

INTERIM FINANCIAL REPORT

2nd quarter 2021



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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 43 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 usually annual operating revenues of NOK 11 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

Amounts in MNOK

	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2021	2020	2021	2020	2020
Traffic income	272,6	89,2	507,8	647,5	1 149,2
Security (cost based)	84,3	0,4	142,9	228,3	443,8
Sales- and rental income - duty free	47,9	39,4	93,9	485,3	659,5
Sales- and rental income - parking	73,3	41,4	122,0	199,6	327,9
Sales- and rental income - other	245,2	183,2	443,3	570,5	991,6
Inter-group income	22,3	24,1	44,9	43,0	86,3
Total income airport operations	745,6	377,9	1 354,7	2 174,3	3 658,3
En route charges	158,3	91,3	296,1	349,3	654,5
Inter-group income approach and control tower services	147,1	162,0	282,0	324,0	627,4
Other income	44,6	34,7	84,4	78,6	178,0
Total income air navigation services	350,0	288,0	662,5	752,0	1 459,9
Other group income	1 676,8	2 292,2	2 940,9	2 508,9	4 434,0
Elimination of inter-group income	-348,8	-346,6	-676,7	-696,9	-1 368,9
Total group income	2 423,6	2 611,5	4 281,4	4 738,3	8 183,3
Operating expenses airport operations	-1 135,4	-1 115,1	-2 284,3	-2 485,4	-4 677,8
Operating expenses air navigation services	-451,9	-431,9	-907,6	-883,1	-1 720,8
Other operating expenses	-260,6	-240,6	-472,5	-834,2	-1 303,2
Elimination of inter-group expenses	348,8	346,6	676,7	696,9	1 368,9
Total group expenses	-1 499,0	-1 441,0	-2 987,8	-3 505,7	-6 333,0
EBITDA airport operations	-389,8	-737,2	-929,6	-311,1	-1 019,5
EBITDA air navigation services	-101,9	-143,9	-245,1	-131,1	-260,9
EBITDA others	1 416,2	2 051,6	2 468,4	1 674,7	3 130,8
EBITDA group	924,6	1 170,5	1 293,8	1 232,6	1 850,3
Depreciation, amortisation and impairment charges	-554,6	-546,4	-1 099,3	-1 090,5	-2 199,5
Operating profit/-loss	370,0	624,1	194,4	142,1	-349,1
Net finance income/-costs	-132,0	-150,8	-284,9	-279,6	-576,3
Profit/(loss) before income tax	238,1	473,3	-90,5	-137,5	-925,5
Income tax expense	66,8	104,0	-5,4	-30,4	-201,8
Profit/-loss after tax	171,2	369,3	-85,2	-107,1	-723,6
EBITDA-margin airport operations	-52,3 %	-195,1 %	-68,6 %	-14,3 %	-27,9 %
EBITDA-margin air navigation services	-29,1 %	-50,0 %	-37,0 %	-17,4 %	-17,9 %
EBITDA-margin others	38,1 %	44,8 %	30,2 %	26,0 %	22,6 %
Investments airport operations	467,9	440,3	800,5	756,9	1 848,8
Investments air navigation services	121,1	118,8	197,0	207,7	293,1
Investments others	135,5	111,2	228,7	177,3	427,1
Total investments	724,5	670,3	1 226,2	1 141,9	2 569,0
Distributed dividends	0,0	0,0	0,0	0,0	0,0
Cash flow before borrowings/repayments	-312,7	318,1	-532,2	21,3	-1 027,2
Interest-bearing debts (exclusive lease liabilities)			22 311,7	22 096,4	25 285,0
Total assets			45 658,0	47 311,8	49 650,0
Net debt to equity ratio (b)			40,2 %	42,9 %	40,6 %
Number of passengers (in 1000)	3 410,8	2 028,1	5 898,9	11 699,4	20 362,6
Number of aircraft departures (in 1000)	94,0	67,2	180,6	213,2	428,3
Number of service units (in 1000)	277,5	143,7	516,8	657,4	1 229,8
Punctuality (a)			94 %	85 %	91 %
Regularity (a)			99 %	98 %	97 %

(a) Past 12 months

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

Board of Directors' Report

IMPORTANT EVENTS

Air traffic through Avinor's airports, measured by number of passengers and aircraft movements, fell by 49.6 per cent and 15.3 per cent in the first half of 2021 compared to the corresponding period in 2020. Comparing only the second quarter, the air traffic increased by 68.2 and 39.9 per cent, respectively. Over the last 12 months, average regularity and punctuality were 99 per cent and 94 per cent, respectively.

In the first half of 2021 Avinor's airports handled passenger traffic which in total was 77 per cent lower than 2019 levels. The downturn was greatest at airports with international traffic. Going into the summer season, the travel activity increases as a result of more people being vaccinated and ease of travel restrictions. At the same time, increased infection pressure and the spread of more infectious virus mutations means that there is still uncertainty how the passenger traffic ahead will develop. Factors such as the pace of vaccination, measures implemented by the government to limit the spread of the virus, test regime, documentation requirements and travel restrictions, as well as the airlines route planning will determine when traffic again stabilize at increased levels.

Fewer aircraft movements and fewer passengers has resulted in a sharp decline in traffic income and commercial income. More than 700 of the approximately 2800 employees have been affected by temporary layoffs.

As part of Avinor's self-financing, work is conducted to secure and develop commercial earnings. In June it was announced that Travel Retail Norway and Airport Retail Norway have won the Tender to operate tax-free at Avinor's airport in the period 2023-2027.

Avinor has awarded the contract for a new luggage facility at Oslo Airport to the supplier BEUMER Group. The total contract value, including an operating agreement of 25 years, amount to approximately NOK 1.4 billion.

The preliminary project for a new airport in Bodø is completed and submitted to the state for quality assurance and final decision. It is planned that the new airport will be financed through contributions from the state, Bodø municipality and Avinor. The Norwegian Ministry of Transport and Communications has received an external quality assurance report (KS2) regarding Avinor's preliminary project for a new airport in Bodø.

In the revised national budget NOK 3.3 billion is included for the building of a new airport in Mo i Rana, including a local contribution of NOK 600 million. The Norwegian Ministry of Transport and Communications has specified the preconditions for the local contribution. Avinor is in the process of obtaining the necessary licenses and permits for the project, as well as mobilizing the organization for the design and build.

Avinor continues to streamline the operations to ensure the group's financial solvency in the longer term. Avinor's strategic

priorities, including the level of costs and investments, will be adjusted to a long-term situation for the aviation. Avinor has an ambition to manage without government grants as quickly as possible

In the first half of 2021 Avinor has received grants of NOK 2,500 million, which has been recognized as government grants. Avinor has an ambition to be self-financed as quickly as possible. There is still great uncertainty regarding the forecasts for air traffic. Although the development in vaccination and infection pressure in Norway for a period has been going in a positive direction, the development in Europe and the rest of the world is still characterized by a high risk with regards to virus mutations and infection pressure.

Q2 2021

KEY FINANCIAL FIGURES, SECOND QUARTER

MNOK	2021	2020	CHANGE
Operating income	2 423,6	2 611,5	-7,2 %
EBITDA	924,6	1 170,5	-21,0 %
EBIT	370,0	624,1	-40,7 %
Profit/-loss after tax	171,2	369,3	-53,6 %
Investments	724,5	670,3	8,1 %

In the second quarter of 2021, the group had operating income of MOK 2,424 million, a reduction of 7.2 per cent compared to the corresponding reporting period in 2020. Government grants were reduced by NOK 650 million, while traffic income and commercial income increased by NOK 334 million and NOK 128 million, respectively.

