

INTERIM FINANCIAL REPORT

2nd quarter 2016



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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 46 airports as well as control towers, control centres and other technical infrastructure for safe air navigation. In addition to the aviation-operative activities, commercial earnings are facilitated through airport hotels, parking facilities, tax-free stores, restaurants and other services for air passengers.

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

The Group has approximately 3,300 employees and annual operating revenues of NOK 10 billion. The shares in Avinor AS are wholly owned by the Norwegian state as represented by the Ministry of Transport and Communications.

The Ministry of Transport and Communications manages the Norwegian state's ownership of Avinor, and stipulates e.g. the tasks imposed on the Group to safeguard the general interests of Norwegian society, the required rate of return and dividends. In addition, the Ministry of Transport and Communications regulates the aviation fees. The Ministry of Transport and Communications is the highest authority for Norwegian aviation and also stipulates the Civil Aviation Authority's regulations, which have consequences for Avinor's operations.

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

Avinor's head office is located in Oslo.

Avinor Group - Main Figures

All amounts in MNOK

	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2016	2015	2015
Traffic income	790.2	815.4	1 475.7	1 502.5	3 067.8
Security (cost based)	306.9	308.5	561.2	561.4	1 155.5
Sales- and rental income - duty free	660.3	652.7	1 152.0	1 142.3	2 512.0
Sales- and rental income - parking	223.8	226.0	408.0	417.4	865.9
Sales- and rental income - other	436.7	411.3	818.1	795.9	1 670.9
Inter - group income	52.5	34.5	93.3	66.1	152.0
Total income airport operations	2 470.4	2 448.4	4 508.4	4 485.6	9 424.1
En route charges	247.8	286.1	466.4	523.8	1 024.8
Inter-group income approach and control tower services	193.4	214.9	380.6	406.4	842.2
Other income	54.9	50.1	98.4	105.3	220.5
Total income air navigation services	496.1	551.1	945.4	1 035.4	2 087.5
Other group income (a)	205.2	220.1	404.6	485.8	2 224.2
Elimination of inter - group income	-416.7	-414.8	-815.5	-851.1	-1 746.4
Total group income	2 755.0	2 804.8	5 042.9	5 155.7	11 989.4
Operating expenses airport operations (a)	-1 469.7	-1 398.4	-2 969.9	-2 918.3	-5 955.6
Operating expenses air navigation services	-458.5	-414.8	-916.3	-915.6	-1 864.4
Other operating expenses	-292.8	-262.6	-529.9	-537.4	-1 181.1
Elimination of inter-group expenses	416.7	414.8	815.5	851.1	1 746.4
Total group expenses	-1 804.3	-1 661.0	-3 600.6	-3 520.2	-7 254.7
EBITDA airport operations	1 000.7	1 050.0	1 538.5	1 567.3	3 468.5
EBITDA air navigation services	37.6	136.3	29.1	119.8	223.1
EBITDA others	-87.6	-42.5	-125.3	-51.6	1 043.1
EBITDA group	950.7	1 143.8	1 442.3	1 635.5	4 734.7
Depreciation, amortisation and impairment charges	-414.9	-343.4	-827.8	-678.1	-1 459.3
Changes in value and other (losses)/gains, net	8.6	-0.9	0.8	-15.4	-42.9
Operating profit/(loss)	544.4	799.5	615.3	942.1	3 232.5
Net finance income/(costs)	-79.8	-65.0	-151.7	-156.0	-328.6
Profit/(loss) before income tax	464.6	734.5	463.6	786.1	2 903.9
Income tax expense	-116.2	-205.5	-117.3	-219.9	-454.9
Profit/(loss) after tax	348.4	529.0	346.3	566.2	2 449.0
EBITDA-margin airport operations	40.5 %	42.9 %	34.1 %	34.9 %	36.8 %
EBITDA-margin air navigation services	7.6 %	24.7 %	3.1 %	11.6 %	10.7 %
EBITDA-margin others	34.5 %	40.8 %	28.6 %	31.7 %	39.5 %
Investments airport operations	1 143.1	1 450.2	2 174.5	2 552.0	5 115.9
Investments air navigation services	69.5	25.0	110.6	56.7	131.1
Investments others	124.8	79.7	210.3	159.5	410.5
Total investments	1 337.4	1 554.9	2 495.4	2 768.2	5 657.5
Distributed dividends	-	-	-	-	-500.0
Cash flow before borrowings	-603.2	-460.0	-1 463.3	-1 624.5	-1 726.0
Interest - bearing debts			19 625.7	17 489.7	18 489.7
Total assets			40 083.0	36 146.2	38 785.0
Equity ratio			35.7 %	35.7 %	38.2 %
Return on total capital after tax					4.8 %
Number of passengers (in 1000)	13 379.3	13 286.0	24 528.3	24 145.2	50 024.9
Number of aircraft departures (in 1000)	183.6	188.3	349.5	357.2	724.1
Number of service units (in 1000)	626.2	603.0	1 176.0	1 163.6	2 356.8
Punctuality (b)			88 %	88 %	88 %
Regularity (b)			99 %	98 %	98 %

(a) Exclusive of inter - group leases on land

(b) Past 12 months

Board of Directors Report

IMPORTANT EVENTS

Air traffic measured in the number of passengers travelling through Avinor's airports in the first six months of 2016 increased by 1.6 per cent compared with the corresponding period last year. Flesland and Sola had a combined reduction in traffic of 3.8 per cent, while at Gardermoen there was a 4.3 per cent increase. The remaining airports saw a 1.1 per cent increase. Traffic in Western Norway is still affected by the downturn in the oil and gas industry, but this is counterbalanced by growth in the rest of the country.

