

Annual Report 2018



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HIGHLIGHTS

Avinor Flysikring AS provides tower services at airports, air traffic control services for traffic in Norwegian airspace and technical infrastructure for air navigation. It has divided its business areas as follows:

- En-route navigation services
- Tower services
- Technology services
- Remote tower centre

In 2018, Avinor Flysikring AS delivered safe and stable operations. Europe saw a sharp rise in air traffic in 2018, which has posed considerable capacity challenges within en-route navigation services. The situation in Norway is different. For the first time since Avinor was established, we saw negative growth in service units in the en-route navigation services segment (-0.2%) and our services were provided almost without any delays. The company has several major and intensive projects. The company has changed its pension scheme. As of 1 January 2019, all employees under the age of 53 were transferred to a new defined-contribution pension scheme. Employees over the age of 53 can choose to remain in the old pension scheme or be transferred to the new scheme.

Several internal and external audits of Avinor Flysikring AS have been carried out, including by the Norwegian Civil Aviation Authority. Any discrepancies that were found have been dealt with by implementing corrective measures.

In 2018, Avinor Flysikring AS took part in several national and international tenders involving tower services and technology services.

Avinor Flysikring AS has commenced construction of the world's largest remote tower centre in Bodø, with the aim of controlling a minimum of 15 airports remotely by 2021.

ABOUT AVINOR FLYSIKRING AS

Avinor Flysikring AS is a limited liability company wholly owned by Avinor AS. The company's head office is located in Oslo.

Avinor Flysikring AS is regulated by the Norwegian Ministry of Transportation and Communications.

A service-based price system has been introduced for en-route navigation services in Europe, whereby the risk is shared with airspace users. Other air navigation services are based on a cost-based price model.

Avinor Flysikring AS has the vision of being a leading provider of air navigation services in Northern Europe. Avinor Flysikring AS's business concept is to create value for its customers and society by providing in-demand air navigation services.

Designated provider

Avinor Flysikring AS is the designated provider of en-route navigation services until 2024. In discussing White Paper 30 (2016-2017), the Norwegian parliament decided to open local air traffic control services (tower services and approach control) to competition at Avinor's own airports. In its ownership report, the Norwegian Ministry of Transport and Communications states that a process shall be in place until the next ownership report with the aim of transferring ownership of Avinor Flysikring AS out of the Avinor group. For local air traffic control services (tower services and approach control), in 2017 the Norwegian Ministry of Transport and Communications chose to extend Avinor Flysikring AS's role as a designated provider on the same terms until the end of 2018. This role as a designated provider has now been further extended until 31 December 2019. Avinor Flysikring AS is constantly focused on preparing the company for a competitive air navigation market.

IMPORTANT EVENTS IN 2018

Investment in remotely operated towers

Avinor Flysikring AS is investing heavily in remote-controlled towers in co-operation with Avinor AS and Kongsberg Defence & Aerospace.

The Avinor group aims to implement remote-controlled tower services at 15 airports, with a centralised tower centre in Bodø. The first airports will be served by the existing back-up centre in Bodø until the main centre is commissioned in 2020.

Remote-controlled towers are a key investment that offers huge opportunities for Avinor Flysikring AS and the Norwegian aviation industry. The technology paves the way for safe and efficient operations at Norwegian airports and provides huge potential for the Avinor group.

New pension scheme

The company has changed its pension scheme from a defined-benefit scheme in the Norwegian Public Service Pension Fund to a defined-contribution scheme. All employees under the age of 53 at

1 January 2019 will be transferred to the new scheme. Other employees will remain in the public sector occupation pension scheme, with the option of transferring to the new defined-contribution scheme. The defined-benefit scheme has closed to new employees.

The financial impact of this is described in more detail in “Financial results” below, and in note 17 in the accounts.

Trident Juncture 2018 exercise

The live part of the Trident Juncture 2018 exercise took place between 24 October and 7 November 2018. It was the largest NATO exercise on Norwegian soil since the 1980s. The exercise covered large areas of Sweden, Nordland and Trøndelag, as well as large parts of Southern Norway. Avinor Flysikring AS has received positive feedback on its contribution, which included having sufficient operational personnel during the exercise, training operational personnel in advance and providing liaison officers at Ramstein Air Base in Germany and the Norwegian Air Forces’ 131 air wing in Sørreisa. The number of aviation incidents was as expected and was managed in co-operation with the Norwegian Armed Forces. Co-operation with the Norwegian Armed Forces and Norwegian Civil Aviation Authority was critical to the success of the exercise and worked excellently both before and during the exercise. Avinor Flysikring AS has gained valuable experience, making it even better equipped to contribute to this type of activity in the future.

Focus on drones

Avinor Flysikring AS has set up a separate programme for activities related to drones. The objective of the programme is to become a leading player in the development and management of drone activity, ensuring safety in controlled airspace and leveraging and developing any commercial potential. A key activity is the implementation of a traffic management system for drones to increase safety and leverage commercial potential for Avinor Flysikring AS. The programme will co-ordinate activities with the Norwegian Civil Aviation Authority, Norwegian Ministry of Transport and Communications, the Avinor group and other relevant stakeholders.

ECONOMY AND FINANCE

Financial results

In 2018 Avinor Flysikring AS had an operating income of NOK 2,107 million, compared with NOK 2,085 million in 2017, and a profit after tax of NOK 184 million, compared with a loss of NOK -27 million in 2017.

Total operating expenses before depreciation/amortisation, changes in value, and other gains/losses amounted to NOK 1,774 million in 2018, compared with NOK 2,078 million in 2017. The reduction in expenses between 2017 and 2018 is primarily due to a change in the company’s pension scheme. As a result of the transition to a defined-contribution scheme and a new scheme related to the special retirement pension, a provision for liabilities related to the special retirement pension and AFP in the old scheme has been reversed. The effect is to be considered as a change to the company’s pension scheme, and the economic impact must therefore be recognised in the income statement.

