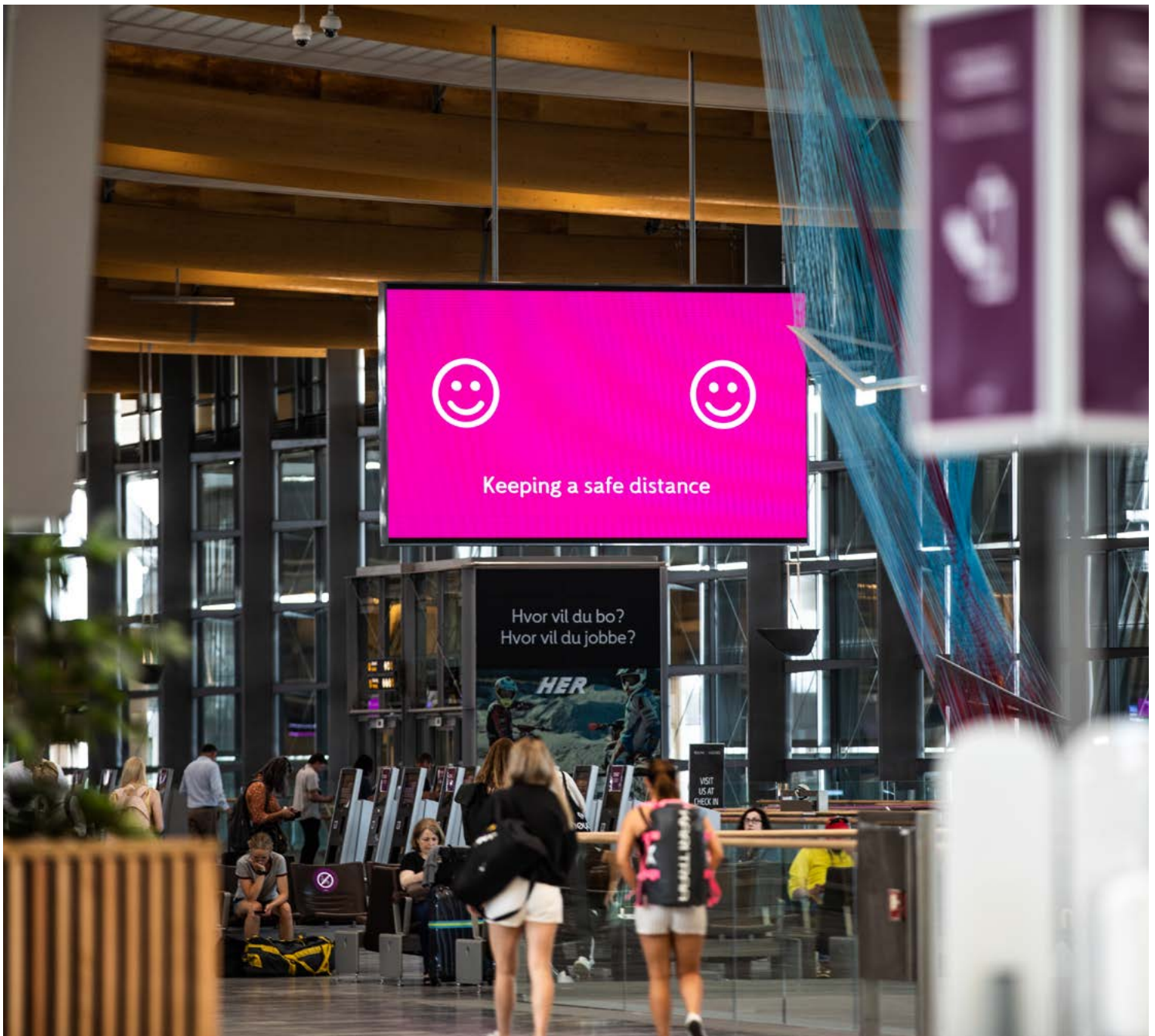


INTERIM FINANCIAL REPORT

3rd quarter 2020



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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

All amounts in MNOK

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER		YEAR
	2020	2019	2020	2019	2019
Traffic income	234,4	801,6	881,9	2 269,6	2 995,4
Security (cost based)	124,9	361,5	353,2	1 002,6	1 315,2
Sales- and rental income - duty free	105,2	873,3	590,5	2 182,3	2 903,1
Sales- and rental income - parking	68,8	253,9	268,4	710,2	949,1
Sales- and rental income - other	221,7	557,4	792,2	1 563,7	2 121,7
Inter-group income	20,5	17,4	63,5	52,8	72,1
Total income airport operations	775,4	2 865,1	2 949,7	7 781,2	10 356,6
En route charges	157,1	287,9	506,4	800,7	1 068,1
Inter-group income approach and control tower services	153,0	209,5	477,0	634,9	859,2
Other income	46,7	45,0	125,3	121,1	172,3
Total income air navigation services	356,7	542,3	1 108,7	1 556,7	2 099,7
Other group income	616,5	237,4	3 125,4	692,1	935,1
Elimination of inter-group income	-335,1	-401,4	-1 032,0	-1 188,9	-1 606,2
Total group income	1 413,4	3 243,6	6 151,7	8 841,3	11 785,2
Operating expenses airport operations	-1 004,5	-1 103,7	-3 489,8	-4 128,3	-5 544,5
Operating expenses air navigation services	-355,5	-571,7	-1 238,6	-1 522,9	-2 058,8
Other operating expenses	-170,9	-294,4	-1 005,1	-1 864,7	-2 153,5
Elimination of inter-group expenses	335,1	401,4	1 032,0	1 189,0	1 606,2
Total group expenses	-1 195,8	-1 568,4	-4 701,5	-6 327,0	-8 150,7
EBITDA airport operations	-229,1	1 761,4	-540,2	3 652,9	4 812,1
EBITDA air navigation services	1,3	-29,4	-129,9	33,8	40,9
EBITDA others	445,5	-57,0	2 120,3	-1 172,6	-1 218,5
EBITDA group	217,6	1 675,2	1 450,2	2 514,3	3 634,5
Depreciation, amortisation and impairment charges	-547,1	-546,1	-1 637,6	-1 619,6	-2 171,6
Operating profit/(loss)	-329,5	1 129,2	-187,4	894,7	1 462,9
Net finance income/(costs)	-126,5	-143,3	-406,1	-428,8	-563,2
Profit/(loss) before income tax	-456,0	985,8	-593,5	465,9	899,7
Income tax expense	100,2	-216,4	130,6	-102,3	-197,5
Profit/(loss) after tax	-355,8	769,5	-462,9	363,6	702,2
EBITDA-margin airport operations	-29,5 %	61,5 %	-18,3 %	46,9 %	46,5 %
EBITDA-margin air navigation services	0,4 %	-5,4 %	-11,7 %	2,2 %	1,9 %
EBITDA-margin others	15,4 %	51,6 %	23,6 %	28,4 %	30,8 %
Investments airport operations	384,9	436,3	1 141,8	1 231,2	1 687,1
Investments air navigation services	103,7	143,8	311,4	361,1	498,9
Investments others	187,7	60,1	365,1	185,0	348,7
Total investments	676,3	640,2	1 818,3	1 777,3	2 534,7
Distributed dividends	-	-584,9	-	-584,9	-584,9
Cash flow before borrowings/repayments	-693,4	-241,3	-714,8	-8,7	291,9
Interest - bearing debts			23 369,0	21 415,0	20 802,8
Total assets			45 596,0	44 517,9	44 162,2
Net debt to equity ratio (b)			41,6 %	43,2 %	45,9 %
Number of passengers (in 1000)	5 030,8	15 052,9	16 730,1	41 154,8	54 099,0
Number of aircraft departures (in 1000)	110,4	177,6	323,5	508,6	677,3
Number of service units (in 1000)	289,5	659,2	946,9	1 828,2	2 437,2
Punctuality (a)			88 %	84 %	84 %
Regularity (a)			97 %	98 %	98 %

(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 in the period 1 January to 30 September 2020 measured by passenger numbers fell by 59.3 per cent compared to the corresponding period in 2019. Looking just at the third quarter, the downturn was 66.6 per cent.