The group's operating income during the period 01/01 – 30/06/2016 amounted to NOK 5,043 million with a net profit of NOK 346 million. The underlying EBITDA margin is strengthened due to reductions in cost and lower pension expenses. Other factors that have had a negative influence on the results include higher depreciation, a change in the accruals principle for holiday pay as well as costs of maintaining operations and safe traffic management during the capacity expansion at Gardermoen.

Expansion projects at Oslo Airport Gardermoen and Bergen Airport Flesland are on schedule in terms of progress and budget. The project at Gardermoen is approximately 95 per cent complete and Flesland about 88 per cent complete. Both projects are expected to be completed as planned and on budget in 2017.

On 26 May, a new and bigger international terminal was opened at Stavanger Airport, Sola. With 14 gates and 1500 square metres, the international terminal provides upgraded services for the passengers.

The group's modernisation programme is on schedule and preliminary projected savings are above target. Staff and support functions have been cut by 65 full-time equivalents. Furthermore, cost and workforce reductions have been carried out at the airports and the central unit for operation and infrastructure. The programme's targeted cost-savings of NOK 600 million per year from 2018 remain the same.

The group can show to continuous safe and stable operations with average regularity of 99 per cent and punctuality of 88 per cent over the last 12 months. No aviation accidents have been registered in the first six months, either with or without personal injury, in which Avinor was a participant. Sick leave amounted to 4.6 per cent over the last 12 months with an LTI rate of 3.1.

As part of the restructuring of the Royal Norwegian Air Force, Avinor assumed responsibility for the operation of Bodø Airport on 1 August 2016. In that connection, Avinor has chosen an operating model where fire and rescue services, runway maintenance and electrical services are outsourced. This operating model will provide safe, stable and scalable operations that also cover the temporary and varying needs of the Norwegian Armed Forces until the F16 is phased out.

On 20/06/2016, Agder Court of Appeal gave a verdict acquitting Sandefjord Lufthavn AS in a dispute regarding a payment obligation for approach control services in the Farris traffic area. The consequences of the verdict, including a possible appeal to the Supreme Court, are being assessed.

SECOND QUARTER 2016

TABLE 1: KEY FINANCIAL FIGURES

MNOK	Q2 2016	Q2 2015	CHANGE
Operating income	2 755.0	2 804.8	-1.8 %
Other income	-	-	
EBIT	544.4	799.5	-31.9 %
Profit for the period	348.4	529.0	-34.1 %
Investments	1 337.4	1 554.9	-14.0 %

The group's consolidated operating income totalled NOK 2,755 million in the second quarter of 2016, which is down 1.8 per cent compared to the same period last year. The change was mainly due to lower traffic income in air navigation services, as well as lower commercial property income as a result of the sale of Radisson BLU Airport Hotel in the fourth quarter of 2015. Income from airport operations was up by 0.9 per cent in the second quarter compared to last year as a result of growth in traffic and increased commercial revenues per passenger. Gardermoen reported a growth in income of 5.7 per cent in the second quarter, which compensated for the reductions at Flesland and Sola. The remaining airports had a growth in income of 1.3 per cent.

Underlying operating expenses (excluding cost of sales, Terminal 2 project costs, value adjustments and change in the accruals principle for holiday pay) amounted to NOK 1,401 million in the second quarter, a reduction of 5.9 per cent compared to the same period last year. The decrease was due to reduced pension expenses, an increase in project-related capitalised payroll expenses and general cost reductions.

In 2016, the group has introduced a new accruals principle for holiday pay. The purpose of this change is to achieve a more correct measure of quarterly results. It involves an extra cost of NOK 254 million in the second quarter compared to last year. The new accruals principle will not impact the annual results.

In the second quarter, NOK 72 million has been charged as an expense related to additional expenses for maintaining operations and safe traffic control during the expansion of Terminal 2 at Oslo Airport. The corresponding figure for the same period last year was NOK 67 million.

Depreciation and write-downs on the group's property, plant and equipment totalled NOK 415 million in the second quarter, compared with NOK 343 million for last year. The decrease was due to reduced pension expenses, an increase in project-related capitalised payroll expenses and general cost reductions. Severance pay costs amount to approximately NOK 30 million.

The group's net financial loss in the second quarter of 2016 were NOK 80 million, compared with NOK 65 million for the corresponding period last year.

During the second quarter of 2016, the group had a net profit of NOK 348 million, compared with NOK 529 million for the corresponding accounting period last year.

01/01 – 30/06/2016

TABLE 2: KEY FINANCIAL FIGURES

MNOK	01.01 - 30.06.16	01.01 - 30.06.15	CHANGE
Operating income	5 042.9	5 155.7	-2.2 %
Other income	-	-	
EBIT	615.3	942.1	-34.7 %
Profit for the period	346.3	566.2	-38.8 %
Investments	2 495.4	2 768.2	-9.9 %

During the period 01/01 – 30/06/2016, the group reported a net profit of NOK 346 million compared with 566 million for the same period in 2015.

Due to ongoing development projects, the group's balance sheet increased by NOK 1.3 billion since 31/12/15, totalling NOK 40.1 billion as at 30/06/16.