Operating expenses and depreciation and amortisation amounted to NOK 2,054 million compared to NOK 1,987 million in the corresponding reporting period of 2020.

Depreciation and amortisation amounted to NOK 555 million, compared to NOK 546 million in the second quarter of 2020.

Net financial result amounted to NOK – 132 million, compared to NOK – 151 million in the second quarter of 2020.

The Group's result after tax ended at NOK 171 million, compared to NOK 369 million in the second quarter of 2020.

1 JANUARY TO 30 JUNE 2021

KEY FINANCIAL FIGURES, 01.01 - 30.06.

MNOK	2021	2020	CHANGE
Operating income	4 281,4	4 738,3	-9,6 %
EBITDA	1 293,8	1 232,6	5,0 %
EBIT	194,4	142,1	36,8 %
Profit/-loss after tax	-85,2	-107,1	20,5 %
Investments	1 226,2	1 141,9	7,4 %

In the first half of 2021, the Group had a result after tax of NOK - 85 million compared to NOK - 107 million in the first half of 2020.

The Group's balance sheet was reduced by NOK 4 billion in the first six months of 2021, ending at NOK 45.7 billion at 30 June 2021. The main part of this reduction is related to repayment of a bond loan and other loans of in total NOK 3 billion in the period.

Operating income

Operating income in the first six months of 2021 amounted to NOK 4,281 million, a fall of 9.6 per cent compared to the corresponding period in 2020.

OPERATING INCOME PER SEGMENT, 01.01. - 30.06.

MNOK	2021	2020	CHANGE
Airport operations	1 354,7	2 174,3	-37,7 %
Air navigation services	662,5	752,0	-11,9 %
Property development and hotels	55,1	51,0	8,1 %
Others (excluding Government Grants)	385,8	357,7	7,9 %
Government grants	2 500,0	2 100,2	19,0 %
Elimination	-676,7	-696,9	2,9 %
Avinor Group	4 281,4	4 738,3	-9,6 %

Within airport operations, passenger numbers fell by 49.6 per cent in the first half year compared to the first half of 2020. Revenues for airport operations ended for the first six months of the year at NOK 1,355 million, a reduction of 37.7 per cent (NOK 820 million) compared to the corresponding period in 2020. Commercial income was reduced with NOK 596 million compared to the corresponding period in 2020.

Within air navigation services, the volume of traffic in the first half of 2021 in terms of service units for en-route navigation

services fell by 21.4 per cent and the number of aircraft movements at airports fell by 15.3 per cent compared with first half of 2020. Operating income for air navigation services was reduced with 11.9 per cent to NOK 663 million in the first half of 2021 compared to the corresponding period in 2020.

Rent income from commercial real estate increased by 8.1 per cent for the first half year compared to the corresponding period in 2020. All hotels owned by Avinor has been open so far in 2021, while one hotel was partially closed in the first half of 2020 as a result of the corona pandemic.

As a result of the corona pandemic, at the end of the first half of 2021 Avinor received NOK 2,500 million as a taxable government grant from the state, an increase of NOK 400 million compared to the first half of 2020.

Operating expenses, depreciation and amortization, and other items

Total operating expenses and depreciation and amortisation for the first half of 2021 amounted to NOK 4,087 million, compared to NOK 4,596 million corresponding period in 2020. The decrease relates to lower volume-dependent costs as well as cost-cutting measures, including the furloughing of staff. In addition, the group had increased provision for losses in the first half of 2020.

Within airport operations, total operating expenses for the first six months in 2021 fell by 8.1 per cent to NOK 2,284 million compared to the corresponding period in 2020. Within air navigation services operating expenses for the period ended at NOK 908 million, which is 2.8 per cent higher than the first half of 2020. Operating expenses for commercial real estate was NOK 4.3 million in the first half of 2021, the same level as the corresponding period in 2020.

Joint Group and unshared costs in the first six months amounted to NOK 468 million, compared to NOK 829 million in the first half of 2020. The reduction of NOK 361 million was primarily due to cost-cutting measures and large provisions for losses in the first half of 2020.

Total depreciation, amortisation, and write-downs for the period 01.01-30.06.2021 amounted to NOK 1,099 million, the same level as the corresponding period in 2020.

EBITDA and EBIT

EBITDA totalled NOK 1,294 million with an EBITDA margin of 30.2 per cent. In the first half of 2020 EBITDA was NOK 1,233 million and a margin of 26 per cent.

EBIT and EBIT margin for the first half of the year was NOK 194 million and 4.5 per cent, compared to NOK 142 million and 3.0 per cent in the first half of 2020.

Government grants of NOK 2,500 million received in the first half of 2021, and NOK 2,100 million in the first half of 2020 are reflected in the figures.

Investments

Recognised additions to tangible fixed assets in the first half of 2021 amounted to NOK 1,226 million, which is an increase of 7.4 per cent compared to the first half of 2020.

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

ADDITIONS OF ASSETS UNDER CONSTRUCTION, 01.01 - 30.06.

MNOK	2021	2020	CHANGE
Airport operations	800,5	756,9	43,6
Air navigation services	197,0	207,7	-10,7
Property development and hotels	116,7	37,2	79,5
Joint items, group	79,7	112,5	-32,8
Consolidated items	32,3	27,6	4,7
Avinor Group	1 226,2	1 141,9	84,3

Cash flow, financing, and commitments

In the first half of the year, the Group's cash flow before changes for liabilities was NOK -532 million. With a net decrease in debt of NOK 2,959 million, the Group's cash reserves decreased by NOK 3,491 million during the first half of 2021. This includes the received and recognised government grants of NOK 2,500 million.

Interest-bearing liabilities (not considering the value of derivatives related to interest rate hedging) and lease commitments as at 30 June 2021 amounted to NOK 23.5 billion, of which NOK 0.9 billion were current interest-bearing liabilities.

The Group's total assets at 30 June 2021 amounted to NOK 45.7 billion. Equity was at NOK 13.3 billion, which gives an equity ratio of 29.1 per cent. Equity as a percentage of the sum of equity and net interest-bearing liabilities (cf. paragraph 5 of the articles of incorporation) amounted to 40.2 per cent. The calculation of equity as stipulated in the articles of association takes into account the Group's bank balances as well as the value of derivatives related to interest rate assurance, but the value of capitalised lease obligations is not included as an interest-bearing liability.

In the first half of 2021, the Group's book equity was increased by NOK 90 million. Loss after tax contributed negatively with NOK 85 million, estimate deviations on pension liabilities increased the equity by NOK 141 million, while changes in value of financial hedging instruments accounted for a positive effect of NOK 34 million. The social security settlement in 2021, together with the development in the financial markets, increased the pension obligations and reduced the equity in the second quarter.

At the end of the second quarter in 2021, the Group's cash reserves amounted to NOK 7.1 billion, distributed between NOK 2.5 billion in bank deposits and NOK 4.6 billion in unutilised drawing rights.