The one-time effect of this reduction in pension liabilities as at 31 December 2018 was approximately NOK 129 million. Consequently, profit after tax is considerably higher than in 2017.

In the period, the company has an operating profit of NOK 233 million. Total depreciation, amortisation and impairment amounted to NOK 104 million. The operating margin was 11.1%. Net financial income amounted to NOK 8 million. The company's tax expense for 2018 was NOK 57 million.

Capitalised project expenses as at 31 December 2018 amounted to NOK 734 million and are classified as plant under construction in the balance sheet.

Negative estimate deviations for pensions in 2017 of NOK 176 million before tax are due to changes in economic assumptions. A more detailed description of pensions can be found in note 17 to the accounts.

Cash flow and capital structure

The company had a net cash flow from operating activities of NOK 224 million. Material accounting items without a cash-flow effect are depreciation/amortisation of NOK 104 million and differences between the expensed pension and actual pension contributions.

The company's total equity as at 31 December 2018 amounted to NOK 2,781 million, compared with NOK 2,500 million as at 31 December 2017. The equity ratio as at 31 December 2018 was 10.9% compared with 10.8% as at 31 December 2017. The impact of changes to economic assumptions that formed the basis for the calculation of pension liabilities has been recognised directly in equity.

As at 31 December 2018 Avinor Flysikring AS had non-interest-bearing liabilities and the liquidity reserve amounted to NOK 442 million in receivables as part of the Avinor group's group accounts scheme.

Appropriation of profits

The board proposes that the profit of NOK 184 million be transferred to other equity.

The annual accounts for 2018 have been prepared on the assumption that the company will continue as a going concern (cf. Section 3-3 of the Norwegian Accounting Act) on the basis of forecasts, long-term plans and prudent equity. The board confirms that the conditions for continuing as a going concern are present.

Avinor Flysikring AS's equity is incredibly volatile due to changes in its pension liabilities. The board is monitoring the situation and will take action as necessary. The company has good liquidity and generally good finances in its operations.

In 2019, a high level of project activity is expected to require an injection of liquidity, in the form of either capital injections from owners or borrowing.

Risk

Avinor Flysikring AS's primary objective is safe and stable operations. Procedures and measures have been established to minimise both the likelihood and consequences of accidents and serious incidents. In addition to aircraft operations, the business is exposed to financial risk, including risks associated with the implementation of major technology projects.

The company's income is exposed to changes in air traffic and the loss of existing customers.

Avinor Flysikring AS's financial risk is related to currency fluctuations in relation to income and expenses in foreign currencies. Financial hedging instruments (currency derivatives) are used to curtail this risk.

The company continues to have a defined-benefit pension scheme with the Norwegian Public Service Pension Fund, which is sensitive to changes in economic conditions. See note 17 for the effects of the changes.

CORPORATE GOVERNANCE AND COMPANY MANAGEMENT

The executive board has prepared a separate statement on corporate governance and company management in accordance with the Norwegian Code of Practice for Corporate Governance (NUES). This statement is enclosed as an annex to the consolidated accounts and annual report.

The board of Avinor Flysikring AS consists of members elected externally and by employees. The chief executive officer of Avinor AS is the chair of the board. The board's work centres on the principles of sound corporate governance.

TRAFFIC DEVELOPMENT

The number of commercial aircraft movements increased by 0.6% in 2018. International traffic grew by 5.9% while domestic traffic and overflights fell by -3% and -0.6% respectively. The figures include offshore helicopter movements, which increased in 2018 after several years in decline. Service units decreased in 2018 by -0.2%. A fall in traffic to the Middle East and the US is the primary reason for the decrease in service units.

AIR SAFETY AND HSE

Avinor Flysikring AS is focused on maintaining a safety and security culture, with an emphasis on the monitoring of risks by way of measures that promote safety and security. There were no aviation accidents or serious aviation incidents in 2018 in which Avinor Flysikring AS was a contributing party.

A cybersecurity management system has been established to monitor developments. A new emergency management regime was implemented at Avinor Flysikring AS during the year, with emergency team managers and media officers.

CORPORATE SOCIAL RESPONSIBILITY

The Avinor group's annual report contains a report on corporate social responsibility which also

covers Avinor Flysikring AS.

EXTERNAL ENVIRONMENT

An objective of Avinor Flysikring AS is to contribute to reducing the negative environmental impact of aviation.

Avinor Flysikring AS is implementing several projects that are intended to optimise Norwegian airspace to improve safety, safeguard future capacity, standardise and streamline the provision of services and reduce the negative impact on the environment. For example, the company has been a central player in the planning and implementation of curved approaches, which have a positive impact on the environment.

Avinor Flysikring AS will invest further in its corporate social responsibility and sustainability going forwards. This includes environmental certification pursuant to ISO 14001.

PERSONNEL AND ORGANISATION

Avinor Flysikring AS employed 1060 people in 2018 and had an average of 1009 FTEs. The company had 1003 permanent FTEs and 6 temporary FTEs. This is in addition to the 21 FTE student air traffic controllers. This is a reduction in the number of FTEs of 0.4% compared with 2017.

The percentage of women among permanent employees was 24% as at 31 December 2018. The proportion of women commencing air traffic controller training in 2018 was 40%. The majority of Avinor Flysikring AS's employees are covered by collective agreements. Consequently the company's salary levels are equal between genders. Emphasis is placed on ensuring that all employees have equal opportunities in the company, irrespective of their gender, age, disability, ethnicity or cultural background. Avinor Flysikring AS has systematised performance reviews that ensure a neutral salary and career development. The recruitment of women and follow-up of women candidates is a high priority.

Sick leave in Avinor Flysikring AS was 3.7% in the period 1 January to 31 December 2018, which is a decrease of 0.1% compared with the same period in the previous year. Long-term sick leave of more than eight weeks was 1.03%. The company's Inclusive Working Life target for sick leave is 4% or lower.

The company conducted an employee survey in the autumn of 2018 with a response rate of 80%.

Collaboration between the company's management and employee representatives is considered to be constructive and good.