Operating income

The group's operating income during the period 01/01 – 30/06/2016 amounted to NOK 5.043 million compared with NOK 5.156 million during the corresponding period last year. The difference from 2015 was mainly due to lower operating income from air navigation services, as well as lower commercial property revenues as a result of the sale of Radisson BLU Airport Hotel in the fourth quarter of 2015. Within airport operations there is a general growth of 0.5 per cent, where a 4.4 per cent growth at Gardermoen compensates for lower revenues at Flesland and Sola airports. Growth is 0.7 per cent at the other airports.

Operating income by business area is shown in table 3:

TABLE 3: OPERATING AND OTHER INCOME

MNOK	01.01 - 30.06.16	01.01 - 30.06.15	CHANGE
Airports operations	4 508.3	4 485.6	0.5 %
Air traffic services	945.4	1 035.5	-8.7 %
Property development and hotels	74.6	124.7	-40.2 %
Group services	330.0	571.2	-42.2 %
Consolidated items	(815.5)	(1 061.3)	-23.2 %
Avinor group	5 042.9	5 155.7	-2.2 %

Operating expenses, depreciation and other items

Underlying operating expenses (excluding cost of sales, Terminal 2 project costs, value adjustments and change in the accruals principle for holiday pay) amounted to NOK 3,130 million, a reduction of 4.9 per cent compared to the same period last year. The decrease was due to reduced pension expenses, an increase in project-related capitalised payroll expenses and general cost reductions. Severance pay costs amount to approximately NOK 30 million.

In 2016, the group has introduced a new accruals principle for holiday pay. The purpose of this change is to achieve a more correct quarterly measure of results. It involves an extra cost of NOK 216 million in the first six months compared to the same period in 2015. The new accruals principle will not impact the annual results.

In the first six months, NOK 139 million has been charged as an additional expense related to maintaining effective operations and traffic control during the expansion of Terminal 2 at Oslo Airport. The corresponding figure for the same period last year was NOK 106 million.

Depreciation and write-downs totalled NOK 828 million in the first six months of 2016, compared with NOK 678 million for the corresponding period last year. The increase was due to the completion and commissioning of several facilities previously under construction. Accelerated depreciation related to the expansion project at Oslo Airport, Gardermoen, accounted for NOK 60 million, compared with NOK 33 million last year.

Operating profit (EBIT)

The group's operating profit in the period 01/01 – 30/06/2016 amounted to NOK 615 million, compared with NOK 942 million in the corresponding period last year. Reduced operating expenses helped strengthen the underlying EBITDA, while higher depreciation and the above mentioned accrual accounting for holiday pay decreased the reported operating profit. Additional expenses in related to Terminal 2 also contributed negatively to the reported operating profit.

Financial items and tax

The group's net financial result for the period 01/01 – 30/06/2016 amounted to a loss of NOK 152 million, compared with a loss of NOK 156 million in the corresponding period last year. A reduced interest level and increased scope of recognised interest cost associated with development projects have offset the effect of increased interest-bearing debt.

Tax expenses are estimated at NOK 117 million.

Investments

Recognised additions to property, plant and equipment in the period 01/01 – 30/06/2016 amounted to NOK 2,495 million compared with NOK 2,768 million for the corresponding period last year.

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

TABLE 4: ADDITION TO PPE RECOGNISED IN THE BALANCE SHEET

MNOK	01.01 - 30.06.16	01.01 - 30.06.15	CHANGE
Airports operations	2 174.5	2 552.0	-377.6
Air traffic services	110.6	56.7	53.9
Joint items, group	52.1	24.7	27.5
Consolidated items	158.2	134.8	23.4
Group	2 495.4	2 768.2	-272.8

The Terminal 2 project at Oslo Airport is on schedule, and approximately 95 per cent was completed as at the end of the second quarter 2016. The airport maintains high rates of traffic management, regularity and punctuality despite the extensive concurrency between development and ongoing operations. The project has a cumulative injury absence value (LTI rate) of 2.9. The total budget for the project is unchanged and is consistent with Avinor's stock exchange announcement of 04/06/2013.

The development project at Bergen Airport Flesland has enjoyed good progress and is on schedule. The project was approximately 88 per cent complete as at the end of the second quarter 2016.

Both projects are expected to be completed as planned and on budget in 2017.

Cash flow, financing and commitments

As a result of investment payments exceeding the contribution from current operations, the group had a negative cash flow of NOK 1,463 million in the period 01/01 – 30/06/2016 before changes in liabilities.

Interest-bearing liabilities as at 30/06/2016 amounted to NOK 19,626 million, which is an increase of NOK 1,136 million since 31/12/2015. The increase was primarily due to a full utilization of the loan facility provided by the European Investment Bank (EIB), amounting to EUR 200 million in the second quarter. The loan was raised in NOK and amounts to approximately NOK 1.9 million. The loan will be running with instalments until 2028.

The group's total capital amounted to NOK 40.1 billion as at 30/06/2016, with an equity ratio of 35.7 per cent. Equity as a percentage of the sum of equity and net interest-bearing liabilities totalled 44.0 per cent as at 30/06/2016.

On the backdrop of developments in the interest markets, equity was down by NOK 457 million after tax during the second quarter through the comprehensive income due to negative effects of changes in actuarial assumptions used for estimation of pension obligations.

As at 30/06/2016, the group's cash reserves amounted to NOK 6,237 million, distributed between NOK 1,437 million in bank deposits and NOK 4,800 million in unused bank overdrafts.