Over the last 12 months, average regularity and punctuality were 97 per cent and 88 per cent, respectively.

On 12 March 2020 the Norwegian government implemented a raft of measures to limit the spread of the coronavirus within the population. These measures include restrictions on travel. The measures resulted in strict quarantine rules and Norway's borders were essentially shut to foreigners without a residence permit. The borders were reopened on 15 July, with some exceptions, for trips to and from all countries in the EEA and Schengen area without the need to quarantine. In the later summer and into autumn, cases have again started to rise considerably in Norway and the rest of Europe. As a result, strict travel restrictions applying to the whole of Europe have been reinstated. Many countries outside Europe, including the US, are also struggling to bring infection rates down. It is not expected that traffic will return to 2019 within the next four to five years. In particular international traffic is expected to be affected. Throughout the pandemic, the airlines have adjusted their route networks and furloughed staff.

The government has suspended some of Avinor's airport fees from 13 March to 31 October 2020 in order to alleviate the financial pressure on the airlines. Based on available information and updated forecasts, a fall in revenue of between NOK 7 billion and NOK 8 billion is projected for the 2020 financial year. The government has announced that it will extend the opportunity to publicly purchase routes and will maintain the financial support measures for airlines launched earlier this year in relation to the coronavirus. Despite this the Norwegian aviation market is in a very precarious financial situation. If some players are forced to shut down or substantially reduce its activities, this will result in a significant change to the composition of players in the Norwegian market going forwards. This is followed up on an ongoing basis by Avinor.

The Group's profits and solvency in 2020 are being and will be greatly affected by the pandemic. Avinor has maintained constant dialogue with its owner in respect of measures to bolster the Group's equity and liquidity. On 19 June 2020, the Norwegian parliament decided to give Avinor a grant of up to NOK 4,270 million and a one-year postponement of the instalments on the company's government debt. As at the end of September, NOK 2,570 million has been paid out. Of this, NOK 2,500 million was destined for operating activities and NOK 70 million for the operation of Haugesund Airport, which is operated by external parties. The Norwegian Ministry of Transport and Communications will follow the situation in Avinor closely going forwards and review the size and timing of any further financial support for Avinor.

Government grants are key to making Avinor more financially robust. However, the long-term ripple effect of the virus outbreak

means that the pandemic is considered an impairment indicator for the Group's cash-generating units, airport operations and air navigation services. At the same time, credit risk increases significantly. Reference is made to notes 7 and 13 in the financial statements that address the calculation of the recoverable amount and provision for losses on receivables.

Cost-saving measures and measures to safeguard the Group's long-term financial solvency are being implemented. As at the end of the third quarter of 2020, a total of 312 employees had been fully or partly furloughed in the Avinor system. Investments for the year have been scaled back with NOK 1 billion compared to the original plan. In October, Avinor issued a new bond loan of EUR 500 million.

Avinor will continuously assess its investment portfolio based on its current financial situation.

In October, Avinor opened the new centre for remote towers in Bodø. The towers at Røst and Vardø airports are to be controlled from Bodø from opening, and over the next two years a further 13 towers will be remotely controlled from the centre. In the same month Avinor Flysikring, in co-operation with Kongsberg Defence & Aerospace and Gesnaer Consulting, won the contract to deliver and install a complete remotely operated tower at Menorca Airport in Spain.

Q3 2020

TABLE 1: KEY FINANCIAL FIGURES

MNOK	Q3 2020	Q3 2019	CHANGE
Operating income	1 413,4	3 243,6	-56,4 %
EBITDA	217,6	1 675,2	-87,0 %
EBIT	(329,5)	1 129,1	-129,2 %
Profit (loss) for the period	(355,8)	769,4	-146,2 %
Investments	676,4	640,2	5,7 %

The Group's operating income totalled NOK 1,413 million in the third quarter of 2020, which was a fall of 56.4 per cent compared with the corresponding reporting period in 2019. Excluding the government grant recognized in the income statement of NOK 400 million in the third quarter, the reduction was 68.8 per cent.

Total operating expenses including the cost of sales, depreciation and amortisation amounted to NOK 1,743 million, compared with NOK 2,115 million for the corresponding reporting period in 2019. This reduction relates to a reduction in volume-dependent costs as well as cost-cutting measures.

Depreciation and write-downs on the Group's property, plant, and equipment totalled NOK 547 million, which is the same level as the corresponding period in 2019.

The Group's net finance costs were NOK -127 million, compared with NOK -143 million for the third quarter of 2019. This change is primarily related to lower interest rates on debt and increased interest income on outstanding trade receivables in 2020 compared with 2019.

The Group's profit after tax was NOK -356 million, compared with NOK 770 million for the third quarter of 2019.

1 JANUARY TO 30 SEPTEMBER 2020

TABLE 2: KEY FINANCIAL FIGURES 01.01 - 30.09

MNOK	01.01 - 30.09.20	01.01 - 30.09.19	CHANGE
Operating income	6 151,7	8 841,3	-30,4 %
EBITDA	1 450,2	2 514,3	-42,3 %
EBIT	(187,4)	894,7	-120,9 %
Profit (loss) for the period	(462,9)	363,6	-227,3 %
Investments	1 818,3	1 777,3	2,3 %

In the period 1 January to 30 September 2020, the Group had a profit after tax of NOK -463 million against NOK 364 million for the corresponding period in 2019.

The Group's balance sheet has increased by NOK 1,434 million during the first nine months of 2020, to a total of NOK 45.6 billion as at 30 September 2020.

Operating income

Operating income in the period 1 January to 30 September 2020 amounted to NOK 6,152 million, a fall of 30.4 per cent from NOK 8,841 million in the corresponding period in 2019. Excluding the government grant of NOK 2,500 million recognised in the income statement, the reduction was 58.7 per cent.

Within airport operations, passenger numbers fell by 59.3 per cent in the first nine months of 2020 compared with the corresponding period in 2019. Accumulated revenues as at the end of the quarter amounted to NOK 2,950 million, which is a decrease of 62.1 per cent compared to the end of third quarter of 2019.

TABLE 3: OPERATING AND OTHER INCOME

MNOK	01.01 - 30.09.20	01.01 - 30.09.19	CHANGE
Airports operations	2 949,7	7 781,2	-62,1 %
Air traffic services	1 108,7	1 556,7	-28,8 %
Property development and hotels	74,8	101,0	-25,9 %
Group services/joint items group	3 050,6	591,2	416,0 %
Consolidated items	(1 032,0)	(1 188,9)	13,2 %
Avinor group	6 151,7	8 841,3	-30,4 %

In terms of air navigation services, the volume of traffic in terms of service units for en-route navigation services fell by 48.2 per cent and the number of aircraft movements at airports fell by 36.4 per cent. Traffic income within en-route navigation services fell by 36.8 per cent and income from tower services fell by 24.9 per cent. Overall, operating income fell by 28.8 per cent to NOK 1,109 million compared with the corresponding period in 2019.

