguishing foam which has spread to the natural environment at the airports. Work is currently being conducted to clarify the scope of the necessary measures. Risk assessments have been carried out on the possible impact on health and the environment. The financial consequences of this depend on the scope of the measures that must be implemented, as well as regulatory requirements and measures available. The Norwegian Environment Agency will require measures to be carried out at Evenes Airport, and will probably issue a joint order for the preparation of action plans for the other airports. The order is likely to be issued in 2017.

OUTLOOK

Mobility and efficient air transport are essential for social development, and contribute to strengthening economic growth in rural areas and regions. Avinor's high activity and investment level will be continued to ensure we fulfil our social mission of providing good regional, national, European and intercontinental air services.

Air traffic is expected to increase in 2017. However, uncertainty relating to socio-economic developments may affect this picture. Avinor will continue its efforts to improve the company's environmental performance and be a driving force for climate and environment work in the aviation industry.

As a supplier of air navigation services, we pay close attention to the international deregulation of, and competition developments within, tower and approach services. Avinor's air navigation services will be a competitive and preferred supplier in a future competition-exposed market, and will make the necessary adjustments to meet this target.

The group have at present an extensive strategic sourcing process, and will facilitate the further development of efficient supplier markets. In accordance with the group's modernisation programme, the effort to increase effectiveness and productivity will continue.

Oslo, 28 February 2017
Board of Directors of Avinor AS

CONDENSED INCOME STATEMENT

All amounts in MNOK

		FOURTH QUARTER		TWELVE MONTHS ENDED DECEMBER	
	NOTES	2016	2015	2016	2015
Operating income					
Traffic income		1 253.0	1 244.1	5 143.0	5 248.0
Other operating income		1 532.0	1 382.4	5 645.0	5 475.1
Other income	4	-	1 266.3	-	1 266.3
Total operating income		2 785.0	3 892.8	10 788.0	11 989.4
Operating expenses					
Raw materials and consumables used		196.6	92.2	394.3	272.1
Employee benefits expenses	5	828.9	863.7	3 326.1	3 466.6
Other operating expenses	5	957.1	982.1	3 565.6	3 516.0
Other expenses	4	-6.3	15.1	-18.9	42.9
Total operating expenses		1 976.3	1 953.1	7 267.1	7 297.6
EBITDA		808.7	1 939.7	3 520.9	4 691.8
Depreciation, amortisation and impairment charges	5,7	491.0	437.3	1 762.9	1 459.3
Operating profit/(loss)		317.7	1 502.4	1 758.0	3 232.5
Finance income		10.5	6.8	36.2	39.8
Finance costs		135.9	95.2	420.0	368.4
Net finance income/(costs)		-125.4	-88.4	-383.8	-328.6
Profit/(loss) before income tax		192.3	1 414.0	1 374.2	2 903.9
Income tax expense	6	41.8	52.1	338.7	454.9
Profit/(loss) after tax		150.5	1 361.9	1 035.5	2 449.0

STATEMENT OF COMPREHENSIVE INCOME

All amounts in MNOK

	FOURTH QUARTER		TWELVE MONTHS ENDED DECEMBER	
	2016	2015	2016	2015
Profit/(loss) for the period	150.5	1 361.9	1 035.5	2 449.0
Other comprehensive income:				
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gains/(losses) on post employment benefit obligations	-277.6	197.8	-548.5	1 040.9
Tax effect	69.5	-53.4	137.1	-281.0
Change in tax rate, effect deferred tax assets/-liabilities	-51.6	0.5	-51.6	0.5
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges	-38.2	32.1	66.9	24.6
Tax effect	9.6	-8.7	-19.1	-6.6
Other comprehensive income, net of tax	-288.3	168.3	-415.2	778.4
Total comprehensive income	-137.8	1 530.2	620.3	3 227.4
Attributable to:				
Owner of parent	-137.8	1 530.2	620.3	3 227.4