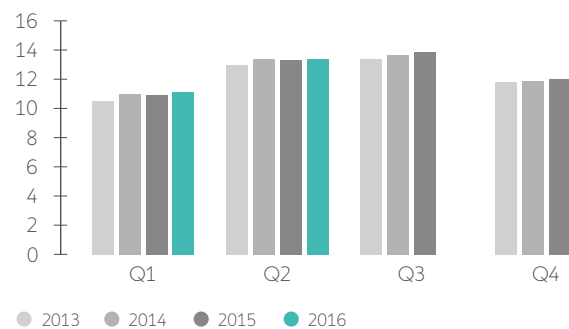
Traffic development and service goals

A total of 24.5 million passengers travelled through Avinor's airports in the period 01/01 – 30/06/2016, an increase of 1.6 per cent compared with the corresponding period in 2015.

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

PASSENGERS

Numbers in millions



In comparison with the corresponding period last year, domestic traffic was down 1.7 per cent, while international traffic increased by 1.9 per cent. Domestic traffic accounted for 61 per cent of the total traffic volume in 2016. The volume of offshore helicopter traffic decreased by 17.8 per cent compared with last year.

Passenger volume distributed among the airports is as follows:

TABLE 5: NO. OF AIR PASSENGERS

PASSENGERS (1 000)	01.01 - 30.06.16	01.01 - 30.06.15	CHANGE
Gardermoen	12 287	11 786	4.3 %
Flesland	2 851	2 887	-1.2 %
Sola	2 041	2 199	-7.2 %
Værnes	2 168	2 113	2.6 %
Others	5 182	5 160	0.4 %
Avinor group	24 528	24 145	1.6 %

The number of commercial aircraft movements including offshore helicopter traffic decreased by 0.6 per cent compared with the corresponding period last year. The traffic volume for the en route service measured by the number of service units increased by 1.1 per cent for the year in comparison with last year.

Over the past 12 months, average regularity has been recorded at 99 per cent, and average punctuality has been recorded at 88 per cent in Avinor's network of airports.

AVIATION SAFETY AND HSE

So far this year, no aviation accidents have been registered, with or without personal injury, in which Avinor was a participant.

The reporting level for adverse events is high and stable, and is an important element in a safety organisation. The vast majority of reports deal with potential adverse events or less serious situations that allow for learning and help us improve our safety work. The follow-up of irregularities is a high priority in all parts of the group.

In connection with the certification of Avinor as an operator and the forthcoming certification of Avinor's airports in accordance with new general regulations for Europe, processes and documents relating to safety management have been reviewed and restructured. These efforts have revealed areas for improvement and new requirements have been incorporated.

As at 30/06/2016, the group had a total LTI rate for absence due to injuries of 3.1 per cent for the preceding 12 months, and a sick leave rate of 4.6 per cent.

RISK FACTORS

The group's activities focus on safe air traffic management using procedures and measures to minimise both the probability and consequences of accidents and serious incidents. Developments with regard to national and international regulatory issues may have financial consequences for the group.

Avinor safeguards national sector-policy objectives. The Norwegian state lays down guidelines for a number of factors including airport structure, emergency preparedness, aviation fees and public service obligations. The scope and organisation of sectoral policy guidelines can change over time.

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

Gardermoen, Flesland, Sola and Værnes airports are a key source of financing for the rest of the airport network in Norway. The major airports' earnings are vulnerable to economic cycles and competition from airports outside Avinor's network.

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

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

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

A judicial appraisal for determining purchase amounts or annual user fees for aviation-critical areas owned by the Armed Forces at Bergen Airport, Flesland, will be carried out in September 2016, and the decision is expected before the end of the year. The decision may have financial consequences which are not reflected in the financial statements as at 30/06/2016.

As a result of the Norwegian parliament's resolution to establish a new fighter plane base for the Norwegian Armed Forces at Ørland, Avinor was in 2014 asked to assume responsibility for airport operations at Bodø Airport by 01/08/2016. The takeover of operations was carried out on 01/08/2016, according to plan. However, ownership of real property and facilities was not transferred in connection with the takeover of operations. We are still awaiting clarification of terms from the authorities regarding the takeover of property. This is based on questions related to the phasing out of the Norwegian Armed Forces activities in Bodø and the planning of a new airport in the area. The issue of a potential new airport in Bodø will be presented in the first half of 2017 in connection with the National Transportation Plan. Pending the clarification of terms, a provisional rental agreement has been entered. The price for the rental agreement and compensation from any later purchases will be stipulated by judicial appraisal and remains undetermined. With Proposition 151 S(2015-2016), Long term plan for the defence sector, which was presented on 17 June 2016, the Norwegian government has signalled that the increased value of the areas that become available as a result of the proposed airport move will help finance a new civic airport in Bodø. The Norwegian Defence Estates Agency has been assigned to lead work on an overall state property strategy for the area that will highlight future cash flows and contribute to a financing plan for a new airport. This work is set to be completed by the end of the year and will be part of the National Transport Plan process. Due to the above mentioned, there is considerable uncertainty with regard to Avinor's future costs relating to property and facilities for airport operation in Bodø.

Avinor Flysikring AS has been appointed by the state as a single supplier of approach control services with an associated obligation to deliver until 2024. Pursuant to Agder Court of Appeal's decision, Avinor Flysikring AS has an obligation to deliver without the service recipient having a corresponding obligation

to pay. The Court of Appeal has not discriminated between those who appoint and those who are appointed as service suppliers. However, it states that the close ties to the authoritative bodies must bear consequences for the assessment of whether an agreement exists between the parties. Although Avinor Flysikring AS deliver the services, the Court of Appeal states that it can not be considered an agreement, and that Sandefjord Airport is therefore not obliged to pay. Furthermore, the Court of Appeal emphasises the fact that Sandefjord Lufthavn AS has not signed any agreement with Avinor Flysikring AS for the services they receive. The decision might be appealed to the Supreme Court.