OUTLOOK AND FRAMEWORK CONDITIONS

Economic forecast

A fall in service units is expected in 2019, with weak growth expected again from 2020 (STATFOR, February 2019). Norway has the weakest forecasts in Europe for traffic development in the coming

years. 2019 is the last year of reference period 2 in the performance regime. The framework conditions in the form of a new performance plan for reference period 3 are being drafted. This will determine the service requirements for en-route navigation services between 2020 and 2024. The stagnation of income combined with high levels of investment poses challenges to the company's financial position in the coming years.

Over the next few years, further competition is expected in relation to tower services and technology services. Avinor Flysikring AS will address this by stepping up its focus on cost efficiency and creating additional value for its customers.

In White Paper 30 (2016-2017), the Norwegian Ministry of Transport and Communications states that a process shall be in place until the next ownership report with the aim of transferring ownership of Avinor Flysikring AS out of the Avinor group. The executive board's input was submitted to the Norwegian Ministry of Transport and Communications for consideration in March 2018.

The board is of the opinion that the company must be given the necessary framework conditions to compete in an open market.

The company's new pension scheme is expected to result in more stable pension expenses over time. Avinor Flysikring AS retains regulatory responsibility for those remaining in the scheme for the established rights of those who have transferred to the new defined-contribution scheme. This means that the company's balance sheet and equity are still sensitive to changes in pension conditions.

Avinor Flysikring AS is in the midst of major technological renewal, with several major projects such as remote-controlled towers, a new ATM system and airspace surveillance. The projects will result in substantial investment costs going forwards. Emphasis is placed on ensuring good and effective internal processes, sound cost management of operations and projects and addressing the expectations of owners and customers. The board therefore closely monitors the company's earnings, operating expenses, financing and regulatory framework.

Oslo, 21 March 2019

Dag Falk-Petersen
Chair of the board

Espen Slyngstad
Vice-chair of the board

Sissel Bråthen

Ole Petter Storstad

Charlotte Andsager

Frode Nilssen-Bøe

Espen Danielsen

Anders Kirsebom
Managing Director

Avinor Flysikring AS
Income statement

All amounts in NOK million	Note	2018	2017
<i>Operating income:</i>			
En-route navigation services		1 202,6	1 206,5
Tower services		580,7	574,0
Systems operations		252,9	236,7
Other operating income		70,9	68,0
Total operating income	4	2 107,2	2 085,2
<i>Operating expenses:</i>			
Cost of sales		32,7	31,1
Payroll and other personnel expenses	5	1 328,8	1 613,6
Depreciation/amortisation and impairment losses	10	104,3	90,3
Other operating expenses	7	412,9	433,5
Total operating expenses before changes in value and other (losses)/gains – net		1 878,8	2 168,5
Changes in value and other (losses)/gains – net	6	5,0	12,9
Operating profit/(loss)		233,4	-70,4
<i>Finance income and expenses:</i>			
Interest income	8	8,4	7,8
Other finance income	8	0,2	24,4
Interest expenses	8	0,3	0,9
Finance expenses – net		8,3	31,3
Profit/(loss) before tax		241,7	-39,1
Tax expense	9	57,3	-12,5
Profit/(loss) for the year		184,4	-26,6
Extended profit/(loss) for the year			
Actuarial gains/(losses) on pension liabilities	16, 17	-175,9	-514,0
Tax effect		40,5	123,4
Change in tax rate, effect of deferred tax assets/liabilities	16	-7,3	-5,5
Total extended profit/(loss) after tax		-142,7	-396,1
Comprehensive income for the year		41,7	-422,8
Attributable to:			
Shareholders		41,7	-422,8

Avinor Flysikring AS
Balance sheet

All amounts in NOK million	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
<i>Intangible assets:</i>			
Deferred tax assets	9	382,4	380,9
Other intangible assets	10	72,4	77,4
Total intangible assets		454,8	458,3
<i>Property, plant and equipment:</i>			
Property, plant and equipment	10	686,9	626,1
Plant under construction	10	733,9	676,8
Total property, plant and equipment		1 420,8	1 302,9
<i>Financial fixed assets:</i>			
Investments in subsidiaries	20	1,0	0,0
Total financial fixed assets		1,0	0,0
Total non-current assets		1 876,6	1 761,3
Current assets			
Receivables	13	904,2	739,0
Bank deposits, cash and cash equivalents	14	0,0	0,0
Total current assets		904,2	739,0
Total assets		2 780,8	2 500,3

All amounts in NOK million	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
<i>Paid in capital:</i>			
Issued capital	15,16	365,0	365,0
Other paid in capital	16	2,2	2,2
Total paid in capital		367,2	367,2
<i>Other equity:</i>			
Other reserves	16	-569,8	-427,1
Other equity:	16	506,8	331,0
Total other equity		-63,0	-96,1
Total equity		304,2	271,1
Provisions and liabilities			
<i>Provisions:</i>			
Pension liabilities	17	1 826,0	1 749,4
Other provisions	18	4,5	3,5
Total provisions		1 830,5	1 752,9
<i>Non-current liabilities:</i>			
Total non-current liabilities		0,0	0,0
<i>Current liabilities:</i>			
Trade payables		48,4	77,6
Tax payable	9	34,1	54,3
Public duties payable		124,7	101,3
Derivative financial instruments	12	6,2	4,9
Other current liabilities	18, 19	432,8	238,3
Total current liabilities		646,1	476,4
Total liabilities		2 476,6	2 229,2
Total equity and liabilities		2 780,8	2 500,3