CONDENSED BALANCE SHEET

All amounts in MNOK

	NOTES	TWELVE MONTHS ENDED DECEMBER 2016	2015
ASSETS			
Non - current assets			
Intangible assets			
Deferred tax assets	6	1 238.9	1 508.9
Other intangible assets	7	108.8	117.2
Intangible assets under construction	7	122.0	-
Total intangible assets		1 469.7	1 626.1
Property, plant and equipment			
Property, plant and equipment	7	29 245.8	22 507.1
Assets under construction	7	6 851.1	10 615.2
Total property, plant and equipment		36 096.9	33 122.3
Financial assets			
Derivative financial instruments	10	504.0	636.2
Other financial assets		390.7	306.0
Total financial assets		894.7	942.2
Total non-current assets		38 461.3	35 690.6
Curent assets			
Inventories		22.6	24.4
Trade and other receivables		1 487.8	1 378.4
Derivative financial instruments	10	1.0	24.9
Cash and cash equivalents	-	949.1	1 666.7
Total current assets		2 460.5	3 094.4
TOTAL ASSETS		40 921.8	38 785.0

CONDENSED BALANCE SHEET

All amounts in MNOK

	NOTES	TWELVE MONTHS ENDED DECEMBER 2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital		5 400.1	5 400.1
Other equity		9 552.3	9 432.0
Total equity		14 952.4	14 832.1
Provisions			
Retirement benefit obligations	8	2 588.2	1 947.4
Other provisions		168.3	181.2
Total provisions		2 756.5	2 128.6
Non-current liabilities			
State loan	9,10	2 527.3	2 971.7
Derivative financial instruments	10	50.7	88.2
Other non-current liabilities	9,10	15 432.8	14 123.8
Total non-current liabilities		18 010.8	17 183.7
Current liabilities			
Commercial papers	9,10	1 400.0	400.0
Trade payables		685.5	441.1
Tax payable		1.2	335.9
Public duties payable		211.0	246.6
Derivative financial instruments	10	2.8	50.3
First annual instalment on long-term liabilities	9,10	596.5	994.2
Other current liabilities		2 305.1	2 172.5
Total current liabilities		5 202.1	4 640.6
Total liabilities		25 969.4	23 952.9
TOTAL EQUITY AND LIABILITIES		40 921.8	38 785.0

STATEMENT OF CHANGES IN EQUITY

All amounts in MNOK

	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 Januar 2015	5 400.1	-774.8	7 597.3	**12 222.6**
Total comprehensive income		778.4	2 449.0	**3 227.4**
Change in tax rate, effect deferred tax assets/-liabilities			-117.9	**-117.9**
Dividends provided for or paid			-500.0	**-500.0**
Balance at 31 December 2015	5 400.1	3.6	9 428.4	**14 832.1**
Balance at 1 Januar 2016	5 400.1	3.6	9 428.3	**14 832.1**
Total comprehensive income		-415.2	1 035.5	**620.3**
Dividends provided for or paid			-500.0	**-500.0**
Balance at 31 December 2016	5 400.1	-411.6	9 963.8	**14 952.4**

STATEMENT OF CASH FLOWS

All amounts in MNOK

	TWELVE MONTHS ENDED DECEMBER	
	2016	2015
Cash flow from operating activities		
Profit/(loss) before income tax including discontinued operations	1 374.2	2 903.9
Depreciation	1 762.9	1 459.3
(Profit)/loss on disposals of non-current assets	-12.6	-1 270.0
Changes in value and other losses/(gains) - net (unrealised)	-34.9	17.8
Net finance (income)/costs	383.8	328.6
Change in inventories, trade receivables and trade payables	124.0	-186.2
Difference between post employment benefit expense and amount paid/received	92.3	156.5
Change in other working capital items	-284.0	86.0
Interest received	36.3	19.0
Income tax paid	-337.1	-280.1
Net cash generated from operating activities	3 104.9	3 234.8
Cash flow from investing activities		
Investments in property, plant and equipment (PPE)	-4 497.3	-5 165.7
Proceeds from sale of PPE, incl assets under construction	16.1	1 382.8
Change in other investments	-83.6	-46.2
Net cash used in investing activities	-4 564.8	-3 829.1
Cash flow from financing activities		
Proceeds from borrowings	1 899.9	3 609.7
Repayment of borrowings	-995.5	-749.0
Net proceeds/repayment of short term borrowings	1 000.0	-400.0
Interest paid	-655.6	-618.8
Other borrowing charges	-6.5	-12.9
Dividends paid to owner	-500.0	-500.0
Net cash generated/used in financing activities	742.3	1 329.0
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	-717.6	734.7
Cash, cash equivalents and bank overdrafts at the beginning of the period	1 666.7	932.0
Cash, cash equivalents and bank overdrafts at the end of the period	949.1	1 666.7

NOTES TO THE INTERIM 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.