As a result of the coronavirus pandemic, at the end of the third quarter Avinor received a total of NOK 2,500 million as taxable operating grants from the government. In table 3 where operating income is broken down by business area, government grants are classified as "group services/joint items group".

Operating expenses, depreciation and amortisation, and other items

Total operating expenses including the cost of sales, depreciation and amortisation for the period 1 January to 30 September 2020 amounted to NOK 6,339 million, compared with NOK 7,947 million for the corresponding period in 2019. This decrease relates to a reduction in volume-dependent costs as well as cost-cutting measures, including furloughed staff.

Within airport operations, total operating expenses in the first nine months of the year fell by 15.5 per cent to NOK 3,490 million compared with the corresponding period in 2019. Total operating expenses for air navigation services in the first nine months of the year fell by 18.7 per cent to NOK 1,239 million.

Joint Group costs and unshared costs in the first nine months of the year amounted to NOK 999 million, compared with NOK 1,860 million for the corresponding period last year. The decrease of NOK 739 million was primarily because of the expensing of increased provisions in 2019 for estimated cleanup costs related to environmental contaminants at Avinor's fire training sites.

Total depreciation and impairment totalled NOK 1,638 million for the period 1 January to 30 September 2020, compared with NOK 1,620 million for the corresponding period in 2019.

EBITDA and EBIT

EBITDA totalled NOK 1,450 million in the period 1 January to 30 September 2020 with an EBITDA margin of 23.6 per cent. Excluding the government grant of NOK 2,500 million, this margin was -28.7 per cent. EBITDA totalled NOK 2,514 million in the corresponding period in 2019 with a margin of 28.4 per cent.

EBIT for the reporting period was NOK -187 million compared with NOK 895 million for the corresponding period in 2019.

Investments

Recognised additions to tangible fixed assets in the period 1 January to 30 September 2020 amounted to NOK 1,818 million, which is a fall of 2.3 percent compared with the corresponding period in the previous 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 - 30.09.20	01.01 - 30.09.19	CHANGE
Airports operations	1 141,8	1 231,2	-89,4
Air traffic services	311,4	361,1	-49,6
Property development and hotels	77,7	2,5	75,1
Joint items, group	243,3	151,0	92,3
Consolidated items	44,1	31,5	12,6
Group	1 818,3	1 777,3	41,0

Cash flow, financing, and commitments

In the period 1 January to 30 September 2020, the Group's cash flow before changes for liabilities was NOK -715 million. With a net increase in debt of NOK 1,294 million, the Group's cash reserves increased by NOK 579 million for the first nine months of 2020. This includes the received and recognised government grant of NOK 2,500 million.

Interest-bearing liabilities (not taking into account the value of derivatives related to interest rate hedging) and lease commitments as at 30 September 2020 amounted to NOK 23,829 million, of which NOK 3,814 million were current interest-bearing liabilities.

The Group's total assets amounted to NOK 45.6 billion as at 30 September 2020. The Equity was NOK 13.5 billion, which gives an equity ratio of 29.7 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 41.6 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 nine months of 2020, the Group's book equity was reduced by NOK 1,735 million. Loss after tax contributed negatively with NOK 463 million, actuarial losses on pension liabilities reduced equity by NOK 1,037 million, while changes in value of financial hedging instruments accounted for a negative effect of NOK 235 million.

As at the end of the third quarter 2020, the Group's cash reserves amounted to NOK 6,238 million, distributed between NOK 1,638 million in bank deposits and NOK 4,600 million in unutilised drawing rights. In addition, the Group collected EUR 500 million in new bond loans on 1 October 2020.

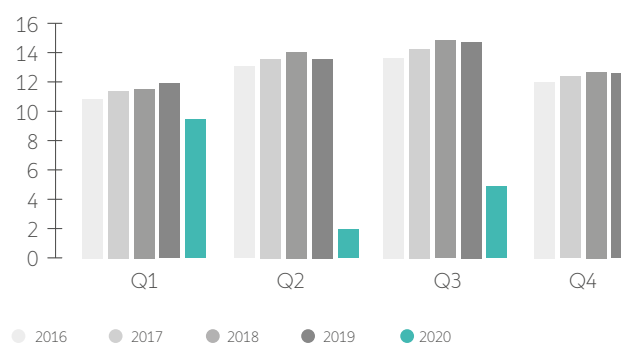
Traffic development and service targets

A total of 16.7 million passengers travelled through Avinor's airports in the first nine months of 2020. This is a decrease of 59.3 per cent compared with the same period in 2019.

The figure below shows the trend in traffic on a quarterly basis for the period 2016 to 2020:

PASSANGERS

Millions



In comparison with the corresponding period in 2019, domestic traffic was 49.7 per cent lower, while international traffic fell by 73.7 per cent. Offshore helicopter traffic fell by 13.2 per cent.

Passenger volume was distributed between the airports as follows:

TABLE 5: NO. OF AIR PASSANGERS

PASSANGERS (1000)	01.01 - 30.09.20	01.01 - 30.09.19	CHANGE
Gardermoen	7 723	21 880	-64,7 %
Flesland	2 116	4 878	-56,6 %
Sola	1 351	3 242	-58,3 %
Værnes	1 418	3 279	-56,7 %
Others	4 122	7 876	-47,7 %
Avinor group	16 730	41 155	-59,3 %

The number of commercial air transport movements in the first nine months of the year fell by 36.4 per cent compared with the corresponding period in 2019. Domestic aircraft movements fell by 28.6 per cent, while international aircraft movements fell by 62.3 per cent.

Over the past 12 months, average regularity was recorded at 97 per cent and average punctuality at 88 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 the first nine months of 2020 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 6.0 in Avinor AS and 0.6 in Avinor Flysikring AS,

while the H2 value (frequency of injuries) was 9.1 in Avinor AS and 1.8 in Avinor Flysikring AS.

Group-wide absence due to illness over the last 12 months amounted to 4.8 per cent.

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

H values increased in the last period. Consequently, new measures are being sought in efforts to prevent work-related injuries and illness in the organisation, such as by way of the clearer enforcement of violations, simpler reporting procedures, better procedures for the distribution of work, the mapping and monitoring of HSE risks, and improved HSE training.

RISK

Risks pertaining to air traffic volumes

Avinor's traffic income is affected by changes to route networks, passenger numbers, 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. The coronavirus pandemic will affect route networks going forwards.

Three airlines account for a substantial proportion of traffic volumes at Avinor's airports. Significant decisions, financial difficulties, bankruptcies, or the loss of landing rights 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. 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 these parties being unable to meet their obligations is increasing. 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. The Group has not furnished any third-party obligations.

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. Revenues from en-route navigation services are in euros, while some purchasing contracts are concluded in foreign currencies.

The Group has loans in euros.

Interest rate risk

The Group is exposed to interest rate risk through its 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 no guarantee that capital markets will be available and able to provide debt financing at the desired terms at the right time. So far there has been no challenges in this respect.

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 affect profits. When investing the Group's surplus cash, emphasis is given to the issuer's solidity and the liquidity of the investment. The Group's liquid assets are deposited in a bank on negotiated terms.