In connection with the pension settlement in 2005, it was determined that public service pensions should be adjusted for an increase in life expectancy and be made subject to the new pension adjustment rules. However, there were no provisions for the co-ordination of public service pension benefits and new social security rules. Regulations for the coordination have therefore not been clarified and have thus not been considered in the accounts. A new public occupational pension solution is being considered, but as of today it has not been clarified what this solution would entail, neither when it would enter into force nor transitional rules. A committee consisting of representatives of the administration and the employee organisations has been appointed to evaluate alternative pension schemes.

The airports have discharge permits which require risk assessments to identify possible sources of acute pollution which represent a risk of damage to the external environment. Avinor works continuously to reduce the risk of environmentally hazardous incidents, while past contamination is being mapped and cleaned up. Environmentally hazardous additives have been detected in fire extinguishing foam which has spread to the natural environment at all the airports. Work is currently being conducted to clarify the scope of the measures that will need to be implemented. As a basis for this work, risk assessments have been made of the possible impact of these contaminants on

health and the environment. The financial consequences of this work depend on the scope of the localities where measures must be implemented, as well as regulatory requirements and measures available. The Norwegian Environment Agency has signalled that they will order measures at Kjevik Airport, and that they most likely will issue a joint order for preparation of action plans for the other airports. The order is likely to be issued in 2017.

OUTLOOK

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

Growth in air traffic is expected also in 2016, but there is uncertainty regarding the socio-economic development and the effect on the rate of growth. Avinor responds to increased uncertainty with measures related to increased efficiency and cost reductions. The major expansion projects at Oslo Airport Gardermoen and Bergen Airport Flesland are on schedule in terms of progress and total level of investment.

Avinor will continue its efforts to improve the company's environmental performance and be a driving force for climate and environment work in the aviation industry.

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

Oslo, 25 August 2016
Board of Directors of Avinor AS

Responsibility statement by the board of directors

To the best of our judgement, we declare that the interim financial report for the period from 1 January to 30 June 2016 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 declare that the interim financial report provides a fair summary of important events during the accounting period and their influence on the half - year accounts, as well as the most important risk and uncertainty factors the organisation will be facing in the coming accounting period.

Oslo, 25 August 2016
Board of Directors of Avinor AS

Ola Mørkved Rinnan
Chairman

Ola H. Strand
Vise Chairman

Tone M. Lindberg

Eli Skrøvset

Linda B. Silseth

Herlof Nilssen

Bjørn Tore Mikkelsen

Per Erik Nordsveen

Heidi Anette Sørum

Grete Ovnerud

Dag Falk-Petersen
Managing Director

INCOME STATEMENT

All amounts in MNOK

NOTES	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2016	2015	2015
Operating income					
Traffic income	1 345.0	1 410.0	2 500.5	2 588.1	5 248.0
Other operating income	1 410.0	1 394.8	2 542.4	2 567.6	5 475.1
Other income	4	-	-	-	1 266.3
Total operating income	2 755.0	2 804.8	5 042.9	5 155.7	11 989.4
Operating expenses					
Raw materials and consumables used	69.6	90.2	106.0	130.1	272.1
Employee benefits expenses	5	907.9	733.8	1 782.5	3 466.6
Depreciation, amortisation and impairment charges	5, 7	414.9	343.4	827.8	1 459.3
Other operating expenses	5	826.8	837.0	1 712.1	3 516.0
Other expenses	4	-8.6	0.9	-0.8	42.9
Total operating expenses	2 210.6	2 005.3	4 427.6	4 213.6	8 756.9
Operating profit/(loss)	544.4	799.5	615.3	942.1	3 232.5
Finance income	8.8	21.9	17.3	27.9	39.8
Finance costs	88.6	86.9	169.0	183.9	368.4
Net finance income/(costs)	-79.8	-65.0	-151.7	-156.0	-328.6
Profit/(loss) before income tax	464.6	734.5	463.6	786.1	2 903.9
Income tax expense	6	116.2	205.5	117.3	454.9
Profit/(loss) after tax	348.4	529.0	346.3	566.2	2 449.0

STATEMENT OF COMPREHENSIVE INCOME

All amounts in MNOK

	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2016	2015	2015
Profit/(loss) for the period	348.4	529.0	346.3	566.2	2 449.0
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on post employment benefit obligations	-609.5	843.1	-553.5	843.1	1 040.9
Tax effect	152.2	-227.6	138.2	-227.6	-281.0
Change in tax rate, effect deferred tax assets/-liabilities	-	-	-	-	0.5
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges	32.6	-27.6	57.3	18.5	24.6
Tax effect	-8.5	7.4	-16.7	-5.0	-6.6
Other comprehensive income, net of tax	-433.2	595.3	-374.7	629.0	778.4
Total comprehensive income	-84.8	1 124.3	-28.4	1 195.2	3 227.4
Attributable to:					
Owner of parent	-84.8	1 124.3	-28.4	1 195.2	3 227.4