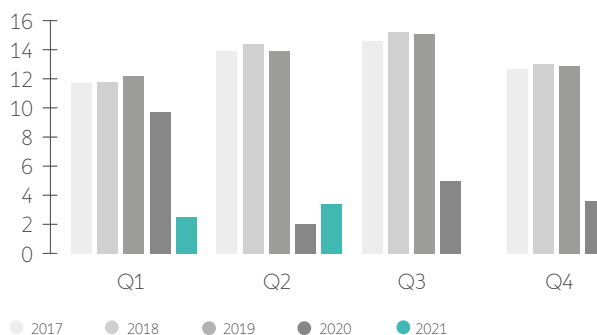
Traffic development and service

A total of 5.9 million passengers travelled through Avinor's airports in the first half of 2021. This is a decrease of 49.6 per cent compared to the corresponding period in 2020.

The figure below shows the trend in traffic on a quarterly basis for the period 2017 to 2021:

PASSENGERS

Millions



Domestic traffic in the first six months of the year was reduced by 33.4 per cent compared to the corresponding period of 2020, while international traffic fell by 85.9 per cent. Offshore helicopter traffic had an increase of 6.5 per cent.

Passenger volume was distributed between the airports as follows:

NUMBER OF AIR PASSENGERS, 01.01. - 30.06.

PASSENGERS (1000)	2021	2020	CHANGE
Gardermoen	1 912	5 656	-66,2 %
Flesland	997	1 457	-31,6 %
Sola	535	955	-44,0 %
Værnes	545	988	-44,9 %
Others	1 911	2 643	-27,7 %
Avinor group	5 899	11 699	-49,6 %

The number of commercial air transport movements in the first half of 2021 fell by 15.3 per cent compared to the corresponding period in 2020. Domestic aircraft movements fell by 3 per cent, while international aircraft movements fell by 64.6 per cent.

Over the past 12 months, average regularity was recorded at 99 per cent and average punctuality at 94 per cent throughout Avinor's network of airports. The internal targets for regularity and punctuality are 98 per cent and 88 per cent respectively.

AIR SAFETY AND HSE

Subject to investigations that are yet to be completed, in 2021 there were no aviation accidents or serious aviation incidents in which Avinor was instrumental.

The H1 value (frequency of lost-time injuries) for the last 12 months was 4.7 in Avinor AS and 0.0 in Avinor Flysikring AS,

while the H2 value (frequency of injuries) was 8.7 in Avinor AS and 0.6 in Avinor Flysikring AS.

Group-wide absence due to illness over the last 12 months amounted to 4.4 per cent.

Within HSE, the year has been characterised by coronavirus-related issues, including infection control at airports, increased home working, and the furloughing of Avinor's own staff.

The campaign "Bother – shout out!", which uses several new instruments in injury prevention is being rolled out. The campaign has so far yielded good results.

RISK

Risks pertaining to air traffic volumes

Avinor's traffic income is affected by changes in the airlines' route layout, the demand for flights, and other factors outside of the Group's control. No special contracts have been established with the airlines that use Avinor's airports, and so airlines have no obligation to maintain set traffic volume levels.

A few airlines account for a substantial proportion of traffic volumes at Avinor's airports. Significant business decisions or financial difficulties in relation to these airlines could have a significant financial impact on Avinor.

Avinor has a high proportion of fixed costs that vary to a limited extent with changes in traffic volumes and capacity utilisation. Consequently, the Group's earnings and financial value are affected by changes in traffic volume.

Earnings from commercial offerings to passengers at the airports are very important to the Group's funding. Changes in traffic volumes will have an impact on the size of these revenues.

The coronavirus pandemic and the uncertainty surrounding its duration and long-term impact will affect the group's income and the value of its assets.

Risks pertaining to investment activities

The Group has an ongoing investment programme for infrastructure maintenance and adaptation within the operations of airports and air navigation services. The inherent project risk, changes in the economic situation, and political guidelines may affect the financial basis for these investments and subsequently the Group's financial position.

There are technical, economic, and regulatory risks associated with development projects.

Credit risk

The Group is exposed to credit risk in relation to airlines and related activities. The Group deems that the risk of airlines being unable to meet their obligations is present. If airlines are unable to meet their obligations, this could have a significant impact on the Group's business, financial position, and operating profit.

The Group has guidelines for minimising losses. No guarantees have been provided for liabilities that do not belong to companies in the group.

Financial risk

Foreign exchange risk

The Group is exposed to risk with respect to the value of the

Norwegian krone against other currencies through income, expenses, and financing in foreign currencies. The exposure to euro is the most significant.

Revenues from en-route navigation services are in euros, while some purchasing contracts are concluded in foreign currencies. The groups financing is exposed to foreign exchange risk, a large portion of the long-term financing is in euro.

The groups total foreign exchange risk is partially reduced since the revenues and costs partially is exposed for the same foreign exchange risk, and through hedging of the groups long term debt in foreign currencies.

Interest rate risk

The Group is exposed to interest rate risk through financing activities.

Liquidity and financing risk

Avinor is dependent on the external financing of development plans and projects in order to meet its financial obligations by their due date as well as to refinance existing debt. There is uncertainty regarding the availability and pricing of capital markets. For Avinor there have been no challenges in this regard yet.

Hedging

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, to the extent that hedge accounting is not used, affect profit and loss. 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.

Regulatory risks

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

Avinor safeguards defined national sectoral policy objectives. The Norwegian state sets guidelines for several conditions, including airport structure, emergency preparedness, aviation fees, and policy imposed tasks for other sectors. The scope and organisation of sectoral policy guidelines may change over time.

New airport in Bodø

Avinor is currently studying the construction of a new airport in Bodø on behalf of the Norwegian Ministry of Transport and Communications with the aim of providing more space for urban development. The preliminary project is completed and submitted to the state for quality assurance and final decision. Its implementation is dependent on the funding being put in place. The National Transport Plan for 2022 to 2032 proposes financing the development based on the state, Bodø municipality and Avinor sharing the costs.

Pensions

Historically, Avinor's employees have been members in the public-sector pension scheme, which is a defined-benefit scheme. The scheme was finally closed on 1 January 2019 and around 45 per cent of employees were transferred to a new private defined-contribution scheme on this date. New employees are enrolled in the new private scheme.

The public-sector pension scheme changed on 1 January 2020 for those born after 1962. The new scheme bears more resemblance to a private defined-contribution scheme. The transition to the new schemes means that those who have been transferred to the new scheme and those who are still members of the public-sector scheme and who were born after 1962 have been granted a set entitlement based on the rules of the old scheme. There is a financial and regulatory risk associated with the size of the defined-benefit pension obligations.

It is assumed that Avinor's employees follow public-sector rules in terms of special age limits and pensions. The Norwegian parliament passed a new law on public-sector occupational pension schemes on 21 June 2019. The law does not contain provisions for special rules for those born from 1963 onwards with a special age limit. It is intended that the accrual rules that apply from 2020 shall apply to those with a special age limit who were born in 1963 or later. This means that accruals in the current scheme relating to the special age limit were closed at the end of 2019 without any new rules being put in place. Consequently, there is a risk associated with the calculation of special age obligations.

Environmental conditions

Aviation affects the environment both locally and globally. The local environmental impact is primarily related to aircraft noise, air quality, and water and ground contamination. The global impact is primarily related to greenhouse gas emissions.

Greenhouse gas emissions from aviation affect the reputation of the industry and may impact national and international regulations of the industry.