Regulatory risks

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

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

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 design work is ongoing and aims to establish the scope and costs. Its implementation is dependent on the funding being put in place. The National Transport Plan for 2018 to 2029 proposes financing the development based on the state, Avinor, and the local authorities 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 from aviation is primarily related to aircraft noise, local air quality, and water and ground contamination. The global impact is primarily related to greenhouse gas emissions from aviation, primarily from aircraft.

Greenhouse gas emissions from aviation could affect the reputation of the industry as well as general conditions and fees for the industry both nationally and internationally. This could impact air travel in the future. Reduced traffic volumes, increased costs, and a deterioration in the industry's profitability could in turn have a negative impact on Avinor's financial performance.

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 on 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. Accordingly, Avinor has compiled the results from completed PFAS surveys and drawn up a series of prioritised measures. In February 2020, the Norwegian Environment Agency assessed PFAS contamination and provided information on the process for making further progress.

EFSA, the European Food Safety Authority, has issued new stricter limits on PFAS related to human health. The Norwegian

authorities (the Norwegian Food Safety Authority and the Norwegian Environment Agency) and the Norwegian Institute of Public Health 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

Mobility and efficient air transport are essential for social development, as well as for the growth of the Norwegian travel industry and businesses. Avinor is upgrading and developing its airport network to facilitate good regional, national, and international air services. Furthermore, aviation depends on innovation and technological advances in order to reduce harmful greenhouse gas emissions. Alongside the airlines, the Civil Aviation Authority, and other stakeholders in Norwegian aviation, Avinor has been an active contributor for several years in international efforts relating to the climate and is at the forefront of paving the way for sustainable aviation in the future.

The company's operation of airports for airlines and passengers is subject to economic upswings and downturns, and a clear expectation of competitive levels of pricing. Avinor's primary focus is now to provide continuity and ensure that operations continue throughout the coronavirus pandemic. Operations and infrastructure are being adjusted according to the reduction in traffic volumes in order to minimise our employees' exposure to the virus as well as to ensure resources who can cover for those who fall ill or must enter self-isolation.

The company's profits and solvency are greatly affected by the coronavirus pandemic in 2020. Consequently, there will be a need to bolster equity and liquidity beyond what has already been done. Avinor has maintained constant dialogue with its owner in respect of measures to bolster the Group's equity and liquidity.

Avinor has initiated a programme to safeguard good solutions for the future of Norwegian aviation. The programme will safeguard Avinor's social obligation and the airport structure, as well as seek to find more effective solutions. The programme will be an umbrella for a number of changes and restructuring measures over the coming years. The objective is a profitable Avinor once the effects of the coronavirus pandemic have passed, and to continue to deliver safe and stable operations.

These measures are designed to ensure the continued operation of the Group and ensure the implementation of current and planned high-priority investment projects.

CONDENSED INCOME STATEMENT

All amounts in MNOK

	NOTE	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER		YEAR
		2020	2019	2020	2019	2019
Operating income						
Traffic income	4	516,4	1 451,0	1 741,5	4 073,0	5 378,7
Other operating income	4	897,0	1 792,6	4 410,2	4 768,3	6 406,5
Total operating income		1 413,4	3 243,6	6 151,7	8 841,3	11 785,2
Operating expenses						
Raw materials and consumables used		25,0	45,0	73,9	124,6	138,7
Employee benefits expenses		680,2	798,5	2 537,8	2 724,3	3 708,6
Other operating expenses		502,1	818,7	2 073,9	2 666,1	3 482,6
Other expenses	5	(11,5)	(93,8)	15,9	812,0	820,8
Total operating expenses		1 195,8	1 568,4	4 701,5	6 327,0	8 150,7
EBITDA		217,6	1 675,2	1 450,2	2 514,3	3 634,5
Depreciation, amortisation and impairment charges	7	547,1	546,1	1 637,6	1 619,6	2 171,6
Operating profit/(loss)		(329,5)	1 129,1	(187,4)	894,7	1 462,9
Finance income		8,5	8,3	27,1	24,8	39,9
Finance expenses		134,9	151,6	433,1	453,6	603,1
Net finance income/(expenses)		(126,5)	(143,3)	(406,1)	(428,8)	(563,2)
Profit/(loss) before income tax		(456,0)	985,8	(593,5)	465,9	899,7
Income tax expense	6	(100,2)	216,4	(130,6)	102,3	197,5
Profit/(loss) after tax		(355,8)	769,5	(462,9)	363,6	702,2

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

All amounts in MNOK

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER		YEAR
	2020	2019	2020	2019	2019
Profit/(loss) for the period	(355,8)	769,5	(462,9)	363,6	702,2
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on post employment benefit obligations	197,4	(902,7)	(1 328,4)	(902,7)	544,6
Tax effect	(43,9)	198,6	291,3	198,6	(119,8)
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges	20,1	85,8	(301,8)	297,4	251,3
Tax effect	(4,4)	(18,9)	66,4	(65,4)	(55,3)
Other comprehensive income, net of tax	169,2	(637,2)	(1 272,5)	(472,1)	620,8
Total comprehensive income	(186,6)	132,3	(1 735,4)	(108,5)	1 323,0
Attributable to:					
Owner of parent	(186,6)	132,3	(1 735,4)	(108,5)	1 323,0

CONDENSED BALANCE SHEET

All amounts in MNOK

		30 SEPTEMBER		YEAR
	NOTE	2020	2019	2019
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax assets	6	1 911,7	1 534,8	1 423,4
Other intangible assets	7	356,6	90,6	233,7
Intangible assets under construction	7	640,1	726,9	622,4
Total intangible assets		2 908,5	2 352,3	2 279,5
Property, plant and equipment				
Property, plant and equipment	7	33 210,9	34 014,9	34 244,6
Assets under construction	7	3 572,2	2 696,7	2 642,4
Right of use assets	7	444,9	479,0	485,0
Total property, plant and equipment		37 228,0	37 190,6	37 372,0
Financial assets				
Derivative financial instruments	11	1 890,9	1 863,7	1 751,1
Other financial assets		152,7	87,6	99,0
Total financial assets		2 043,6	1 951,3	1 850,1
Total non-current assets		42 180,0	41 494,2	41 501,6
Current assets				
Inventories		38,1	23,6	24,4
Trade and other receivables		934,0	1 641,3	1 572,9
Derivative financial instruments	11	805,6	13,3	4,2
Cash and cash equivalents	10	1 638,2	1 345,5	1 059,1
Total current assets		3 416,0	3 023,7	2 660,6
TOTAL ASSETS		45 596,0	44 517,9	44 162,2