BALANCE SHEET

All amounts in MNOK

		30 JUNE		YEAR
	NOTES	2016	2015	2015
ASSETS				
Non - current assets				
Intangible assets				
Deferred tax assets	6	1 514.4	1 600.5	1 508.9
Other intangible assets	7	113.6	17.3	117.2
Total intangible asstes		1 628.0	1 617.8	1 626.1
Property, plant and equipment :				
Property, plant and equipment	7	23 672.8	21 073.0	22 507.1
Assets under construction	7	11 119.0	9 734.7	10 615.2
Total property, plant and equipment		34 791.8	30 807.7	33 122.3
Financial assets:				
Derivative financial instruments	11	599.4	120.6	636.2
Other financial assets		350.5	235.5	306.0
Total financial assets		949.9	356.1	942.2
Total non-current assets		37 369.7	32 781.6	35 690.6
Current assets				
Inventories		20.3	21.8	24.4
Trade and other receivables		1 249.1	1 535.1	1 378.4
Derivative financial instruments	11	7.4	13.8	24.9
Cash and cash equivalents		1 436.5	1 542.7	1 666.7
Assets of disposal group classified as held for sale	8	-	251.2	-
Total current assets		2 713.3	3 364.6	3 094.4
TOTAL ASSETS		40 083.0	36 146.2	38 785.0

BALANCE SHEET

All amounts in MNOK

		30 JUNE		YEAR
	NOTES	2016	2015	2015
EQUITY AND LIABILITIES				
Equity				
Share capital		5 400.1	5 400.1	5 400.1
Other equity		8 903.5	7 517.7	9 432.0
Total equity		14 303.6	12 917.8	14 832.1
Provisions				
Retirement benefit obligations	9	2 590.1	2 188.7	1 947.4
Other provisions		180.3	207.6	181.2
Total provisions		2 770.4	2 396.3	2 128.6
Non-current liabilities:				
State loan	10, 11	2 749.5	3 193.9	2 971.7
Derivative financial instruments	11	79.8	96.6	88.2
Other non-current liabilities	10, 11	15 816.0	12 950.3	14 123.8
Total non-current liabilities		18 645.3	16 240.8	17 183.7
Current liabilities:				
Commercial papers	10, 11	400.0	800.0	400.0
Trade payables		425.0	415.3	441.1
Tax payable		55.7	-	335.9
Public duties payable		230.9	263.0	246.6
Dividends		500.0	500.0	-
Derivative financial instruments	11	28.1	27.4	50.3
First annual instalment on long-term liabilities	10, 11	660.2	545.5	994.2
Other current liabilities		2 063.8	2 020.2	2 172.5
Liabilities of disposal group classified as held for sale	8	-	19.9	-
Total current liabilities		4 363.7	4 591.3	4 640.6
Total liabilities		25 779.4	23 228.4	23 952.9
TOTAL EQUITY AND LIABILITIES		40 083.0	36 146.2	38 785.0

STATEMENT OF CHANGES IN EQUITY

All amounts in MNOK

	SHARE CAPITAL	OTHER RESERVES	OTHER EQUITY	TOTAL EQUITY
Balance at 1 Januar 2015	5 400.1	-774.8	7 597.3	12 222.6
Total comprehensive income		629.0	566.2	1 195.2
Dividends provided for or paid			-500.0	-500.0
Balance at 30 June 2015		-145.8	7 663.5	12 917.8
Balance at 1 Januar 2016	5 400.1	3.6	9 428.3	14 832.1
Total comprehensive income		-374.7	346.3	-28.4
Dividends provided for or paid			-500.0	-500.0
Balance at 30 June 2016		-371.1	9 274.6	14 303.6

STATEMENT OF CASH FLOWS

All amounts in MNOK

	SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2015
Cash flow from operating activities			
Profit/(loss) before income tax including discontinued operations	463.6	786.1	2 903.9
Depreciation	827.8	678.1	1 459.3
(Profit)/loss on disposals of non-current assets	-	-1.1	-1 270.0
Changes in value and other losses/(gains) - net (unrealised)	-11.9	1.7	17.8
Net finance (income)/costs	151.7	156.0	328.6
Change in inventories, trade receivables and trade payables	48.4	-392.0	-186.2
Difference between post employment benefit expense and amount paid/received	89.2	200.4	156.5
Change in other working capital items	91.9	-51.8	86.0
Interest received	17.4	14.0	19.0
Income tax paid	-281.5	-277.4	-280.1
Net cash generated from operating activities	1 396.6	1 114.0	3 234.8
Cash flow from investing activities			
Investments in property, plant and equipment (PPE)	-2 430.3	-2 362.0	-5 165.7
Proceeds from sale of PPE, incl assets under construction	1.4	7.8	1 382.8
Change in other investments	-31.3	-11.3	-46.2
Net cash used in investing activities	-2 460.2	-2 365.5	-3 829.1
Cash flow from financing activities			
Proceeds from borrowings	1 899.9	2 609.7	3 609.7
Repayment of borrowings	-666.9	-374.5	-749.0
Net proceeds/repayment of short term borrowings (commercial papers)	-	-	-400.0
Interest paid	-397.7	-362.3	-618.8
Other borrowing charges	-1.9	-10.7	-12.9
Dividends paid to owner	-	-	-500.0
Net cash generated/used in financing activities	833.4	1 862.2	1 329.0
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	-230.2	610.7	734.7
Cash, cash equivalents and bank overdrafts at the beginning of the period	1 666.7	932.0	932.0
Cash, cash equivalents and bank overdrafts at the end of the period	1 436.5	1 542.7	1 666.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1 General information

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

The Avinor group's headquarters are located in Oslo.

The interim financial information was approved for issue on 25 August 2016. The interim financial information has not been audited.

NOTE 2 Basis of preparation and accounting policies

The interim financial statement for Avinor Group for the second quarter, ended 30 June 2016, has been prepared in accordance with International Financial Reporting Standards (IFRS) and encompasses Avinor AS and all its subsidiaries.

with IAS 34 Interim financial reporting. The interim financial information should be read in conjunction with the annual financial statement for the year ended 31 December 2015.