Board of Directors of Avinor Flysikring AS, Oslo 20. march 2019

Dag Falk-Petersen
Chair of the board

Espen Slyngstad
Vice-chair of the board

Sissel Bråthen

Ole Petter Storstad

Charlotte Andsager

Frode Nilssen-Bøe

Espen Danielsen

Anders Kirsebom
Managing Director

Avinor Flysikring AS
Statement of cash flows

All amounts in NOK million	Note	2018	2017
Cash flows from operating activities			
Cash flows from operating activities*		277,9	369,4
Interest received		0,2	0,2
Tax paid		-54,3	-50,9
Net cash flow from operating activities		223,8	318,7
Cash flows from investing activities			
Investments in property, plant and equipment		-232,6	-350,1
Intra-group interest		5,4	7,0
Intra-group investments		-1,0	
Proceeds from sale of property, plant and equipment, including plant under construction		4,4	0,3
Return on share investments		0,0	6,0
Change in other investments		0,2	18,4
Net cash flow from investing activities		-223,6	-318,4
Cash flows from financing activities			
Interest paid		-0,2	-0,3
Net cash flow from financing activities		-0,2	-0,3
Change in bank deposits, cash and cash equivalents		0,0	0,0
Bank deposits, cash and cash equivalents as at 1 January		0,0	0,0
Bank deposits, cash and cash equivalents as at 31 December			0,0
All amounts in NOK million			
		2017	2017
Profit/(loss) before tax		241,7	-39,1
Ordinary depreciation/amortisation	10	104,3	90,3
Gains/(losses) on the sale of non-current assets		0,1	-0,2
Changes in value and other (losses)/gains – net (unrealised)	6	1,5	4,3
Net finance expenses		-8,3	-31,3
Change in inventories, accounts receivable and accounts payable		-42,1	1,3
Difference between recognised pension cost and amounts received/paid		-99,3	308,9
Changes in other accrual accounting items		49,9	-22,2
Changes in intra-group receivables and liabilities		30,0	57,4
Cash flow from operating activities*		277,9	369,4

1. General information

Avinor Flysikring AS is a limited liability company registered in Norway. The company's head office is located in Oslo at Dronning Eufemias gate 6, NO-0191 OSLO, Norway.

2. Accounting policies

The annual accounts are prepared in accordance with § 3-9 of the Norwegian Accounting Act and the regulations on simplified IFRS as determined by the Norwegian Ministry of Finance in 2014. This essentially means that calculation and measurement follow international accounting standards (IFRS) and that the presentation and note disclosures are in accordance with the Norwegian Accounting Act and good accounting practices. The annual accounts were adopted by the company's board on 21

2.1. Simplified IFRS

The company has applied the following simplifications from the IFRS accounting and valuation rules:

IFRS 1 no. 7 on the carrying of the original cost of investments in subsidiaries, associated companies and joint ventures.

IAS 10 nos. 12 and 13 are waived so that dividends and group contributions are recognised in accordance with the provisions of the Norwegian Accounting Act.

IAS 28 and IAS 31 are waived so that the cost method is used for investments in associated companies and joint ventures.

2.2. Basis for the preparation of the annual accounts

The policies of historical cost accounting, with the exception of financial instruments at fair value, form the basis of the company accounts.

2.3. Segment information

The company is structured as one reporting segment.

2.4. Currency

Transactions in a foreign currency are translated at the rate at the time of the transaction. Monetary items in a foreign currency are translated to NOK using the exchange rate at the balance sheet date. Non-monetary items measured at the historical rate in a foreign currency are translated to NOK using the exchange rate at the date of transaction. Non-monetary items measured at fair value and presented in a foreign currency are translated at the exchange rate established on the balance sheet date. Foreign exchange gains and losses are recognised in the income statement on a rolling basis.

2.5. Use of estimates

In preparing the annual accounts the management has used estimates based on judgements and assumptions believed to be reasonable under the circumstances.

There may be situations or changes in the market conditions that may result in changes in estimates and thereby have consequences for the company's assets, liabilities, equity and profit/loss.

The company's most significant accounting estimates and assumptions are related to the following items:

Depreciation of property, plant and equipment

Net pension liabilities

2.6. Revenue recognition policies

The company has implemented IFRS 15 Revenue from Contracts with Customers from 1 January 2018 using the full retrospective method. The implementation of the standard has not affected the company's accrual accounting of income in 2018.

Revenue from contracts with customers

Traffic income, income from the sale of goods and services and income from the sale of property are recognised to reflect the agreed transfer of goods and services to customers at an amount that reflects the remuneration the company is expected to be entitled to in exchange for these goods or services.

Rental income

Revenue from the rental of real estate with a fixed rental remuneration is recognised in the income statement over the term of the rental agreement.

The company's revenues primarily consist of air navigation fees. The fees include fees for en-route navigation services, approach control services and control tower services. Fees for en-route navigation services account for the largest source of income.

Fees for en-route navigation services are recognised in the income statement each month on a rolling basis, based on the actual number of flights. Income surpluses/deficits arising when settled income diverges from the income framework for the period set by Eurocontrol are not carried forwards. This income surplus/deficit can be settled only through the adjustment of future fee rates, which entails an assumption as to future flights. Consequently this does not qualify as a balance sheet item pursuant to IFRS.

Group contributions made to the parent company are recognised directly in other equity. Group contributions made are recognised net (after tax). Group contributions received from the parent company are recognised as other paid-in equity.

2.7. Income tax

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax and deferred tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is likely that the company will have a sufficient tax surplus in later periods in order to utilise the tax assets. The company recognises previously unrecognised deferred tax assets to the extent it has become likely that the company can benefit from the deferred tax asset. Similarly, the company will reduce deferred tax assets to the extent the company no longer deems it likely that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured based on expected future tax rates related to the items where a temporary difference has arisen. Deferred tax and deferred tax assets are recognised at their nominal value and classified as intangible assets (non-current liabilities) in the balance sheet.

Tax expenses consist of tax payable and deferred tax. Tax is recognised in the income statement, except for when it relates to items charged directly to equity. If this is the case, the tax will also be charged directly to equity.

2.8. Property, plant and equipment

Property, plant and equipment are recognised initially at their original cost. The original cost includes expenditure that is directly attributable to the acquisition of the capital

Subsequent expenses are added to the carrying amount for the capital equipment or are carried forwards separately when it is probable that the future economic benefits related to the expenditure will go to the group, and that the expenditure can be reliably measured. All other repair and maintenance expenses are charged to the income statement in the period in which they are incurred.