The airports have discharge permits that require risk assessments of acute pollution that represents a risk of damage to the external environment. Work is continuing reducing the risk of incidents that harm the environment occurring, at the same time as 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. Future clean-up costs are dependent on regulatory requirements. The Norwegian Environment Agency has issued an order for measures at some airports and an overall order for the remaining airports.

EFSA, the European Food Safety Authority, has issued new stricter limits on PFAS related to human health. The Norwegian authorities are now considering the impact of this on the ongoing management of PFAS contaminants in Norway. There

is a risk that the Norwegian Environment Agency will impose stricter clean-up requirements at Avinor's airports and that more pollution will need to be addressed than has previously been indicated.

OUTLOOK

The coronavirus pandemic has placed the entire aviation industry into an unprecedented situation. The primary focus at Avinor has been to provide continuity and ensuring that operations continue throughout the coronavirus pandemic. Operations are being adjusted according to the reduction in traffic volumes.

With summer season, more people being vaccinated and ease of travel restrictions, the traffic at Avinor's airports increases. Avinor has implemented plans for upscaling of operations through the summer and autumn of 2021. There is still great uncertainty regarding the forecasts for air traffic. Although the development in vaccination in Norway and internationally is going in a positive direction, the development is also characterized by a high risk with regards to virus mutations and infection pressure.

Avinor continues to streamline the operations to ensure the group's financial solvency in the longer term. Avinor's strategic priorities, including the level of costs and investments, will be adjusted to a long-term situation for the aviation.

The company's profits and solvency are greatly affected by the coronavirus pandemic. Consequently, there will be a need to bolster equity and liquidity beyond what has already been done during the pandemic. Avinor has maintained constant dialogue with its owner in respect of measures to bolster the Group's equity and liquidity.

Mobility and efficient air transport are essential for social development, as well as for the growth of the Norwegian travel industry and businesses. Avinor's social mission means that the group shall facilitate further development and expected growth in air traffic.

Avinor is aware of the challenges the group faces when combining growth and greenhouse gas emissions in sustainable value creation. Aviation shall contribute to development and restructuring within Norwegian society and business. At the same time, the aviation industry is dependent on innovation and technological improvements to reconcile the goals of emission reductions and expected traffic growth.

CONDENSED INCOME STATEMENT

Amounts in MNOK

		SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	NOTE	2021	2020	2021	2020	2020
Operating income:						
Traffic income		515,2	181,0	946,8	1 225,1	2 247,4
Government grants		1 450,0	2 100,2	2 500,0	2 100,2	3 600,2
Other operating income		458,4	330,3	834,6	1 413,0	2 335,7
Total operating income	4	2 423,6	2 611,5	4 281,4	4 738,3	8 183,3
Operating expenses:						
Raw materials and consumables used		37,6	21,6	60,8	48,9	110,6
Employee benefits expenses		890,6	893,1	1 808,0	1 857,6	3 401,9
Other operating expenses		593,7	529,3	1 136,0	1 571,8	2 771,6
Other expenses	5	-22,9	-3,0	-17,1	27,4	48,9
Total operating expenses		1 499,0	1 441,0	2 987,7	3 505,7	6 333,0
EBITDA		924,6	1 170,5	1 293,8	1 232,6	1 850,3
Depreciation, amortisation and impairment charges	6	554,6	546,4	1 099,3	1 090,5	2 199,5
Operating profit/-loss		370,0	624,1	194,4	142,1	-349,1
Finance income		5,8	2,7	12,5	18,6	35,4
Finance expenses		137,7	153,5	297,5	298,2	611,8
Net finance income/-expenses		-132,0	-150,8	-284,9	-279,6	-576,3
Profit/-loss before income tax		238,1	473,3	-90,5	-137,5	-925,5
Income tax expense	2	66,8	104,0	-5,4	-30,4	-201,8
Profit/-loss after tax		171,2	369,3	-85,2	-107,1	-723,6

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MNOK

	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2021	2020	2021	2020	2020
Profit/-loss for the period	171,2	369,3	-85,2	-107,1	-723,6
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/-losses on post employment benefit obligations	-528,2	0,0	180,3	-1 525,8	-1 542,4
Tax effect	116,1	-0,5	-39,5	335,2	338,3
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges	-55,6	-20,2	43,8	-321,9	-210,5
Tax effect	12,3	4,4	-9,6	70,8	46,3
Other comprehensive income, net of tax	-455,4	-16,3	175,0	-1 441,7	-1 368,3
Total comprehensive income	-284,1	353,0	89,9	-1 548,8	-2 091,9
Attributable to:					
Owner of parent	-284,1	353,0	89,9	-1 548,8	-2 091,9

CONDENSED BALANCE SHEET

Amounts in MNOK

		30 JUNE		YEAR
	NOTE	2021	2020	2020
ASSETS				
Non-current assets				
Intangible assets:				
Deferred tax assets		1 965,9	1 859,8	2 009,7
Other intangible assets	6	473,2	333,8	407,5
Intangible assets under construction	6	645,9	636,0	565,6
Total intangible assets		3 085,1	2 829,6	2 982,8
Property, plant and equipment:				
Property, plant and equipment	6	32 730,2	33 399,5	33 320,8
Assets under construction	6	4 196,1	3 270,2	3 606,1
Right of use assets	6	404,7	458,3	431,5
Total property, plant and equipment		37 330,9	37 128,0	37 358,4
Financial assets:				
Derivative financial instruments	10	1 496,7	1 751,4	1 638,4
Other financial assets		169,7	151,5	169,6
Total financial assets		1 666,5	1 902,9	1 808,0
Total non-current assets		42 082,5	41 860,5	42 149,2
Current assets				
Inventories		33,0	40,1	38,7
Trade and other receivables		993,5	867,1	796,0
Derivative financial instruments	10	21,9	759,0	648,2
Cash and cash equivalents	9	2 527,2	3 785,1	6 017,9
Total current assets		3 575,6	5 451,3	7 500,8
TOTAL ASSETS		45 658,0	47 311,8	49 650,0

CONDENSED BALANCE SHEET

Amounts in MNOK

		30 JUNE		YEAR
	NOTE	2021	2020	2020
EQUITY AND LIABILITIES				
Equity				
Share capital		5 400,1	5 400,1	5 400,1
Other equity		7 876,9	8 330,0	7 787,0
Total equity		13 277,0	13 730,1	13 187,1
Liabilities				
Provisions:				
Retirement benefit obligations	8,11	5 462,2	5 505,3	5 621,0
Other provisions	11	965,3	1 098,3	1 010,3
Total provisions		6 427,5	6 603,6	6 631,3
Non-current liabilities				
State loan	9,10	972,0	1 416,4	1 194,2
Other non-current loans	9,10	21 242,1	18 029,0	22 574,5
Derivative financial instruments	10	702,9	0,0	420,7
Lease liabilities	9,10	370,5	414,1	390,9
Total non-current liabilities		23 287,5	19 859,5	24 580,3
Current liabilities				
Commercial papers	9,10	0,0	1 999,8	0,0
Trade payables		214,0	428,2	418,2
Tax payable		0,0	21,6	0,0
Public duties payable		167,3	147,7	178,5
Derivative financial instruments	10	3,7	26,0	5,0
First annual installment on long-term liabilities	9,10	891,5	3 159,3	3 381,5
Lease liabilities	9,10	55,4	56,5	57,8
Other current liabilities		1 334,2	1 279,6	1 210,4
Total current liabilities		2 666,0	7 118,7	5 251,3
Total liabilities		32 381,0	33 581,8	36 463,0
TOTAL EQUITY AND LIABILITIES		45 658,0	47 311,8	49 650,0

CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in MNOK

	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 January 2020	5 400,1	-886,6	10 765,5	15 279,0
Total comprehensive income		-1 441,7	-107,1	-1 548,8
Balance at 30 June 2020	5 400,1	-2 328,3	10 658,4	13 730,1
Balance at 1 January 2021	5 400,1	-2 254,9	10 041,9	13 187,1
Total comprehensive income		175,0	-85,2	89,9
Balance at 30 June 2021	5 400,1	-2 079,9	9 956,7	13 277,0

CONDENSED STATEMENT OF CASH FLOWS

Amounts in MNOK

		SIX MONTHS ENDED JUNE		YEAR
	NOTE	2021	2020	2020
Cash flow from operating activities				
Profit/(loss) before income tax		-90,5	-137,5	-925,5
Depreciation, amortisation and impairment charges		1 099,3	1 090,5	2 199,5
(Profit)/loss on disposals of non-current assets		7,6	-10,8	-1,3
Changes in value and other losses/(gains) - net (unrealised)		-29,5	28,5	11,3
Net finance (income)/costs		284,9	279,6	576,3
Change in inventories, trade receivables and trade payables		-217,5	381,4	433,9
Difference between post employment benefit expense and amount paid/received	8	21,6	6,8	105,8
Change in other working capital items		64,0	32,7	-138,0
Interest received		10,2	11,1	27,8
Income tax paid		0,0	-145,5	-298,8
Net cash flow from operating activities		1 150,1	1 536,8	1 991,0
Cash flow from investing activities				
Investments in property, plant and equipment (PPE)		-1 224,7	-1 005,3	-2 379,2
Proceeds from sale of PPE, incl assets under construction		15,9	18,8	26,2
Change in other investments		26,3	-31,7	-29,4
Net cash flow from investing activities		-1 182,5	-1 018,2	-2 382,5
Cash flow from financing activities				
Proceeds from borrowings	9	0,0	2 000,0	7 526,6
Repayment of borrowings	9	-2 958,5	-695,1	-940,6
Net proceeds/repayment of short term borrowings (commercial papers)	9	0,0	1 399,8	-600,0
Interest paid		-499,8	-491,3	-629,8
Other borrowing charges		0,0	-6,1	-5,9
Net cash flow from financing activities		-3 458,4	2 207,3	5 350,2
Net increase/-decrease in cash, cash equivalents and bank overdrafts		-3 490,8	2 726,0	4 958,7
Cash, cash equivalents and bank overdrafts at the beginning of the period		6 017,9	1 059,1	1 059,1
Cash, cash equivalents and bank overdrafts at the end of the period	9	2 527,2	3 785,1	6 017,9

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 to support the group's main business, including commercial development. The Avinor group's headquarters are located in Oslo.

The interim financial statements for the second quarter of 2021 were approved by the Board of Directors on 27 August 2021. The interim financial information has not been audited.

NOTE 2 Basis of preparation and accounting policies

The interim financial statement for the Avinor group for the second quarter 2021, ended 30 June 2021, has been prepared in accordance with International Financial Reporting Standards (IFRS) and encompass 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 2020. The accounting policies are consistent with those of the annual financial statement for the year ended 31 December 2020.

Income tax expense in the interim financial statements

The income tax expense is calculated using the expected annual effective tax rate. Expected annual effective tax rate is 22 %. The results for 2020 and 2021 are negative, therefore the income tax expense for the interim period is booked against deferred tax assets in the balance sheet.

NOTE 3 Segment information*Amounts in MNOK*

SIX MONTHS ENDED JUNE 2021:

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	209,7	111,9	81,7	53,9	193,6	650,7
Government grants	0,0	0,0	0,0	0,0	0,0	0,0
Other income	362,9	58,3	51,1	44,1	142,9	659,2
Inter-segment income	2,5	0,3	3,9	1,7	36,5	44,9
Total income	575,0	170,4	136,6	99,7	373,0	1 354,7
Employee benefits expenses	229,2	57,6	50,6	46,9	388,4	772,7
Other operating expenses	316,5	75,1	53,8	45,3	423,9	914,7
Inter-segment expenses	170,7	57,7	47,4	37,0	284,2	597,0
Total expenses	716,5	190,4	151,8	129,2	1 096,5	2 284,3
EBITDA	-141,4	-20,0	-15,2	-29,5	-723,5	-929,6
Depreciation, amortisation and impairment charges	479,6	150,4	60,2	54,3	216,6	961,1
Operating profit/-loss	-621,0	-170,4	-75,4	-83,8	-940,0	-1 890,6
Assets*	16 533,8	5 274,7	1 687,3	1 656,0	6 129,3	31 281,1

SIX MONTHS ENDED JUNE 2021 CONTINUED:

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEV. AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	650,7	296,1	0,0	0,0		946,8
Government grants	0,0	0,0	0,0	2 500,0		2 500,0
Other income	659,2	84,4	44,6	46,5		834,6
Inter-segment income	44,9	282,0	10,5	339,3	-676,7	0,0
Total income	1 354,7	662,5	55,1	2 885,8	-676,7	4 281,4
Employee benefits expenses	772,7	687,8	0,0	347,6		1 808,0
Other operating expenses ¹⁾	914,7	166,9	3,7	94,5		1 179,7
Inter-segment expenses	597,0	53,0	0,7	26,2	-676,7	0,0
Total expenses	2 284,3	907,6	4,3	468,2	-676,7	2 987,8
EBITDA	-929,6	-245,1	50,8	2 417,5		1 293,8
Depreciation, amortisation and impairment charges	961,1	68,0	16,6	53,5		1 099,3
Depreciation, amortisation and impairment charges	-1 890,6	-313,1	34,2	2 364,0		194,4
Assets*	31 281,1	828,0	708,4	386,0		33 203,4

* Inclusive other intangible assets, exclusive assets under construction.

1) Other operating expenses includes a reversal of provision of MNOK 71.3 for estimated losses on accounts receivable as of 30 June 2021. The reversal is distributed with MNOK 12.1 in the segment Air Navigation Services and MNOK 59.2 in the segment Others.