The interim financial information has been prepared in accordance

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

NOTE 3 Segment information

All amounts in MNOK

SIX MONTHS ENDED JUNE 2016

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	947.8	264.4	205.8	178.9	440.1	2 036.9
Other income	1 497.7	232.1	215.2	147.0	286.2	2 378.2
Inter-segment income	32.0	7.7	23.5	15.3	14.8	93.3
Total income	2 477.5	504.1	444.5	341.1	741.1	4 508.4
Employee benefits expenses	272.6	66.4	55.3	50.2	435.8	880.3
Depreciation and amortisation	390.6	52.2	52.3	46.6	194.7	736.6
Other operating expenses	761.2	111.6	85.5	61.2	433.3	1 452.8
Inter-segment expenses	177.4	69.5	71.7	56.5	261.7	636.8
Total expenses	1 601.8	299.8	264.9	214.4	1 325.6	3 706.4
Operating profit/(loss)	875.7	204.4	179.7	126.7	-584.5	802.0
Assets ¹⁾	11 014.0	1 663.7	1 634.7	1 805.4	6 027.4	22 145.2

SIX MONTHS ENDED JUNE 2016 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATIONS	TOTAL
Traffic income	2 036.9	466.4	-	-2.8		2 500.5
Other income	2 378.2	98.4	53.8	12.0		2 542.4
Inter-segment income	93.3	380.6	20.8	320.8	-815.5	-
Total income	4 508.4	945.4	74.6	330.0	-815.5	5 042.9
Employee benefits expenses	880.3	696.1	0.0	206.1		1 782.5
Depreciation and amortisation	736.6	38.5	18.6	34.2		827.8
Other operating expenses	1 452.8	169.4	1.6	193.5		1 817.3
Inter-segment expenses	636.8	47.7	9.4	121.7	-815.5	-
Total expenses	3 706.4	951.7	29.5	555.5	-815.5	4 427.6
Operating profit/(loss)	802.0	-6.3	45.1	-225.5	-	615.3
Assets ¹⁾	22 145.2	591.7	880.7	168.8		23 786.4

SIX MONTHS ENDED JUNE 2015

	OSLO AIRPORT	BERGEN AIRPORT	STAVANGER AIRPORT	TRONDHEIM AIRPORT	OTHER AIRPORTS	TOTAL AIRPORT OPERATIONS
Traffic income	942.4	274.9	226.1	176.6	443.7	2 063.9
Other income	1 416.5	282.0	226.6	140.1	290.5	2 355.6
Inter-segment income	13.2	6.3	22.7	14.1	9.8	66.1
Total income	2 372.1	563.2	475.4	330.9	744.0	4 485.6
Employee benefits expenses	267.4	64.7	51.1	47.0	426.6	856.9
Depreciation and amortisation	287.2	40.1	43.8	43.9	181.6	596.6
Other operating expenses	641.3	146.1	81.6	64.2	477.9	1 411.1
Inter-segment expenses	378.5	71.7	74.3	57.8	280.1	862.5
Total expenses	1 574.4	322.7	250.8	213.0	1 366.2	3 727.1
Net income/(expense)	797.7	240.5	224.5	117.9	-622.2	758.5
Group adjustments depreciation (a)	86.2	-12.3	-9.5	-11.1	-57.8	-4.5
Group adjustments lease (b)	210.2					210.2
Operating profit/(loss)	1 094.1	228.2	215.0	106.8	-680.0	964.2
Assets ¹⁾	8 316.6	1 711.3	1 365.4	1 723.0	6 422.1	19 538.4

SIX MONTHS ENDED JUNE 2015 CONTINUED

	TOTAL AIRPORT OPERATIONS	AIR NAVIGATION SERVICES	PROPERTY DEVELOPMENT AND HOTELS	OTHERS	ELIMINATIONS	TOTAL
Traffic income	2 063.9	523.8	-	0.4		2 588.1
Other income	2 355.6	105.3	100.2	6.5		2 567.6
Inter-segment income	66.1	406.4	24.6	564.3	-1 061.3	-
Total income	4 485.6	1 035.5	124.7	571.2	-1 061.3	5 155.7
Employee benefits expenses	856.9	654.3	0.0	177.6		1 688.8
Depreciation and amortisation	596.6	35.1	19.5	23.9		675.2
Other operating expenses	1 411.1	218.0	2.3	215.3		1 846.7
Inter-segment expenses	862.5	54.5	21.2	123.2	-1 061.3	-
Total expenses	3 727.1	961.9	43.0	540.0	-1 061.3	4 210.7
Net income/(expense)	758.5	73.6	81.7	31.2	-	945.0
Group adjustments depreciation (a)	-4.5	-	2.0	-0.5		-2.9
Group adjustments lease (b)	210.2			-210.2		-
Operating profit/(loss)	964.2	73.6	83.7	-179.5	-	942.1
Assets ¹⁾	19 538.4	544.7	812.5	194.7		21 090.3

(a) Group adjustments due to assessment of the opening balance as at 1 January 2003.

(b) The lease on the land at Gardermoen is attributed to Oslo Lufthavn AS in the segment reporting.

1) Inclusive other intangible assets, exclusive assets under construction.