The interim financial information was approved for issue on 28 February 2017. The interim financial information has not been audited.

NOTE 2 Basis of preparation and accounting policies

The interim financial statement for Avinor Group for the fourth quarter, ended 31 December 2016, has been prepared in accordance with International Financial Reporting Standards (IFRS) and encompasss Avinor AS and all its subsidiaries.

The interim financial information has been prepared in accordance with IAS 34 Interim financial reporting.

The interim financial information should be read in conjunction with the annual financial statement for the year ended 31 December 2015.

The accounting policies are consistent with those of the annual financial statement for the year ended 31 December 2015.

NOTE 3 Segment information

All amounts in MNOK

TWELVE MONTHS ENDED DECEMBER 2016

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	1 955.1	537.2	413.3	361.6	892.0	4 159.2
Other income	3 364.0	541.2	450.9	320.0	620.6	5 296.7
Inter-segment income	67.2	16.1	47.0	31.3	57.4	219.0
Total income	5 386.3	1 094.5	911.1	712.8	1 570.0	9 674.8
Employee benefits expenses	519.6	121.6	100.5	87.5	784.3	1 613.6
Depreciation and amortisation	864.1	125.2	104.7	93.5	393.0	1 580.5
Other operating expenses	1 736.1	247.2	165.9	129.0	911.7	3 189.9
Inter-segment expenses	352.1	140.7	145.4	112.5	565.5	1 316.3
Total expenses	3 472.0	634.8	516.5	422.5	2 654.5	7 700.2
Operating profit/(loss)	1 914.3	459.7	394.7	290.4	-1 084.5	1 974.6
Assets [1)]	16 487.6	2 017.6	1 616.4	1 519.2	6 021.9	27 662.7

TWELVE MONTHS ENDED DECEMBER 2016 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATIONS	TOTAL
Traffic income	4 159.2	984.7	-	-0.8		5 143.0
Other income	5 296.7	201.5	106.0	40.9		5 645.0
Inter-segment income	219.0	804.6	40.5	641.5	-1 705.7	-
Total income	9 674.8	1 990.8	146.5	681.6	-1 705.7	10 788.0
Employee benefits expenses	1 613.6	1 319.7	0.0	392.8		3 326.1
Depreciation and amortisation	1 580.5	81.8	37.0	63.6		1 762.9
Other operating expenses	3 189.9	355.7	5.6	389.8		3 941.0
Inter-segment expenses	1 316.3	103.7	22.8	263.0	-1 705.7	-
Total expenses	7 700.2	1 861.0	65.5	1 109.1	-1 705.7	9 030.0
Operating profit/(loss)	1 974.6	129.9	81.0	-427.5	-	1 758.0
Assets [1)]	27 662.7	673.8	863.0	155.1		29 354.6

TWELVE MONTHS ENDED DECEMBER 2015

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	1 946.9	557.6	455.9	359.8	903.1	4 223.3
Other income	3 052.6	600.6	473.2	306.7	615.7	5 048.8
Inter-segment income	42.3	13.3	45.9	29.1	21.4	152.0
Total income	5 041.8	1 171.5	975.0	695.6	1 540.2	9 424.1
Employee benefits expenses	542.6	128.4	103.9	93.7	849.3	1 717.9
Depreciation and amortisation	604.0	83.8	100.3	90.1	413.6	1 291.8
Other operating expenses	1 404.1	280.9	192.4	127.5	958.1	2 962.9
Inter-segment expenses	749.2	144.2	147.8	114.4	557.2	1 712.8
Total expenses	3 299.9	637.4	544.3	425.6	2 778.2	7 685.4
Net income/(expense)	1 741.8	534.1	430.7	270.0	-1 238.1	1 738.7
Group adjustments depreciation (a)	172.5	-24.6	-18.9	-22.3	-115.5	-8.8
Group adjustments lease (b)	421.4					421.4
Operating profit/(loss)	2 335.8	509.5	411.8	247.7	-1 353.6	2 151.3
Assets [1)]	8 695.8	1 761.4	1 791.7	1 974.6	6 730.0	20 953.5