Borrowing costs incurred during the construction of capital equipment are carried forwards until the asset is ready for its intended use.

Building sites, homes and plant under construction are not depreciated. Other capital equipment is depreciated using the straight-line method so that the original cost of the non-current assets is depreciated to its residual value over the assets' estimated useful lives as follows:

Buildings and real estate	10 to 50 years
Roads, infrastructure etc.	5 to 50 years
Runway systems	15 to 50 years
Transport assets	3 to 20 years
Other non-current assets	5 to 15 years

The assets' useful lives are reviewed, and adjusted if appropriate on each balance sheet date. Gains and losses on disposals are recognised in the income statement and are the difference between the selling price and the carrying amount.

2.9. Leases

The company as a lessee

Finance leases:

Leases where the company assumes the majority of the risks and returns associated with ownership of the asset are classified as finance leases.

Operating leases:

Leases where the majority of the risks and returns associated with ownership of the asset have not been transferred are classified as operating leases. Lease payments are classified as an operating expense and are recognised in the income statement on a straight-line basis over the lease term.

IFRS 16 "Leases" replaces IAS 17

IFRS 16 states the policies for the calculation, measurement, presentation and disclosure of leases for both parties in a lease agreement, i.e. the customer (lessee) and provider (lessor). The new standard requires lessees to calculate assets and liabilities for most leases, and liabilities for most leases, which is a substantial change from current policy.

The standard comes into effect on 1 January 2019 and will be implemented according to a modified retrospective method (no reworking of comparative figures in the annual accounts for 2019). The company will apply the calculation exceptions for leases of low-value assets (IFRS 16.5 b.) and short-term leases (IFRS 16.5 a.) The company will also choose not to apply IFRS 16 to other intangible assets (IFRS 16.4). The assets and liabilities recognised under IFRS 16 will be presented on a separate line in the company's balance sheet.

Estimated lease liabilities are calculated as the present value of expected lease payments over the term of the lease. Estimated lease payments are index-regulated where applicable. A discount rate equivalent to the company's marginal borrowing rate is applied. As a result of this, the company's lease liabilities as at 1 January 2019 primarily relate to leases for premises and are calculated as NOK 265 million, of which NOK 197 million relates to intra-group leases.

2.10. Financial assets

The company classifies its financial assets in the following categories: 1. At fair value through profit or loss. 2. Loans and receivables. The classification depends on the purpose of the asset. Management classifies financial assets upon their acquisition.

Financial assets at fair value through profit or loss

Financial assets at fair value consist of financial derivatives with a positive market value. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are financial assets with fixed payments, except for derivatives. These financial assets are not traded in an active market. They are classified as current assets, except for those falling due for payment more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "accounts receivable and other receivables" in the balance sheet.

On each balance sheet date, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment loss is recognised when the impairment is substantial and deemed to be permanent in nature.

The ordinary purchase and sale of financial assets is recognised at the time the agreement is concluded, which is the date the group undertakes to buy or sell the asset.

All financial assets that are not recognised at fair value through profit or loss are carried forwards at fair value plus transaction costs.

Financial assets that are recognised at fair value through profit or loss are recognised at fair value on their acquisition date and the transaction costs are recognised in the income statement.

Financial assets are eliminated from the balance sheet when the rights to receive cash flows from the investment cease or when these rights are transferred and the group has essentially transferred all the risk and potential for gains through ownership.

2.11. Derivatives and hedging

Derivatives are carried forwards at fair value at the time the derivative contract is concluded, and then on a rolling basis at fair value. The recognition of related gains and losses depends on the extent to which the derivative is allocated as a hedging instrument and, if so, the type of hedging involved. The company classifies derivatives relating to hedging as the hedging of a specific risk related to a carried asset, liability or a very probable future transaction (cash flow hedging).

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

The company hedges the purchase of energy and foreign currency. For energy, energy derivatives are traded at NordPool. These derivatives do not qualify for hedge accounting.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised as "changes in value and other (losses)/gains – net" or as "net finance expenses" in the income statement. The derivatives are valued at fair value through profit or loss.

2.12. Financial liabilities

The company classifies its financial liabilities in the following categories

1. Fair value through profit or loss
2. Other financial liabilities

The classification depends on the purpose of the liability. The management classifies financial liabilities as they are incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value consist of financial derivatives with a negative market value. Derivatives are carried forwards at fair value at the time the derivative contract is concluded. For subsequent measurement, changes in fair value are recognised in the income statement. Liabilities in this category are classified as current liabilities if they are expected to fall due within 12 months of the balance sheet date.

Other financial liabilities

Other financial liabilities are financial liabilities with fixed payments, except for derivatives. These financial liabilities are not traded in an active market. The liabilities are carried forwards at fair value as the liability is incurred. Subsequent measurement is at amortised cost according to the effective interest method. They are classified as current liabilities, except for those falling due for payment more than 12 months after the balance sheet date. These are classified as non-current liabilities.

2.13. Derivatives that are not hedging instruments

Financial derivatives that are not recognised as hedging instruments are valued at fair value. Changes in fair value are recognised on a rolling basis.

2.14. Accounts receivable

Accounts receivable and other receivables are listed in the balance sheet at their nominal value less a provision for expected losses. For accounts receivable without a major financing component, a simplified model is used whereby a provision is made for expected losses from initial recognition in the balance sheet over the lifetime.

2.15 Current investments

Current investments (stocks and shares valued as current assets) are valued at the lower of the fair value of their average original cost and fair value on the balance sheet date.

2.16. Bank deposits, cash and cash equivalents

Bank deposits and cash include cash in hand and bank balances. "Cash equivalents" is current liquid investments with a maximum term of three months which can be immediately converted into cash at a known amount.

2.17. Classification and valuation of balance sheet items

Current assets and liabilities include items falling due for payment within one year of the balance sheet date and items relating to the flow of goods. The first year's instalments vis-à-vis long-term liabilities are classified as current liabilities. Other items are classified as fixed assets/non-current liabilities.