SIX MONTHS ENDED JUNE 2020:

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	391,4	128,6	98,8	69,1	188,0	875,8
Government grants	0,0	0,0	0,0	0,0	0,0	0,0
Other income	773,8	122,5	93,7	75,5	190,0	1 255,5
Inter-segment income	1,0	0,3	5,6	1,7	34,4	43,0
Total income	1 166,2	251,3	198,1	146,3	412,5	2 174,3
Employee benefits expenses	248,7	61,7	54,1	49,3	401,9	815,6
Other operating expenses	418,6	80,1	87,9	56,8	413,7	1 057,1
Inter-segment expenses	185,3	61,5	51,0	38,1	276,8	612,7
Total expenses	852,6	203,3	192,9	144,2	1 092,4	2 485,4
EBITDA	313,6	48,1	5,2	2,1	-679,9	-311,0
Depreciation, amortisation and impairment charges	470,2	154,9	60,0	53,6	211,5	950,1
Operating profit/-loss	-156,6	-106,8	-54,8	-51,5	-891,4	-1 261,1
Assets*	17 055,8	5 491,7	1 723,9	1 675,8	5 792,4	31 739,6

SIX MONTHS ENDED JUNE 2020 CONTINUED:

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEV. AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	875,8	349,3	0,0	0,0		1 225,1
Government grants	0,0	0,0	0,0	2 100,2		2 100,2
Other income	1 255,5	78,6	40,1	38,7		1 413,0
Inter-segment income	43,0	324,0	10,9	319,0	-696,9	0,0
Total income	2 174,3	752,0	51,0	2 457,9	-696,9	4 738,3
Employee benefits expenses	815,6	706,9	0,0	335,1		1 857,6
Other operating expenses ²⁾	1 057,1	129,4	4,5	457,1		1 648,1
Inter-segment expenses	612,7	46,7	0,4	37,0	-696,9	0,0
Total expenses	2 485,4	883,1	4,9	829,2	-696,9	3 505,7
EBITDA	-311,0	-131,1	46,0	1 628,7		1 232,6
Depreciation, amortisation and impairment charges	950,1	69,9	17,9	52,6		1 090,5
Operating profit/-loss	-1 261,1	-201,0	28,1	1 576,0		142,1
Assets*	31 739,6	884,2	742,4	367,1		33 733,3

* Inclusive other intangible assets, exclusive assets under construction.

2) Other operating expenses includes a provision of MNOK 218 for estimated losses on accounts receivable as of 30 June 2020. The provision is distributed with MNOK 9.7 in the segment Air Navigation Services and MNOK 208.3 in the segment Others.

NOTE 4 Operating income

Amounts in MNOK

Revenue from contract with customers (IFRS 15) include all traffic income and part of other operating income, see specification below.

Traffic income, except for the en route charges, is distributed to the segments under airport operations. The en route charges are allocated in its entirety to the segment Air Navigation Services. See note 3.

Government Grants

Government grants are recognised in accordance with IAS20 Accounting for Government Grants and Disclosure of Government Assistance. Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

The grants are considered receivable and given for the purpose of providing immediate financial support without future associated expenses or future conditions attached to it.

Government grants are presented separately in the income statement.

SPECIFICATION	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2021	2020	2021	2020	2020
Traffic income					
Takeoff charges	133,9	46,7	257,8	270,4	423,7
Terminal charges	79,5	0,4	136,2	218,4	420,5
En route charges	158,3	91,3	296,1	349,3	654,5
Security charges	84,3	0,4	142,9	228,3	443,8
Terminal navigation charges	59,2	42,1	113,7	158,7	305,0
Total traffic income	515,2	181,0	946,8	1 225,1	2 247,4
Government grants	1 450,0	2 100,2	2 500,0	2 100,2	3 600,2
Other operating income					
Revenue from contracts with customers:					
Duty free	0,6	0,7	1,2	16,9	21,4
Parking	0,0	0,0	0,1	0,1	0,1
Other	192,3	99,0	325,5	259,7	539,9
Total revenue from contracts with customers	193,0	99,7	326,8	276,7	561,4
Rental income:					
Duty free	47,3	38,7	92,7	468,5	638,1
Parking	73,3	41,4	121,9	199,6	327,8
Other	144,9	150,5	293,2	468,3	808,3
Total rental income	265,4	230,7	507,8	1 136,3	1 774,3
Total other operating income	458,4	330,3	834,6	1 413,0	2 335,7
Total income from contracts with customers	708,2	280,7	1 273,6	1 501,7	2 808,8
Total rental income	265,4	230,7	507,8	1 136,3	1 774,3
Government grants	1 450,0	2 100,2	2 500,0	2 100,2	3 600,2
Total operating income	2 423,6	2 611,5	4 281,4	4 738,3	8 183,3

NOTE 5 Other income and expenses

Amounts in MNOK

	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2021	2020	2021	2020	2020
Other expenses					
Change in value and other gains/-losses, net	-22,9	-3,0	-17,1	27,4	48,9
Total	-22,9	-3,0	-17,1	27,4	48,9

NOTE 6 Property, plant and equipment and other intangible assets

Amounts in MNOK

	OTHER INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	RIGHT OF USE ASSETS	TOTAL
At 30 June 2020					
Opening net book amount	233,7	34 244,6	3 264,8	485,0	38 228,1
Additions	115,7	384,8	1 141,9	0,0	1 642,4
Reclassification	0,0	0,0	-500,5	0,0	-500,5
Disposals	0,0	-5,6	0,0	0,0	-5,6
Depreciation charge	-15,6	-1 224,3	0,0	-26,8	-1 266,7
Closing net book amount	333,8	33 399,5	3 906,2	458,2	38 097,8
At 30 June 2021					
Opening net book amount	407,5	33 320,8	4 171,7	431,5	38 331,5
Additions	91,1	464,8	1 226,2	0,0	1 782,1
Reclassification	0,0	0,0	-555,9	0,0	-555,9
Disposals	0,0	-8,3	0,0	0,0	-8,3
Depreciation charge	-25,4	-1 047,1	0,0	-26,8	-1 099,3
Closing net book amount	473,2	32 730,2	4 842,0	404,7	38 450,0

MNOK 645.9 of assets under construction is classified as intangible as at 30 June 2021 (MNOK 636.0 as at 30 June 2020).

Impairment tests - measurement of recoverable amount

The corona pandemic has had major negative effects on Avinor and significantly affected the number of air passengers and the group's revenues in 2020 and continues to have a negative impact in 2021.

The pandemic is already considered an impairment indicator for the group's cash-generating units (airport operations and air navigation services), and consequently management has performed updated impairment tests as at 30 June 2021 that take into account new information and updated forecasts.

Uncertainty of the duration of the pandemic, the extent of financial support and the regulation of Avinor's revenues, increase the sensitivity to the assumptions used in the impairment assessments, and result in less headroom between the recoverable amount and the carrying amount of the group's assets for the cash-generating units.

The group's cash-generating units (airport operations and air navigation services), are regulated infrastructure business where a decrease in traffic in the short / medium term normally not will entail a need for impairments. However, the current situation and the uncertainty associated with both duration and more long-term consequences are very unusual and could affect the value of the group's assets and lead to impairment of assets in the future.

The group operates in its entirety in Norway. The present value of future cash flow is therefore estimated in NOK and discounted based on a weighted average discount rate relevant for the group's type of operations.

The uncertainty regarding traffic forecasts is high. Hence, Avinor has relied on different scenarios in determining cash flows in the impairment assessments.

The most important assumptions used in the impairment tests as of 30 June 2021 are described below, and represent the most updated assesment of probable outcome:

KEY ASSUMPTIONS	AIRPORT OPERATIONS	AIR NAVIGATION SERVICES
Key assumptions		
Revenues in 2021 in % of 2020 *	95,7 %	99,5 %
Revenues in 2026 in % of 2020 *	252,7 %	154,7 %
Operating expenses 2021 in % of 2019	82,5 %	101,6 %
Operating expenses in 2026 in % of 2019	115,3 %	114,1 %
Eternal growth in terminal value	1,5 %	1,5 %
Post-tax rate of return requirement	4,7 %	4,1 %

* Government grants are not included.