NOTE 4 Other income and expenses

All amounts in MNOK

SPESIFICATION	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2016	2015	2015
Other income					
Profit on disposals of non-current assets	-	-	-	-	1 266.3
Total	-	-	-	-	1 266.3
Other expenses/income					
Changes in value and other (losses)/gains, net	-8.6	0.9	-0.8	15.4	42.9
Total	-8.6	0.9	-0.8	15.4	42.9

NOTE 5 Impact on earnings - Terminal 2 project*All amounts in MNOK*

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

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

SPECIFICATION	SECOND QUARTER		SIX MONTHS ENDED JUNE		YEAR
	2016	2015	2016	2015	2015
Employee benefits expense	10.4	21.1	20.3	28.3	52.2
Depreciation, amortisation and impairment charges	29.6	16.5	59.8	33.2	60.5
Other operating expenses	61.4	45.5	118.9	77.6	195.2
Total	101.4	83.1	199.0	139.1	307.9

NOTE 6 Income tax expense

The income tax expense is calculated using the expected annual effective tax rate. Expected annual effective tax rate is 25% and is in the interim financial statements as a whole booked against deferred tax asset. The distribution between tax payable and deferred tax is calculated at year end and presented in the annual financial statement.

NOTE 7 Property, plant and equipment, other intangible assets*All amounts in MNOK*

	OTHER INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
At 30 June 2015				
Opening net book amount	15.7	21 040.9	7 913.6	28 970.2
Additions	3.1	947.2	2 679.4	3 629.7
Reclassification	-	231.6	858.4	1 090.0
Disposals	-	6.7	-	6.7
Depreciation charge	1.4	676.7	-	678.1
Closing net book amount	17.3	21 073.0	9 734.7	30 825.1
At 30 June 2016				
Opening net book amount	117.2	22 507.1	10 615.2	33 239.5
Additions	2.7	1 989.0	2 495.4	4 487.1
Reclassification	-	-	1 991.6	1 991.6
Disposals	-	1.6	-	1.6
Depreciation charge	6.2	821.6	-	827.8
Closing net book amount	113.6	23 672.8	11 119.0	34 905.4

Measurement of recoverable amount

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

NOTE 8 Assets held for sale*All amounts in MNOK*

The assets and liabilities related to Hotell Vestre AS and Hotell Vestre Tomteselskap AS were presented as held for sale following the approval of the groups's board of directors on 11 February 2015 to sell the companies. The transaction was completed in December 2015.

SPESIFICATION	30 JUNE		YEAR
	2016	2015	2015
Assets			
Property, plant and equipment	-	231.6	-
Receivables and other current assets	-	19.6	-
Total	-	251.2	-
Liabilities			
Provisions	-	14.8	-
Current liabilities	-	5.1	-
Total	-	19.9	-

NOTE 9 Pension obligation*All amounts in MNOK*

A net actuarial loss in 2016 is due to a reduction in discount rate partly counteracted by a gain of MNOK 56.0 from the realisation of plan assets on the merger of Oslo Lufthavn AS. A discount rate of 2,25% and a future salary increase of 2,5% are used in the calculation of net pension obligation as at 30 June.

NOTE 10 Borrowings and financial lease obligations*All amounts in MNOK*

	30 JUNE		YEAR
	2016	2015	2015
Non-current	18 565.5	16 144.2	17 095.5
Current	1 060.2	1 345.5	1 394.2
Total	19 625.7	17 489.7	18 489.7
Movement in borrowings			
Opening net book amount	18 489.7	15 290.4	15 290.4
Proceeds from borrowings	1 899.9	2 609.7	3 609.7
Repayment of borrowings	-666.9	-374.5	-749.0
Net change financial lease obligation	-	-	256.0
Net proceeds/repayment of short term borrowings	-	-	-400.0
Changes in value	-97.0	-35.9	482.7
Closing net book amount	19 625.7	17 489.7	18 489.7

LIQUIDITY RESERVES

	30 JUNE		YEAR
	2016	2015	2015
Cash and cash equivalents	1 436.5	1 542.7	1 666.7
Unused bank overdraft	800.0	800.0	800.0
Unused credit facility	4 000.0	5 000.0	4 000.0
Total	6 236.5	7 342.7	6 466.7

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

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 of all interest rate swaps is confirmed by the financial institutions which are the company's opposite party in the financial contracts entered into. The carrying amount of cash and bank overdrafts is approximately equal to the fair value of these instruments as they fall due in a short period of time. Similarly, the carrying amount of receivables and payables is approximately equal to fair value as they are entered into under "normal" conditions. The fair value of long-term debt is based on quoted market prices or on the interest rates for debt with corresponding terms and similar credit risk. The fair value of commercial papers equals principal amount as at 30 June 2016.

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

	30 JUNE 2016		30 JUNE 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest-bearing debt				
State loan	3 193.9	3 263.9	3 638.3	3 706.0
Bonds	8 759.2	9 277.7	8 737.5	9 146.1
Bank borrowings	6 991.8	7 933.2	4 278.2	4 996.5
Commercial papers	400.0	400.0	800.0	800.0

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2016:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	4.3	-	4.3
Derivatives used for hedging	-	602.4	-	602.4
Total assets	-	606.7	-	606.7
Liabilities				
Financial liabilities at fair value through profit or loss	28.1	1 422.0	-	1 450.1
Derivatives used for hedging	-	76.6	-	76.6
Total liabilities	28.1	1 498.6	-	1 526.7

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2015:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	7.8	-	7.8
Derivatives used for hedging	-	126.6	-	126.6
Total assets	-	134.4	-	134.4
Liabilities				
Financial liabilities at fair value through profit or loss	20.9	1 250.6	-	1 271.5
Derivatives used for hedging	-	85.7	-	85.7
Total liabilities	20.9	1 336.3	-	1 357.2



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