CONDENSED BALANCE SHEET

All amounts in MNOK

		30 SEPTEMBER		YEAR
	NOTE	2020	2019	2019
EQUITY AND LIABILITIES				
Equity				
Share capital		5 400,1	5 400,1	5 400,1
Other equity		8 143,5	8 447,4	9 878,9
Total equity		13 543,6	13 847,5	15 279,0
Provisions				
Retirement benefit obligations	9,13	5 345,9	5 316,7	3 972,8
Other provisions	5,13	1 114,1	1 056,3	1 065,9
Total provisions		6 459,9	6 373,0	5 038,7
Non-current liabilities				
State loan	10,11	1 416,4	1 416,4	1 194,2
Other non-current loans	10,11	18 193,4	18 407,1	17 667,1
Lease liabilities	10,11	404,5	442,9	435,5
Total non-current liabilities		20 014,3	20 266,4	19 296,8
Current liabilities				
Commercial papers	10,11	599,9	-	600,0
Trade payables		310,8	300,1	579,7
Tax payable		20,5	199,3	298,8
Public duties payable		205,2	431,1	343,3
Derivative financial instruments	11	15,3	0,3	2,3
First annual installment on long-term liabilities	10,11	3 159,3	1 591,5	1 341,5
Lease liabilities	10,11	55,2	43,4	56,7
Other current liabilities		1 212,1	1 465,3	1 325,4
Total current liabilities		5 578,3	4 031,0	4 547,7
Total liabilities		32 052,4	30 670,4	28 883,2
TOTAL EQUITY AND LIABILITIES		45 596,0	44 517,9	44 162,2

CONDENSED STATEMENT OF CHANGES IN EQUITY

All amounts in MNOK

	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 Januar 2019	5 400,1	(1 507,4)	10 648,2	14 540,9
Total comprehensive income		(472,1)	363,6	(108,5)
Dividends provided for or paid			(584,9)	(584,9)
Balance at 30 September 2019	5 400,1	(1 979,5)	10 426,9	13 847,5
Balance at 1 Januar 2020	5 400,1	(886,6)	10 765,5	15 279,0
Total comprehensive income		(1 272,5)	(462,9)	(1 735,4)
Balance at 30 September 2020	5 400,1	(2 159,1)	10 302,6	13 543,6

CONDENSED STATEMENT OF CASH FLOWS

All amounts in MNOK

		NINE MONTHS ENDED SEPTEMBER		YEAR
	NOTE	2020	2019	2019
Cash flow from operating activities				
Profit/(loss) before income tax ¹⁾		(593,5)	465,9	899,7
Depreciation, amortisation and impairment charges		1 637,6	1 619,6	2 171,6
(Profit)/loss on disposals of non-current assets		(10,9)	1,2	-
Changes in value and other losses/(gains) - net (unrealised)		17,8	34,3	45,4
Net finance (income)/costs		406,1	428,8	563,2
Change in inventories, trade receivables and trade payables ²⁾		328,6	(255,9)	(47,1)
Difference between post employment benefit expense and amount paid/received	9	44,6	(208,7)	(115,9)
Change in other working capital items ³⁾		(66,8)	919,0	688,0
Interest received		18,1	44,5	58,1
Income tax paid		(162,9)	(91,5)	(290,7)
Net cash generated from operating activities		1 618,7	2 957,2	3 972,3
Cash flow from investing activities				
Investments in property, plant and equipment (PPE)		(1 817,2)	(1 891,6)	(2 470,7)
Proceeds from sale of PPE, incl assets under construction		21,2	24,6	30,4
Change in other investments		(22,8)	1,7	(21,9)
Net cash used in investing activities		(1 818,8)	(1 865,3)	(2 462,2)
Cash flow from financing activities				
Proceeds from borrowings	10	2 000,0	-	-
Repayment of borrowings	10	(706,1)	(385,7)	(1 572,6)
Net proceeds/repayment of short term borrowings (commercial papers)	10	-	-	600,0
Interest paid		(508,6)	(509,6)	(627,3)
Other borrowing charges		(6,1)	(6,0)	(6,0)
Dividends paid to owner	12	-	(584,9)	(584,9)
Net cash generated/used in financing activities		779,2	(1 486,2)	(2 190,8)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		579,1	(394,3)	(680,8)
Cash, cash equivalents and bank overdrafts at the beginning of the period		1 059,1	1 739,8	1 739,8
Cash, cash equivalents and bank overdrafts at the end of the period	10	1 638,2	1 345,5	1 059,1

1) Loss before income tax as of the third quarter of 2020 includes revenue recognized concerning government grant of MNOK 2,500.2 as a result of the financial consequences of the coronavirus.

2) Changes in inventories, accounts receivable and accounts payable as of the third quarter of 2020 include provisions for losses on receivables of MNOK 187.1.

3) Change in other working capital items in 2019 (Year) includes provisions for cleanup costs related to environment pollution of MNOK 871.2 (recognised in the second quarter of 2019).

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 third quarter of 2020 were approved by the Board of Directors on 26 November 2020. 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 third quarter, ended 30 September 2020, 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 2019. The accounting policies are consistent with those of the annual financial statement for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

As a result of a change in IAS 19 in 2019, an entity shall determine current service cost for the remainder of the annual reporting period after a plan amendment using updated actuarial assumptions (IAS 19.122A). In connection with plan changes with an accounting effect from 1 July 2019, the actuarial assumptions used to calculate the service cost were updated accordingly.

NOTE 3 Segment information*All amounts in MNOK***NINE MONTHS ENDED SEPTEMBER 2020**

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT ²⁾	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	523,3	183,3	139,2	97,1	292,2	1 235,0
Other income	1 006,7	157,5	123,6	99,5	263,7	1 651,1
Inter-segment income	1,5	0,4	7,7	2,6	51,3	63,5
Total income	1 531,4	341,3	270,5	199,2	607,2	2 949,7
Employee benefits expenses	324,8	79,5	72,8	65,0	561,8	1 103,9
Other operating expenses	571,5	106,8	118,0	77,5	597,0	1 470,8
Inter-segment expenses	277,6	92,8	76,5	56,6	411,7	915,1
Total expenses	1 174,0	279,1	267,2	199,0	1 570,6	3 489,8
EBITDA	357,5	62,1	3,3	0,2	(963,3)	(540,2)
Depreciation, amortisation and impairment charges	703,5	233,2	88,9	80,0	318,7	1 424,4
Operating profit/(loss)	(346,1)	(171,1)	(85,6)	(79,7)	(1 282,1)	(1 964,6)
Assets *	16 857,8	5 443,5	1 701,3	1 654,5	5 928,2	31 585,3

NINE MONTHS ENDED SEPTEMBER 2020 CONTINUED:

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	1 235,0	506,4	-	-	-	1 741,5
Other income ¹⁾	1 651,1	125,3	58,8	2 575,0	-	4 410,2
Inter-segment income	63,5	477,0	16,0	475,6	(1 032,0)	-
Total income	2 949,7	1 108,7	74,8	3 050,6	(1 032,0)	6 151,7
Employee benefits expenses	1 103,9	976,6	0,0	457,3	-	2 537,8
Other operating expenses ³⁾	1 470,8	193,3	6,0	493,6	-	2 163,8
Inter-segment expenses	915,1	68,7	0,5	47,6	(1 032,0)	-
Total expenses	3 489,8	1 238,6	6,6	998,6	(1 032,0)	4 701,5
EBITDA	(540,2)	(129,9)	68,2	2 052,0	-	1 450,2
Depreciation, amortisation and impairment charges	1 424,4	105,4	26,8	81,1	-	1 637,6
Operating profit/(loss)	(1 964,6)	(235,3)	41,4	1 970,9	-	(187,4)
Assets *	31 585,3	899,1	733,5	349,7	-	33 567,6

* Inclusive other intangible assets, exclusive assets under construction

1) In the first nine months of 2020, MNOK 2,500.2 was recognized as income concerning government grants as a result of the financial consequences of the coronavirus. The income is presented as other operating income in the segment others. See further comments in note 13.