Cash flows in the first year in the measurement period is based on management's best estimate, including government grants of MNOK 3,750 for 2021. Cash flows for years 2-6 are calculated based on management approved forecasts, which are based on current regulations and updated forecasts for air traffic volume, related commercial revenues and cost level. Cash flow from year 6 onwards is extrapolated with an eternal growth of 1.5 % based on expectations in future travel activity and inflation. The expectations are based on Avinor's own assessments as well as analysis from reputable industry- and analysis organizations. In Norway, aviation is in a strong position, with long distances and population structure and topography that indicate long-term growth. At the same time, aviation fees will be regulated based on level of costs. Airport charges are based on current regulations.

Impairment tests – results

The results of the impairment tests show that the value in use exceeds the book value of assets by MNOK 4,750 for airport operations and MNOK 310 for air navigation services. Consequently, no impairment loss has been recognized at the end of the second quarter of 2021.

Impairment tests - sensitivity analyses

At the time of approval of the second quarter 2021 statements there is still uncertainty about the development of infection levels, virus mutations and how the pandemic will affect future travel activity. It is therefore still too early to predict the full impact the pandemic may have on the group. Should managements current estimates and assumptions not be met, it could lead to significant impairment losses.

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

The sensitivity to changes in operating margin, income and terminal growth is summarised in the table below:

IMPAIRMENT TESTS - RESULTS	AIRPORT OPERATIONS		AIR NAVIGATION SERVICES	
	VALUE IN USE	IMPAIRMENT	VALUE IN USE	IMPAIRMENT
Change in assumption				
Operating margin: -1,0 %	39 075	0	1 370	220
Operating margin: - 2,0 %	37 000	0	840	750
Income: - 1,0 %	39 020	0	1 270	320
Income: -5,0 %	36 900	0	650	940
Terminal growth: -0,5 %	36 375	25	1 440	150
Terminal growht: -1,0 %	32 725	3 675	1 110	480

NOTE 7 Capital structure and equity

Amounts in MNOK

	30 JUNE		YEAR
	2021	2020	2020
Interest bearing debt (see note 9)	23 531,4	25 075,1	27 598,9
Interest swaps liabilities (see note 10)	702,9	0,0	420,7
Interest rate swaps assets (see note 10)	-1 496,7	-2 508,1	-2 285,9
Lease liabilities	-425,8	-470,6	-448,7
Cash and cash equivalents	-2 527,2	-3 785,1	-6 017,9
Net interest bearing debt - exclusive lease liabilities	19 784,6	18 311,3	19 267,0
Equity	13 277,0	13 730,1	13 187,1
Total equity and net interest bearing debt - exclusive lease liabilities	33 061,5	32 041,4	32 454,1
Net debt to equity ratio*	40,2 %	42,9 %	40,6 %

* Equity as a percentage of total equity and net interest bearing debt - exclusive lease liabilities (according to article 5 of the company's Article of Association).

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 net long-term interest-bearing debt plus equity". Lease liabilities are not included in the net interest bearing debt when the calculating net debt to equity ratio set in the Articles of Association.

In addition, there are covenants on some of the debt issued by Avinor. The covenant is a net debt to equity ratio of at least 30 per cent. Lease liabilities are included in the net interest bearing debt in this calculation of the net debt to equity ratio.

Avinor complies with all equity covenants in loan agreements and the minimum equity ratio according to the Articles of Association as of 30 June 2021.

NOTE 8 Pensions

Amounts in MNOK

Avinor bases its calculation of pension liabilities on updated assumptions for pension obligations published by the Norwegian Accounting Standards Board. The latest update of assumptions for pension obligation were as of 31.12.2020.

The present value of the group's defined benefit pension obligation is calculated by discounting estimated future payments with the interest rate on a bond issued by a company with a high credit rating. Avinor has observed an increase in these interest rates since the end of 2020 and has consequently used updated discount rate at the end of June 2021 as a basis for calculation the group's pension obligation. Changes in this assumption that give rise to accounting losses or gains are recognised in equity through other comprehensive income.

The following assumptions have been used to calculate the group's pension liabilities:

	30 JUNE		YEAR
	2021	2020	2020
Discount rate	1,90 %	1,70 %	1,70 %
Future return on plan assets	1,90 %	1,70 %	1,70 %
Future salary increases	2,25 %	2,25 %	2,25 %
Future pension increases	1,25 %	1,25 %	1,25 %
Future increases in the social security base rate (G)	2,00 %	2,00 %	2,00 %

PENSION OBLIGATION

	30 JUNE		YEAR
	2021	2020	2020
Net pension obligation at 1 January	5 621,0	3 972,8	3 972,8
Reclassification incoming balance gift pension	0,0	0,0	18,8
Pension cost (exclusive employee contribution)	155,8	138,6	411,5
Employer/employee contribution	-134,3	-131,9	-324,5
Actuarial gains/losses	-180,3	1 525,8	1 542,4
Net pension obligation at the end of the period	5 462,2	5 505,3	5 621,0

In addition to the pension cost in the table above there is a cost of MNOK 70.3 as at 30 June 2021 related to employees that have transitioned to a defined contribution pension scheme (MNOK 74.1 as at 30 June 2020) and MNOK 8.2 related to the private AFP scheme (early retirement) (MNOK 12.2 as at 30 June 2020).

Actuarial gains/losses in 2021 consist of the net effect of the following:

- Estimated reduction in pension obligation as a result of changed discount rate at 30 June 2021
- Estimated increase in pension obligation as a result age pension settlement 2021.

See note 11 for further information of the new act on public sector occupational pension and new principles for regulation of age pensions.

NOTE 9 Borrowings and lease liabilities

Amounts in MNOK

	30 JUNE		YEAR
	2021	2020	2020
Long term borrowings and lease liabilities	22 584,6	19 859,5	24 159,6
Short term borrowings and lease liabilities	946,8	5 215,6	3 439,3
Total	23 531,4	25 075,1	27 598,9
Movement in borrowings and lease liabilities			
Opening net book amount	27 598,9	21 295,0	21 295,0
Proceeds from borrowings	0,0	2 000,0	7 526,6
Repayment of borrowings	-2 935,7	-673,5	-896,7
Repayment of lease liabilities	-22,8	-21,6	-43,9
Net proceeds/repayment of short term borrowings (commercial papers)	0,0	1 399,8	-600,0
Net changes in borrowings with cash flow effect	-2 958,5	2 704,7	5 986,0
Changes in value ¹⁾	-1 109,0	1 075,4	317,9
Closing net book amount	23 531,4	25 075,1	27 598,9

1) Parts of the loan portfolio is in euros. The strengthening of the Norwegian krone in the first half of 2021 results in reduced debt in Norwegian kroner during the period. In the first half of 2020 the change in value increased the debt because of the weakening of the Norwegian krone against the euro. The change in debt is offset, Avinor has purchased currency hedging instruments for the entire debt in foreign currency.

LIQUIDITY RESERVES

	30 JUNE		YEAR
	2021	2020	2020
Cash and cash equivalents	2 527,2	3 785,1	6 017,9
Unused bank overdraft	600,0	600,0	600,0
Unused credit facility	4 000,0	4 000,0	4 000,0
Total	7 127,2	8 385,1	10 617,9

The group has an internal objective of having a liquidity reserve, including drawing facilities, corresponding to at least 12 months' forecasted liquidity requirements, including repayment of borrowings. The internal objective is met at the end of second quarter 2021.