Current assets are valued at the lower of their original cost and their fair value. Current liabilities are carried forwards at their nominal amount at the time of establishment.

Non-current assets are valued at their original cost but are depreciated to fair value if the fall in value is not expected to be temporary. Non-current liabilities are carried forwards at their nominal amount at the time of establishment.

2.18. Pensions

Defined-benefit pensions:

The pension schemes are generally funded through payments to the Norwegian Public Service Pension Fund and determined by periodic actuarial calculations. The company has a defined-benefit scheme. A defined-benefit scheme is a scheme where the employer commits to making periodic pension payments to the individual employee when they reach retirement age. Pension payments depend on a number of factors, such as the number of years of service in the company and salary.

The liability carried forwards related to the defined-benefit schemes is the current value of the defined benefits on the balance sheet date minus the fair value of the pension assets. Pension liabilities are calculated annually by an actuary on the basis of a linear accrual model. The present value of the defined benefits is determined by discounting the estimated future payments by applying the interest rate of a bond issued by a company with high creditworthiness in the same currency in which the benefits will be paid. The bond has a term to maturity equivalent to the term to maturity of the related pension liability.

Changes in assumptions, base data and pension plan benefits which generate an accounting loss or gain are charged directly to equity in the period in which they occur. A change in the benefits attributable to previous service entails a change of plan that is a cost to the pension accrual of previous periods. A negative cost is incurred when the benefits are changed to the extent that the present value of the defined-benefit scheme is reduced.

The pension scheme is not directly fund-based. The payment of pensions is guaranteed by the Norwegian State (§1 of the Norwegian Pensions Act). The assigned pension assets ("fictitious funds") are simulated as if these funds were invested in long-term government bonds. The pension scheme is not portable in the same way as private pension schemes. It is assumed that the pension scheme will remain in the Norwegian Public Service Pension Fund. The simulation assumes that the bond will be held until maturity. Consequently, the pension assets are valued at book value.

Defined-contribution pensions:

The company's defined-benefit scheme closed on 1 January 2019. A defined-contribution scheme pursuant to the Defined-Contribution Pensions Act was introduced on the same date. All employees under the age of 53 as at 31 December 2018 transitioned to the defined-contribution scheme. The contributions to the defined-contribution scheme are expensed on a rolling basis.

2.19. Provisions for liabilities

The company recognises provisions for liabilities when a legal or self-imposed obligation exists as a result of earlier events, where the liability is more likely than not to be settled by way of a transfer of financial resources and where the size of the liability can be estimated with a sufficient degree of reliability. No provision is made for future operating losses.

Provisions are measured at the present value of future payments to settle the liability. A discount rate is used before tax that reflects current market conditions and the risks specific to the liability. An increase in the liability resulting from a change in value over time is recognised as a finance expense.

2.20. Events after the balance sheet date

New information after the balance sheet date regarding the company's financial position as at the balance sheet date is taken into account in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if material.

2.21. Consolidated accounts

The leading company of the group, Avinor AS, prepares consolidated accounts. The consolidated accounts can be obtained from Avinor AS's website: www.avinor.no.

2.22. Statement of cash flows

The statement of cash flows has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other current liquid investments. The group account structure is classified as an intercompany balance in the balance sheet.

3. Financial risk factors

The company's activities entail different types of financial risk: Market risk (including currency risk, fair value interest rate risk, variable interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management plan focuses on limiting the volatility of the company's financial results. The company uses financial derivatives to hedge against certain risks.

The company's risk management is carried out by a central finance department in the group in accordance with guidelines approved by the executive board. The group's finance department identifies, evaluates and hedges financial risks in close co-operation with the various operating units. Guidelines are established for overall risk management, as well as for specific areas such as currency risk, interest rate risk, credit risk, the use of financial derivatives and other financial instruments and the investment of excess liquidity.

Market risk

(i) Currency risk

The company is exposed to currency risk with respect to the value of NOK against other currencies due to income and expenses in foreign currencies. The company concludes forward contracts to reduce the currency risk in cash flows denominated in a foreign currency. Currency risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not carried forwards and very likely purchases and sales in that currency.

As at 31 December 2018, the company had concluded 11 forward currency contracts.

Credit risk

The company's most significant credit risk is related to accounts receivable and other current receivables.

The company has guidelines to ensure that credit as a rule is granted only to customers without any previous significant payment issues. The creditworthiness of new customers is assessed.

The company has no significant credit risk associated with any single party or parties that could be considered as a group due to similarities in credit risk.

The company considers the risk of its customers being unable to meet their obligations as average.

The company does not act as guarantor for any third-party liabilities.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations when they are due. The company's strategy is to manage the risk by having sufficient liquid funds available at any time to be able to fulfil its financial obligations when they are due, both under normal and extraordinary circumstances, without posing a risk of unacceptable losses.

The company is part of Avinor AS's group accounts system.

Other note disclosures

No financial assets have been reclassified in a way that changes the valuation method from amortised cost to fair value or vice versa.

The fair value of derivatives designated as hedging instruments is recognised as derivatives under current assets/current liabilities or financial fixed assets/non-current liabilities, depending upon the maturity date of the corresponding hedged item.

The company has implemented changes in IFRS 7 related to financial instruments measured at fair value on the balance sheet date.

The changes require presentation of fair value measurements for each level with the following categorisation of levels for the measurement of fair value:

* Quoted price in an active market for an identical asset or liability (level 1)

* Valuation based on other observable factors either directly (price) or indirectly (derived from prices) than the quoted price (used in level 1) for the asset or liability (level 2)

* Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3)

The following table presents the company's assets and liabilities measured at fair value as at 31 December 2018:

<i>Avinor Flysikring AS</i>	Level 1	Level 2	Level 3	Total
Assets				
Total assets	0,0	0,0	0,0	0,0
Liabilities				
Financial liabilities at fair value through profit or loss	0,0	6,2	0,0	6,2
Total liabilities	0,0	6,2	0,0	6,2

4. Operating income

Of the company's total income in 2018, NOK 849.1 million (NOK 814.2 million in 2017) consists of intra-group income.