2) The Stavanger Airport segment for the period includes a provision of MNOK 20.0 for expected demolition costs as a result of a fire in the parking garage (included in other operating expenses). In addition, fixed assets that were damaged in the fire were impaired by MNOK 176.1 (included in depreciation, amortisation and impairment charges). At the same time, a receivable of MNOK 196.1 has been recognized to reflect the insurance settlement related to the accrued costs as a result of the fire. Accrued costs and expected insurance settlement related to these costs are presented net in the table above and in the income statement, of which MNOK 20.0 is presented as a reduction of other operating expenses and MNOK 176.1 is presented as a reduction of depreciation, amortisation and impairment charges.

3) Other operating expenses includes a provision of MNOK 187.1 for estimated losses on accounts receivable as of 30 September 2020. The provision is distributed with MNOK 169.6 in the segment Others and MNOK 17.5 in the segment Air Navigation Services.

NINE MONTHS ENDED SEPTEMBER 2019

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	1 615,9	424,6	310,2	263,2	658,4	3 272,2
Other income	2 914,8	455,0	342,1	254,5	489,7	4 456,2
Inter-segment income	1,3	1,9	3,8	1,7	44,3	52,8
Total income	4 532,0	881,4	656,0	519,4	1 192,4	7 781,2
Employee benefits expenses	367,5	92,9	80,4	70,5	614,7	1 226,0
Other operating expenses	876,4	151,5	125,0	89,6	602,6	1 845,0
Inter-segment expenses	301,3	109,9	86,1	70,8	489,2	1 057,3
Total expenses	1 545,3	354,3	291,4	230,9	1 706,4	4 128,3
EBITDA	2 986,7	527,2	364,6	288,5	(514,1)	3 652,9
Depreciation, amortisation and impairment charges	704,3	223,6	93,6	78,8	313,9	1 414,4
Operating profit/(loss)	2 282,3	303,6	271,0	209,6	(828,0)	2 238,5
Assets *	17 400,3	5 640,7	1 842,0	1 696,7	5 777,6	32 357,3

NINE MONTHS ENDED SEPTEMBER 2019 CONTINUED:

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATION	TOTAL
Traffic income	3 272,2	800,7	-	-		4 073,0
Other income	4 456,2	121,1	84,4	106,6		4 768,3
Inter-segment income	52,8	634,9	16,6	484,6	(1 188,9)	-
Total income	7 781,2	1 556,7	101,0	591,2	(1 188,9)	8 841,3
Employee benefits expenses	1 226,0	1 070,7	-	427,6		2 724,3
Other operating expenses ⁴⁾	1 845,0	381,5	4,7	1 371,4		3 602,7
Inter-segment expenses	1 057,3	70,7	0,2	60,7	(1 188,9)	-
Total expenses	4 128,3	1 522,9	5,0	1 859,7	(1 188,9)	6 327,0
EBITDA	3 652,9	33,8	96,0	(1 268,5)	-	2 514,3
Depreciation, amortisation and impairment charges	1 414,4	106,7	27,0	71,5		1 619,6
Operating profit/(loss)	2 238,5	(72,9)	69,0	(1 340,0)	-	894,7
Assets *	32 357,3	759,4	769,3	219,5		34 105,5

* Inclusive other intangible assets, exclusive assets under construction

4) At the end of third quarter 2019, increased provisions for external environment of MNOK 871.1 has been booked. The provision is presented as other operating expenses in the segment Others. See further comments in note 13.

NOTE 4 Operating income*All amounts in MNOK*

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

Government grants are recognised in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). Grants that are considered receivable and given for the purpose of providing immediate financial support without future associated expenses, are recognized as income and are included in other operating income. See comments in note 13.

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

SPECIFICATION	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER		YEAR
	2020	2019	2020	2019	2019
Traffic income					
Takeoff charges	41,7	303,5	312,1	873,3	1 160,0
Terminal charges	117,2	343,1	335,6	948,9	1 240,3
En route charges	157,1	287,9	506,4	800,7	1 068,1
Security charges	124,9	361,5	353,2	1 002,6	1 315,2
Terminal navigation charges	75,5	155,1	234,2	447,4	595,1
Total traffic income	516,4	1 451,0	1 741,5	4 073,0	5 378,7
Other operating income					
Revenue from contracts with customers:					
Duty free	2,9	38,8	19,8	92,6	118,5
Parking	0,0	0,0	0,1	0,5	0,7
Other	132,2	183,9	392,0	552,3	790,4
Total other operating income from contracts with customers	135,1	222,8	411,9	645,4	909,6
Rental income:					
Duty free	102,3	834,5	570,7	2 089,8	2 784,6
Parking	68,7	253,9	268,3	709,7	948,4
Other	190,9	481,5	659,2	1 323,4	1 763,9
Total rental income	361,9	1 569,9	1 498,2	4 122,8	5 496,9
Government grants	400,0	-	2 500,2	-	-
Total other operating income	897,0	1 792,6	4 410,3	4 768,3	6 406,5
Total income from contracts with customers	651,5	1 673,8	2 153,3	4 718,4	6 288,3
Total rental income	361,9	1 569,9	1 498,2	4 122,8	5 496,9
Government grants	400,0		2 500,2		
Total operating income	1 413,4	3 243,6	6 151,8	8 841,3	11 785,2

NOTE 5 Other income and expenses*All amounts in MNOK*

SPECIFICATION	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER		YEAR
	2020	2019	2020	2019	2019
Pensions - see note 9 and 13					
External environment - see note 13	-	(86,6)	-	(86,6)	(86,6)
Changes in value and other (losses)/gains, net	-	-	-	871,2	871,2
Total	(11,5)	(7,2)	15,9	27,4	36,2
Sum	(11,5)	(93,8)	15,9	812,0	820,8

NOTE 6 Income tax expense

The income tax expense is calculated using the expected annual effective tax rate. Expected annual effective tax rate is 22 % and is in the interim financial statements as a whole recognised against deferred tax asset. The distribution between tax payable and deferred tax is calculated at year end and presented in the annual financial statement.

NOTE 7 Property, plant and equipment and other intangible assets

All amounts in MNOK

	OTHER INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	RIGHT OF USE ASSETS	TOTAL
At 30 September 2019					
Opening net book amount	103,4	34 426,4	2 828,4	-	37 358,2
Opening net book amount - new accounting policy	-	-	-	496,7	496,7
Additions	0,4	1 181,7	1 777,3	21,7	2 981,1
Reclassification	-	-	(1 182,1)	(1,3)	(1 183,4)
Disposals	-	(24,9)	-	-	(24,9)
Depreciation charge	(13,2)	(1 568,3)	-	(38,1)	(1 619,6)
Closing net book amount	90,6	34 014,9	3 423,6	479,0	38 008,1
At 30 September 2020					
Opening net book amount	233,7	34 244,5	3 264,8	485,0	38 228,0
Additions	150,7	720,1	1 818,3	-	2 689,0
Reclassification	-	-	(870,7)	-	(870,7)
Disposals	-	(7,9)	-	-	(7,9)
Depreciation charge	(27,7)	(1 745,8)	-	(40,2)	(1 813,7)
Closing net book amount	356,6	33 210,9	4 212,4	444,9	38 224,8

MNOK 640.1 of assets under construction is classified as intangible as at 30 September 2020 (MNOK 726.9 as at 30 September 2019).