TWELVE MONTHS ENDED DECEMBER 2015 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATIONS	TOTAL
Traffic income	4 223.3	1 024.8	-	-0.2	-	5 248.0
Other income	5 048.8	220.5	1 459.1	13.0	-	6 741.4
Inter-segment income	152.0	842.2	50.6	1 123.1	-2 167.8	-
Total income	9 424.1	2 087.4	1 509.7	1 135.9	-2 167.8	11 989.3
Employee benefits expenses	1 717.9	1 369.5	0.0	379.1	-	3 466.6
Depreciation and amortisation	1 291.8	73.6	38.3	49.9	-	1 453.6
Other operating expenses	2 962.9	395.8	10.7	461.6	-	3 830.9
Inter-segment expenses	1 712.8	109.1	45.5	300.4	-2 167.8	-
Total expenses	7 685.4	1 948.0	94.4	1 191.0	-2 167.8	8 751.1
Net income/(expense)	1 738.7	139.4	1 415.3	-55.1	-	3 238.2
Group adjustments depreciation (a)	-8.8	-	4.1	-1.0	-	-5.7
Group adjustments lease (b)	421.4	-	-	-421.4	-	-
Operating profit/(loss)	2 151.3	139.4	1 419.4	-477.6	-	3 232.5
Assets [1]	20 953.5	622.1	857.7	191.0	-	22 624.3

(a) Group adjustments due to assessment of the opening balance as at 1 January 2003.
(b) The lease on the land at Gardermoen is attributed to Oslo Lufthavn AS in the segment reporting.
1) Inclusive other intangible assets, exclusive assets under construction.

NOTE 4 Other income and expenses

All amounts in MNOK

	FOURTH QUARTER		TWELVE MONTHS ENDED DECEMBER	
SPESIFICATION	2016	2015	2016	2015
Other income				
Profit on disposals of non-current assets	-	1 266.3	-	1 266.3
Total	-	1 266.3	-	1 266.3
Other expensesincome				
Changes in value and other (losses)/gains, net	-6.3	15.1	-18.9	42.9
Total	-6.3	15.1	-18.9	42.9

NOTE 5 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 re-assessed economic life.

Part of the charges for extra costs is based on estimates that are continually updated.

	FOURTH QUARTER		TWELVE MONTHS ENDED DECEMBER	
SPESIFICATION	2016	2015	2016	2015
Employee benefits expense	**11.5**	12.0	**40.1**	52.2
Depreciation, amortisation and impairment charges	**7.9**	10.9	**82.1**	60.5
Other operating expenses	**101.4**	65.7	**316.1**	195.2
Total	**120.8**	88.6	**438.3**	307.9

NOTE 6 Income tax expense

The income tax expense is calculated using the expected annual effective tax rate. Expected annual effective tax rate is 25% and is in the interim financial statements as a whole booked against deferred tax asset. The distribution between tax payable and deferred tax is calculated at year end and presented in the annual financial statement. The annual tax rate is reduced from 25% to 24% effective as from 2017. This results in a reduction of deferred tax asset amounting to 51,6 MNOK for the group. The reduction is, in all material aspects, related to items previously charged/credited to comprehensive income, and the effect is therefore presented in the statment of comprehensive income.

NOTE 7 Property, plant and equipment, other intangible assets

All amounts in MNOK

	OTHER INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
At 31 December 2015				
Opening net book amount	15.7	21 040.9	7 913.6	**28 970.2**
Additions	143.9	3 068.0	5 657.5	**8 869.4**
Reclassification	-	-	2 955.9	**2 955.9**
Disposals	-	185.3	-	**185.3**
Depreciation charge	42.4	1 416.9	-	**1 459.3**
Closing net book amount	117.1	22 506.6	10 615.1	**33 239.1**
At 31 December 2016				
Opening net book amount	117.2	22 507.1	10 615.2	**33 239.5**
Additions	4.1	8 496.7	4 858.5	**13 359.3**
Reclassification	-	-	8 500.8	**8 500.8**
Disposals	-	7.4	-	**7.4**
Depreciation charge	12.5	1 750.4	-	**1 762.9**
Closing net book amount	108.7	29 246.0	6 972.9	**36 327.7**

Measurement of recoverable amount

There are no significant changes affecting the recoverable amount of the group's assets in 2016.