5. Payroll expenses, number of employees, remuneration, loans to employees etc.

All amounts in NOK million

Payroll expenses relate to the period 1 January to 31 December

	2018	2017
Salaries	1 027,8	990,2
Employer contributions	140,8	146,7
Pension costs	118,2	429,5
Other benefits	42,0	47,2
Total payroll expenses	1 328,8	1 613,6

Average number of FTEs	1 085	1 034
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Remuneration to senior management:

	Managing Dir.	Managing Dir.
Salaries/fees	2,1	2,0
Pension costs	0,5	0,4
Total benefits	2,5	2,4

The managing director is covered by the company's collective pension scheme with the Norwegian Public Service Pension Fund and has an agreement regarding pension coverage beyond 12G. Upon termination, the managing director is entitled to a full salary during the six-month notice period.

Upon termination or changes in the conditions of employment or the role, no obligations exist to give the managing director or the chair of the board any special remuneration. Nor are there any agreements concerning bonuses, profit sharing or share-based remuneration.

No loans have been granted to, nor security pledged for, the managing director, chair of the board or other related parties.

In 2018, NOK 0.7 was paid in remuneration to the board (NOK 0.7 million in 2017), of which NOK 0.3 million was to external parties (NOK 0.4 million in 2017).

6. Changes in value and other (losses)/gains – net

All amounts in NOK million

Specification:	2018	2017
Unrealised changes in value (note 12)	1,5	4,6
Realised changes in value – energy	-1,8	–
Currency gains/(losses) (profit/(loss) on assets and liabilities)	-4,7	-17,6
Total	-5,0	-13,0

7. Operating expenses

All amounts in NOK million

Specification:	2018	2017
Lease and operation of premises	10,7	5,7
Repairs, maintenance of operating materials	70,9	76,3
Contracted services	69,6	67,1
Consultancy services	11,9	26,0
Other operating expenses	160,1	153,4
Intra-group expenses	89,6	105,0
Total	412,9	433,5

Specification of auditor's fees, excl. VAT

	2018	2017
Statutory audit	0,3	0,3
Other attestation services	0,2	0,1
Total auditor's fees	0,5	0,4

Leases:

The company leases office premises from the parent company (Avinor AS). NOK 20.9 million was expensed in 2018.

8. Financial items

All amounts in NOK million

	2018	2017
Finance income		
Interest income on current bank deposits	0,0	0,3
Interest income on intra-group receivables	5,4	7,5
Group contributions and dividends received	0,0	6,0
Other finance income	3,2	18,3
Total finance income	8,6	32,2
Finance expenses		
Interest expenses on intra-group liabilities	0,0	0,5
Other interest expenses	0,0	0,2
Other finance expenses	0,3	0,1
Total finance expenses	0,3	0,9
Net finance income/(expenses)	8,3	31,3

9. Tax

All amounts in NOK million

	2017	2017
Tax expense		
Tax payable	34,1	54,3
Tax surplus/deficit in previous years	0,0	0,0
Change in deferred tax	21,7	-69,3
Change in tax rate, effect of deferred tax assets/liabilities	1,6	2,5
Total tax expense	57,3	-12,5
Reconciliation of effective tax rate		
23% (24%) tax on profit before tax	55,6	-9,4
Effect of tax surplus/deficit in previous years	0,0	0,0
Dividend received	0,0	-1,4
Effect of change in tax rate, deferred tax assets	1,6	2,5
Permanent differences (23%/24%)	0,1	-4,2
Tax expense	57,3	-12,5
Effective tax rate	23,7	31,8

Specification of deferred tax assets and liabilities	01.01.2018	Profit/(loss)	Recognised in equity	31.12.2018	Changed tax rate as at 1 January 2019
Receivables	-0,3	-1,3		-1,6	-1,5
Non-current assets	25,9	1,4		27,3	26,1
Provisions according to good accounting practices	-2,8	-0,7		-3,5	-3,4
Pensions	-402,4	22,8	-40,5	-420,0	-401,8
Profit and loss account	-0,3	-0,2		-0,5	-0,5
Financial instruments	-1,1	-0,3		-1,4	-1,4
Net deferred tax assets(-)/liabilities	-380,9	21,7	-40,5	-399,7	-382,4
Of which carried forwards as deferred tax assets	-380,9			-399,7	-382,4
Of which carried forwards as deferred tax liabilities	0,0				0,0

	01.01.2017	Profit/(loss)	Recognised in equity	31.12.2017	Changed tax rate as at 1 January 2018
Receivables	-0,1	-0,2		-0,3	-0,3
Non-current assets	24,0	3,0		27,0	25,9
Provisions according to good accounting practices	-6,4	3,4		-2,9	-2,8
Pensions	-222,4	-74,1	-123,4	-419,8	-402,4
Profit and loss account	0,0	-0,3		-0,3	-0,3
Financial instruments	0,0	-1,1		-1,2	-1,1
Net deferred tax assets(-)/liabilities	-204,8	-69,3	-123,4	-397,5	-380,9
Of which carried forwards as deferred tax assets	-204,8			-397,5	-380,9
Of which carried forwards as deferred tax liabilities	0,0				0,0

	2018	2017
Deferred tax assets		
Deferred tax assets expected to be realised after more than 12 months	-382,4	-380,9
Deferred tax assets expected to be realised within 12 months	0,0	0,0
Net deferred tax assets(-)/liabilities	-382,4	-380,9
		#REF!