Fixed assets that were damaged as a result of a fire in the parking garage at Stavanger Airport were impaired by MNOK 176.1 in the first quarter of 2020. At the same time, a corresponding receivable of MNOK 176.1 related to the insurance settlement is recognised. The expected insurance settlement is presented as a reduction of depreciation, amortisation and impairment charges for the period in the income statement (net presentation).

Impairment tests - measurement of recoverable amount

The corona pandemic continues to have negative effects on Avinor and will significantly affect the number of air passengers and the group's revenues in 2020. It is also expected to have a negative impact in the following years.

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 for the third quarter 2020 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, and the two cash-generating units (airport operations and air navigation services), are long-term and regulated infrastructure business where a decrease in traffic in the short / medium term will not 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 impairment tests for the third quarter 2020 were carried out by estimating the value in use of capital employed in airport operations and air navigation services, by discounting future cash flows (DCF-model).

The most important assumptions used in the impairment tests are described below, and represent updated forecasts, including the managements assumptions of most probable outcome:

- The first year in the measurement period is based on management's best estimate, including levels of government grants.
- 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. Key assumptions:
 - Revenues 2021: approximately 60 % lower compared to 2019, follows the same level as loss in traffic
 - Costs: 2021: approximately 23 % lower compared to 2019
 - Revenues 2025: approximately 4 % lower compared to 2019
 - Costs 2025: approximately 15 % lower compared to 2019
- Government grants. MNOK 4,200 in 2020, MNOK 3,800 in 2021 and MNOK 1,000 in 2022.
- Cash flow from year 6 onwards is extrapolated with an eternal growth of 2.5 % based on historical data. 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 based on current regulations
- Discount rate based on post-tax rate of return requirement
 - Airport operations: 5.1 %
 - Air navigation services: 4.5 %

Impairment tests – results

The results of the impairment tests show that the value in use exceeds the book value of assets by MNOK 8,300 for airport operations and MNOK 800 for air navigation services. Consequently, no impairment loss has been recognized at the end of the third quarter.

As the pandemic is still evolving and at the time of approval of the third quarter statements there are still uncertainty about the time and effect of vaccines, it is 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 impairment losses.

Management has carried out sensitivity analyses 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 management's assessments of the uncertainty in the assessments.

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

CHANGE IN ASSUMPTION (AIRPORT OPERATIONS / AIR NAVIGATION SERVICES)	AIRPORT OPERATIONS		AIR NAVIGATION SERVICES	
	VALUE IN USE	IMPAIRMENT	VALUE IN USE	IMPAIRMENT
Operating margin: -1,0 % / - 1,0 %	41 700	0	1 500	0
Operating margin: -3,6 % / - 2,0 %	34 900	900	1 000	500
Income: -3,9 % / - 1,0 %	35 800	0	1 600	0
Income: -5,0 % / - 2,0 %	32 300	3 500	800	600
Terminal growth: -0,5 % / -0,5 %	37 500	0	1 700	0
Terminal growth: -0,9 % / -0,9 %	33 800	2 000	1 300	200

NOTE 8 Capital structure and equity*All amounts in MNOK*

	30 SEPTEMBER		YEAR
	2020	2019	2019
Interest bearing debt (see note 10)	23 828,6	21 901,3	21 295,0
Interest rate swaps (see note 11)	(2 693,2)	(1 863,7)	(1 751,1)
Lease liabilities	(459,7)	(486,3)	(492,2)
Cash and cash equivalents	(1 638,2)	(1 345,5)	(1 059,1)
Net interest bearing debt - exclusive lease liabilities	19 037,6	18 205,8	17 992,6
Equity	13 543,6	13 847,5	15 279,0
Total equity and net interest bearing debt	32 581,2	32 053,3	33 271,6
Net debt to equity ratio *	41,6 %	43,2 %	45,9 %

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

There are covenants on some of the debt issued by Avinor. The covenant is an equity ratio of at least 30 %, and Avinor complies with all debt covenants at the end of third quarter 2020.

NOTE 9 Pensions*All amounts in MNOK*

Avinor uses updated assumptions for pension obligations published by the Norwegian Accounting Standards Board when calculation pension liabilities. The latest update of assumptions for pension obligation were as of 31.08.2020

	30 SEPTEMBER		YEAR
	2020	2019	2019
Discount rate	1,50 %	1,80 %	2,30 %
Future return on plan assets	1,50 %	1,80 %	2,30 %
Future salary increases	2,00 %	2,30 %	2,25 %
Future pension increases	1,00 %	1,30 %	1,25 %
Future increases in the social security base rate (G)	1,75 %	2,00 %	2,00 %

PENSION OBLIGATION

	30 SEPTEMBER		YEAR
	2020	2019	2019
Net pension obligation at 1 January	3 972,8	4 633,4	4 633,4
Pension cost - plan amendment inclusive curtailment/settlement	-	(86,6)	(86,6)
Pension cost - other (exclusive employee contribution)	230,7	289,1	359,0
Employer/employee contribution	(186,0)	(420,8)	(388,3)
Actuarial gains/losses	1 328,4	901,6	(544,6)
Net pension obligation at 30 September	5 345,9	5 316,7	3 972,8

In addition to the pension cost in the table above there is a cost of MNOK 115.4 as at 30 September 2020 related to employees that have transitioned to a defined contribution pension scheme (MNOK 97.3 as at 30 September 2019) and MNOK 22.4 related to the private AFP scheme (early retirement) (MNOK 0.0 as at 30 September 2019).

As a result of the corona pandemic, the Norwegian Accounting Standards Board updated the discount rate assumption as of 31.03.2020 (from 2.3% as of 31.12.19 to 1.7% as of 31.03.20). Actuarial losses of MNOK 1,525.8 were booked at the end of the first quarter 2020. The Norwegian Accounting Standards Board has published updated assumptions for pension obligations as of 31.08.2020 which are used as a basis for calculating pension obligations as of 30.09.2020. Actuarial gains of MNOK 197.1 were booked in the third quarter of 2020. This is mainly related to a change in the calculation parameters discount rate, changes in future salary increases and future increases in the social security base rate.

The new act on public sector occupational pension does not contain regulations related to a new AFP scheme (early retirement) or rules for special retirement pension. As a result, the accounting effect of this is not fully reflected in the accounts as of 30 September 2020.

NOTE 10 Borrowings and lease liabilities

All amounts in MNOK

	30 SEPTEMBER		YEAR
	2020	2019	2019
Long term borrowings and lease liabilities	20 014,3	20 266,4	19 296,8
Short term borrowings and lease liabilities	3 814,4	1 634,9	1 998,2
Total	23 828,6	21 901,3	21 295,0
Movement in borrowings and lease liabilities			
Opening net book amount	21 295,0	21 740,7	21 740,7
Opening net book amount - lease liabilities - new accounting policy	-	496,7	496,7
Proceeds of long term borrowings	2 000,0	-	-
Repayment of borrowings	(673,6)	(353,7)	(1 531,5)
Repayment of lease liabilities	(32,5)	(32,0)	(41,1)
Additions and other changes in lease liabilities	-	(10,3)	36,5
Net proceeds/repayment of short term borrowings (commercial papers) ¹⁾	-	-	600,0
Changes in value ²⁾	1 239,7	59,9	(6,3)
Closing net book amount	23 828,6	21 901,3	21 295,0

1) In the second quarter of 2020, Avinor issued short term commercial papers of MNOK 1,400, while short term commercial papers of MNOK 1,400 were repaid in the third quarter of 2020. Net change in short term commercial papers is 0 for the period 01.01 - 30.09.2020.