NOTE 8 Pension obligation

All amounts in MNOK

Actuarial losses in 2016 were mainly caused by a reduced discount rate and changes in demographic assumptions, partly counteracted by a gain of 56.0 MNOK on the realisation of plan assets in the merger of Oslo Lufthavn AS. A discount rate of 2,6% and a future salary increase of 2,5% are used in the calculation af net pension obligation as at 31 December.

NOTE 9 Borrowings and financial lease obligations

All amounts in MNOK

	TWELVE MONTHS ENDED DECEMBER	
	2016	2015
Non-current	17 960.1	17 095.5
Current	1 996.5	1 394.2
Total	19 956.6	18 489.7
Movement in borrowings		
Opening net book amount	18 489.7	15 290.4
Proceeds from borrowings	1 899.9	3 609.7
Repayment of borrowings	-995.5	-749.0
Net change financial lease obligation	-256.0	256.0
Net proceeds/repayment of short term borrowings	1 000.0	-400.0
Changes in value	-181.5	482.7
Closing net book amount	19 956.6	18 489.7

LIQUIDITY RESERVES

	TWELVE MONTHS ENDED DECEMBER	
	2016	2015
Cash and cash equivalents	949.1	1 666.7
Unused bank overdraft	800.0	800.0
Unused credit facility	4 000.0	4 000.0
Total	5 749.1	6 466.7

The group has, at the end of fourth quarter 2016, sufficient headroom to enable it to conform to covenants on existing borrowings. The groups liquidity reserves equals at least 12 months prognosticated liquidity requirement including repayment of borrowings, as set out in internal policies.

AvinorAS issued on the 2nd of February 2017 bonds of total 500 MEUR under the EMTN programme. The bonds are fully secured back to Norwegian krone and fixed interest rate with a 10 year basis swap.

NOTE 10 Financial instruments

All amounts in MNOK

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 risk. The fair value of commercial papers equals principal amount as at 31 December 2016.

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

	TWELVE MONTHS ENDED DECEMBER 2016		TWELVE MONTHS ENDED DECEMBER 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing debt				
State loan	2 971.7	2 999.6	3 416.1	3 482.2
Bonds	8 674.7	9 214.2	9 256.2	9 839.0
Bank borrowings	6 889.7	7 579.0	5 130.4	5 936.2
Commercial papers	1 400.0	1 400.0	400.0	400.0

DERIVATIVE FINANCIAL INSTRUMENTS

	TWELVE MONTHS ENDED DECEMBER	
	2016	2015
Assets		
Interest rate swaps	504.0	635.1
Forward foreign exchange contracts	1.0	26.0
Forward energy contracs	-	-
Total	505.0	661.1
Liabilities		
Interest rate swaps	52.0	88.2
Forward foreign exchange contracts	0.8	7.0
Forward energy contracs	0.7	43.3
Total	53.5	138.5

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 assets and liabilities that are measured at fair value at 31 December 2016:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	1.0	-	**1.0**
Derivatives used for hedging	-	504.0	-	**504.0**
Total assets	-	505.0	-	**505.0**
Liabilities				
Financial liabilities at fair value through profit or loss	0.7	1 437.6	-	**1 438.3**
Derivatives used for hedging	-	52.0	-	**52.0**
Total liabilities	0.7	1 489.6	-	**1 490.3**

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2015:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	14.6	-	**14.6**
Derivatives used for hedging	-	646.4	-	**646.4**
Total assets	-	661.0	-	**661.0**
Liabilities				
Financial liabilities at fair value through profit or loss	43.3	1 397.2	-	**1 440.5**
Derivatives used for hedging	-	80.7	-	**80.7**
Total liabilities	43.3	1 477.9	-	**1 521.2**

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