NOTE 10 Financial instruments*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 estimation of all interest rate swaps is collected from the groups treasury system and checked against fair value estimates from the main bank connection.

The carrying amount of cash and bank overdrafts is approximately equal to the fair value due to the short maturity of these instruments. Similarly, the carrying amount of trade payables is approximately equal to fair value as they are entered into under "normal" conditions. This also applies to accounts receivables except for customer relationships where there are significant overdue, unpaid outstanding and where outstanding receivables are valued at fair value. 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.

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

FAIR VALUE ESTIMATION

	30 JUNE 2021		30 JUNE 2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing debt				
State loan	1 416,4	1 437,9	1 638,6	1 666,1
Bonds	17 139,5	18 262,8	15 969,3	16 651,2
Bank borrowings	4 549,7	4 815,3	4 996,8	5 594,1
Commercial papers	0,0	0,0	1 999,8	1 999,8
Lease liabilities	425,8	425,8	470,6	470,6
Total	23 531,4	24 941,9	25 075,1	26 381,8

DERIVATIVE FINANCIAL INSTRUMENTS

	30 JUNE		YEAR
	2021	2020	2020
Assets			
Interest rate swaps	1 496,7	2 508,1	2 285,9
Forward foreign exchange contracts	0,3	2,3	0,8
Forward energy contracts	21,6	0,0	0,0
Total assets	1 518,6	2 510,4	2 286,7
Liabilities			
Interest rate swaps	702,9	0,0	420,7
Forward foreign exchange contracts	3,7	0,8	1,0
Forward energy contracts	0,0	25,2	4,0
Total liabilities	706,6	26,0	425,7

Fair value hierarchy

The tables 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 30 June 2021:

AT 30 JUNE 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	21,6	0,3		21,9
Derivatives used for hedging		1 496,7		1 496,7
Total assets	21,6	1 497,0	0,0	1 518,6
Liabilities				
Financial liabilities at fair value through profit or loss		4 762,7		4 762,7
Derivatives used for hedging		702,9		702,9
Total liabilities	0,0	5 465,7	0,0	5 465,7

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2020:

AT 30 JUNE 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss		1,5		1,5
Derivatives used for hedging		2 508,1		2 508,1
Total assets	0,0	2 509,6	0,0	2 509,6
Liabilities				
Financial liabilities at fair value through profit or loss	25,3	1 689,4		1 714,7
Derivatives used for hedging		0,0		0,0
Total liabilities	25,3	1 689,4	0,0	1 714,7

NOTE 11 Contingencies and estimates

Corona virus

Norway got its first registered corona virus infection on 26 February 2020. The Norwegian government has, to varying degrees, since 12 March 2020, implemented several measures to limit the virus spread among the population, including travel restrictions. The measures included, among other things, that the Norwegian border was closed to foreigners without a residence permit.

The group's profit and financial position has been strongly negatively affected through the entire corona pandemic. Although the development in vaccination and infection pressure in Norway has been going in a positive direction, it is still uncertainty and risk in Norway, Europe and the rest of the world with regards to virus mutations and infection pressure. It is unclear when we are back in an almost normal situation.

Due to reduced demand for national and international flights, the airlines have reduced the route production and initiated layoffs/terminations of employees. The financial situation in the industry is very demanding and considerable restructuring is expected in the future. This also significantly affects Avinor. Due to uncertainty related to airlines and other customers' ability to pay, the estimate of expected losses on accounts receivable are higher in 2020 and 2021 compared to historical levels of losses.

The group has through 2020 and 2021 implemented several measures to secure the financial situation. This includes borrowings and new short-term and long-term debt, government grants and cost-cutting measures including employee layoffs. Furthermore, a critical review of ongoing and planned investment projects is undertaken. Further cost-cutting measures have been an ongoing work through 2020 and continues in 2021.

Government grants

On 11 May 2021, the Norwegian Government presented in the revised national budget a proposal to give Avinor Government grants of up to MNOK 3,800 for 2021. At the end of second quarter MNOK 2,500 has been received and recognized as government grants.

The Norwegian Ministry of Transportation and Communications and Avinor are in close dialog regarding the size, format and timing of further government grants.

External environment

According to assignment from the Norwegian Environment Agency a preliminary survey of possible external environment obligation attached to PFOS pollution on all of Avinor's airports (with the exception of Evenes airport, Kristiansand airport, Oslo airport and Svalbard airport where there are already ongoing cases) have been carried out. There is established responsibility for clean-up of pollution on 32 localities.

Based on action plans approved by the Norwegian Environment Agency for comparable locations, the clean-up cost is estimated to MNOK 920 on the 32 locations in question in addition to responsibilities on other locations. Based on this, a provision of MNOK 871.2 was made in the second quarter of 2019. The total provision related to external environment clean-up costs as of 30 June 2021 amounts to MNOK 949.5.

Pensions

New act on public occupational scheme

The new Act on public occupational pension scheme, with effect from 1 January 2020, was adopted by the Norwegian Parliament (Stortinget) in June 2019. The accounting consequences of the new law are, to the extent there are sufficient basis, recorded as of 30 June 2021. Regulation related to a new AFP scheme and special retirement pension are not included in the new law. Therefore, the full accounting consequences of the new law cannot be calculated until the final regulation have been adopted.

Age pension

The Norwegian Parliament has adopted new principles for regulation of age pension for 2021. Age pension will be regulated with the average of price- and salary growth in the society, while previously the age pension was regulated with salary growth subtracted a factor of 0.75. All assumptions for calculation of age pensions for 2022 and forward is not yet ready.

In addition, it was decided that for 2021 a compensation shall be calculated, so as if the new principles for regulation was in effect already from 1 May 2020.

Estimated effect of compensation for age pension from 1 May 2020 is reflected, through other comprehensive income, in the pension obligation at 30 June 2021. The effect of changed regulation of age pension 2022 and forward is not calculated as all assumptions to be able to estimate the effect is not yet ready.

Insurance settlement parking garage Stavanger Airport

The parking garage at Stavanger Airport was damaged in a fire on 7 January 2020. In 2020 Avinor received a preliminary insurance settlement, this was presented as a reduction of the impairment charge and demolition expenses of the assets that were considered lost as a result of the fire.

The building was fully insured, and the insurance covers the cost of rebuilding a similar building. Avinor is in dialogue with the insurance company regarding the insurance settlement and the planning for construction of a new parking garage is in progress.

The final financial and accounting consequences of the fire will not be known until the extent of the damage and the insurance settlement is fully completed.

Responsibility statement from the Board of Directors and the CEO

We confirm, to the best of our knowledge, that the interim financial report for the period 1 January to 30 June 2021 has been prepared in accordance with IAS 34 Interim Reporting and that the information in the report fairly reflects the Group's assets, liabilities, financial position and result.

We also confirm that the interim financial report provides a fair summary of important events during the accounting period and their influence of the half-year account, as well as the most important risk and uncertainty factors the organisation will be facing in the coming accounting period.

Oslo, 27 August 2021
The Board of Directors of Avinor AS

Anne Carine Tanum
Chairman

Ola H. Strand
Vice Chairman

Rolf G. Roverud

Eli Skrøvset

Linda Bernander Silseth

Bjørn Tore Mikkelsen

Heidi Anette Sørum

Olav Aadal

Abraham Foss
CEO



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