2) Parts of the loan portfolio is in euros. The weakening of the Norwegian krone in 2020 results in increased debt in Norwegian kroner during the period. The main part of the change in value related to the weakened currency arose in the first quarter of 2020 (accumulated change in the value of loans at the end of the first and second quarters of 2020 was MNOK 1,789.1 and 1,075.5, respectively). The increase in debt is offset, Avinor has purchased currency hedging instruments for the entire debt in foreign currency.

When calculating the lease obligations of the group according to IFRS 16 at 30 September 2020 a discount rate of 3.05% has been used. This is the same interest rate used in the calculations as at 31 December 2019 and is determined based on the incremental borrowing rate of the group at the time of entering into the lease.

LIQUIDITY RESERVES

	30 SEPTEMBER		YEAR
	2020	2019	2019
Cash and cash equivalents	1 638,2	1 345,5	1 059,1
Unused bank overdraft	600,0	600,0	600,0
Unused credit facility	4 000,0	4 000,0	4 000,0
Total	6 238,2	5 945,5	5 659,1

Necessary measures have been implemented to ensure that the group fulfills its internal objective of having a liquidity reserve, including drawing facilities, corresponding to at least 12 months' forecasted liquidity requirements, including repayment of borrowings. The measures have included borrowing of new long-term and short-term debt and contribution from the owner. Additional measures to ensure the necessary liquidity are assessed and implemented on an ongoing basis. See further comments in note 13 and 14.

NOTE 11 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 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 with the exception of 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.

	30 SEPTEMBER 2020		30 SEPTEMBER 2019	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing debt				
State loan	1 638,6	1 670,2	1 860,8	1 891,5
Bonds	16 133,7	16 928,3	14 110,3	15 185,5
Bank borrowings	4 996,7	5 605,3	5 443,9	5 969,8
Commercial papers	599,9	601,4	-	-
Lease liabilities	459,7	459,7	486,3	486,3
Total	23 828,6	25 264,8	21 901,3	23 533,1

DERIVATIVE FINANCIAL INSTRUMENTS

	30 SEPTEMBER		YEAR
	2020	2019	2019
Assets			
Interest rate swaps	2 693,2	1 863,7	1 751,1
Forward foreign exchange contracts	3,4	2,1	4,2
Forward energy contracts	-	11,1	-
Total assets	2 696,5	1 876,9	1 755,3
Liabilities			
Interest rate swaps	-	-	-
Forward foreign exchange contracts	0,3	0,3	-
Forward energy contracts	15,0	-	2,3
Total liabilities	15,3	0,3	2,3

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 30 September 2020:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss		3,0		3,0
Derivatives used for hedging		2 693,2		2 693,2
Total assets	-	2 696,2	-	2 696,2
Liabilities				
Financial liabilities at fair value through profit or loss	15,0	1 714,9		1 729,9
Derivatives used for hedging		-		-
Total liabilities	15,0	1 714,9	-	1 729,9

The following table presents the group's assets and liabilities that are measured at fair value at 30 September 2019:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	11,1	2,2	-	13,3
Derivatives used for hedging	-	1 863,7	-	1 863,7
Total assets	11,1	1 865,9	-	1 877,0
Liabilities				
Financial liabilities at fair value through profit or loss	-	1 556,0	-	1 556,0
Derivatives used for hedging	-	-	-	-
Total liabilities	-	1 556,0	-	1 556,0

NOTE 12 Dividends

It was decided not to pay dividends related to the 2019 financial statements (2018: MNOK 584.9 paid in Juli 2019).

NOTE 13 Contingencies and estimates

With reference to information in the annual financial statement for the year ended 31 December 2019.

Corona virus

Norway got its first registered corona virus infection on 26 February 2020. On 12 March 2020 the Norwegian government introduced 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. From 15 July 2020, the government reopened, with some exceptions, for travel without quarantine to and from all countries in the EEA and Schengen area. Increasing infection trends in Norway and the rest of the world has led to increasingly strict travel restrictions again.

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 has been updated. This has resulted in an increase in provisions for losses on accounts receivables of MNOK 187.1 by the end of third quarter 2020. The estimate is based on past historical loss experiences, specific assessments of individual debtors and risk of bankruptcy. At the end of third quarter increased attention is set on specific individual debtors as a consequence of the corona pandemic.

The group's profit and financial position is and will be strongly negatively affected by this in 2020. It is unclear when we are back in an almost normal situation. According to the latest traffic scenarios developed by the group's traffic development department, it is not expected that the traffic will be back at 2019-levels before 2025. In order to help the airlines financially, the government suspended 13 March 2020 Avinor's airport charges from 13 March to 30 June 2020 (with the exception the air navigation charges). The period is later extended to 31 October 2020 (with the exception of the air navigation charges, terminal charges and security charges).

The group has implemented several measures to secure the financial situation. This includes borrowings and new short-term and long-term debt, contributions from the owner and cost-cutting measures including employee layoffs. Furthermore, a critical review of ongoing and planned investment projects is undertaken. Further cost-cutting measures are being worked on on an ongoing basis.

Government grants

On 12 May 2020, the Government presented its proposal for a revised national budget in which it was proposed a government grant to Avinor of up to MNOK 4,270.0. The first part of the grant was paid in June and amounted to MNOK 2,170.0, of which MNOK 69.8 applies to Haugesund airport operated by an external party. Avinor's share of the grant received amounting to MNOK 2,100.2 was recognised as other operating income in the second quarter of 2020. The second part of the grant, MNOK 400, was paid in September and recognized as other income in the third quarter of 2020. Avinor has received and recognized in total MNOK 2,500.2 as government grant by 30 September 2020. The Ministry of Transport will follow the development in Avinor closely in the time to come and will get back to the size and time of the remaining payment.

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 cleanup of pollution on 32 localities.

Based on action plans approved by the Norwegian Environment Agency for comparable locations, the cleanup 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 cleanup costs as of 30 September 2020 amounts to MNOK 1,023.4.

Fire at Stavanger Airport

The parking garage at Stavanger Airport was damaged in a fire on 7 January 2020. The damage is covered by Avinor's insurance schemes and the parking garage was insured by its full value ("fullverdiforsikret"). A survey of the extent of the damage and the dialogue with the insurance company is ongoing. The final financial and accounting consequences of the fire will not be known until the survey of the damage and the insurance settlement is fully completed.

In the accounts as of 30 September 2020, assets which are considered lost as a result of the fire based on the survey that has been performed are fully impaired. The impairment as at 30 September 2020 amounts to NOK 176.1. Furthermore, a provision for expected demolition expenses of MNOK 20 has been made. At the same time, a receivable related to the insurance settlement of MNOK 196.1 was recognized during the period. The receivable is related to accrued costs as of 30 September 2020, of which MNOK 20 relates to demolition expenses and MNOK 176.1 to impairment of lost assets.

Pensions

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 September 2020. See note 9. 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.

NOTE 14 Subsequent events

On 1 October 2020 Avinor issued new bonds corresponding to MEUR 500 under the companys EMTM programme. The bond issue is part of the measures initiated to ensure the group liquidity, and will mainly be used to refinance loans maturities in 2021. The loan is currency hedged from euro to norwegian kroner through purchase of basis swaps. In addition, NOK 2 billion of the issue secured at fixed interest rates in norwegian kroner.



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