10. Property, plant and equipment

All amounts in NOK million

	Building sites and land	Buildings and other real estate	Transport vehicles and aircraft	Furniture, fittings and equipment	Roads, infrastructure etc.	Plant under construction	Total
As at 1 January 2017							
Original cost	0,2	242,7	41,2	1 035,0	4,5	437,9	1 761,5
Accumulated depreciation and write-downs	0,0	-40,3	-31,9	-646,9	-1,9	0,0	-721,0
Carrying amount as at 1 January	0,2	202,4	9,3	388,1	2,7	437,9	1 040,5
2017 financial year							
Carrying amount as at 1 January	0,2	202,4	9,3	388,1	2,7	437,9	1 040,5
Additions	0,0	5,7	3,2	95,0	1,4	238,9	344,2
Disposals (original cost)	0,0	0,0	-1,4	-10,7	0,0	0,0	-12,1
Disposals (accumulated depreciation)	0,0	0,0	1,3	10,7	0,0	0,0	12,0
Depreciation for the year	0,0	-7,7	-2,5	-71,2	-0,2	0,0	-81,6
Carrying amount as at 31 December	0,2	200,3	9,8	411,9	3,9	676,8	1 302,9
As at 31 December 2017							
Original cost	0,2	248,4	42,9	1 119,2	6,0	676,8	2 093,5
Accumulated depreciation and write-downs	0,0	-48,0	-33,2	-707,3	-2,1	0,0	-790,6
Carrying amount as at 31 December	0,2	200,3	9,8	411,9	3,9	676,8	1 302,9
2018 financial year							
Carrying amount as at 1 January	0,2	200,3	9,8	411,9	3,9	676,8	1 302,9
Additions	4,2	47,8	6,5	97,9	1,3	57,1	214,8
Disposals (original cost)	-3,7	-0,6	-4,0	-6,5	0,0	0,0	-14,8
Disposals (accumulated depreciation)	0,0	0,3	4,0	6,1	0,0	0,0	10,3
Depreciation for the year	0,0	-9,3	-2,6	-80,4	-0,3	0,0	-92,5
Carrying amount as at 31 December	0,6	238,5	13,6	429,1	5,0	733,9	1 420,8
As at 31 December 2018							
Original cost	0,6	295,6	45,4	1 210,7	7,3	733,9	2 293,5
Accumulated depreciation and write-downs	0,0	-57,0	-31,8	-781,6	-2,3	0,0	-872,7
Carrying amount as at 31 December	0,6	238,5	13,6	429,1	5,0	733,9	1 420,8

Estimated useful life		10 to 50 years	15 to 50 years	5 to 15 years	5 to 50 years
Depreciation method	N/A	Straight-line	Straight-line	Straight-line	Straight-line

Plant under construction

As at 31 December 2018, plant under construction amounted to NOK 733.9 million.

Intangible assets

As at 31 December 2018, intangible assets valued at NOK 72.4 million were carried forward. This primarily relates to proprietary software. Amortisation for the year amount Amortised over 5 to 15 years.

The company's three largest ongoing projects are Remote Towers, FAS (future ATM system) and Norwam. These amount to NOK 550 million as plant under construction.

11. Intra-group balances

All amounts in NOK million

Intra-group balances

	Avinor AS	Svalbard Lufthavn AS	Total
Company AS as at 31 December 2018			
Intra-group accounts receivable	204,4	1,6	206,0
Receivables	28,5	0,0	28,6
Total receivables	232,9	1,7	234,6
Intra-group accounts payable	13,7	-0,5	13,2
Other current liabilities	190,6	1,6	192,2
Total liabilities	204,3	1,1	205,4

12. Derivatives

All amounts in NOK million

Liabilities	2018	2017	Change
Forward currency contracts	6,2	4,9	1,3
Total	6,2	4,9	1,3

Net change -1,3

Specification of net change:

Changes in value and other (losses)/gains – net 6,2 4,9 1,3

13. Receivables

All amounts in NOK million

Accounts receivable	2018	2017
Accounts receivable	220,9	197,1
Book value of accounts receivable	220,9	197,1
Accounts receivable written off during the year	0,0	0,0
Current receivables	2018	2017
Accounts receivable	141,1	113,2
Intra-group receivables	676,8	527,6
Accrued uninvoiced income	79,9	83,9
Prepaid operating expenses	2,1	9,4
Other current receivables	4,4	5,0
Total current receivables	904,2	739,0

14. Bank deposits, cash and cash equivalents

All amounts in NOK million

The cash holding at the end of the period is stated in the statement of cash flows. The company participates in the group accounts system established in the Avinor group. Avinor AS is the account holder of the group account. The companies which participate in the group accounts scheme are jointly and severally liable for the withdrawals made by the Avinor group. As at 31 December 2018 the company has NOK 442.2 million in the group accounts scheme. The balance is presented under "Receivables" in the balance sheet. As at 31 December 2017 the group had a total of NOK 498.6 million related to the group accounts scheme.

15. Number of shares, shareholders etc.

All amounts in NOK million

	Number of shares	Nominal value	Share capital
Ordinary shares	36 500	0,010	365,0
Total	36 500	0,010	365,0

All shares are owned by Avinor AS. Avinor AS's offices are located in Oslo.

16. Equity

All amounts in NOK million

	Share capital	Other paid-in equity	equity not recognised in the income	Other equity	Total
Carrying amount as at 1 January 2017	365,0	2,2	-30,9	366,2	702,4
Profit/(loss) for the year				-26,6	-26,6
Change in deviation in estimates for pensions – net after tax			-390,6		-390,6
Change in tax rate – change in deferred tax assets charged to OCI			-5,5		-5,5
Change of transition effects related to IFRS – changed tax rate				-8,6	-8,6
Carrying amount as at 31 December 2017	365,0	2,2	-427,1	331,0	271,1
Carrying amount as at 1 January 2018	365,0	2,2	-427,1	331,0	271,1
Profit/(loss) for the year				184,4	184,4
Change in deviation in estimates for pensions – net after tax			-135,5		-135,5
Change in tax rate – change in deferred tax assets charged to OCI			-7,3		-7,3
Change of transition effects related to IFRS – changed tax rate				-8,6	-8,6
Carrying amount as at 31 December 2018	365,0	2,2	-569,8	506,8	304,2

Dividend

The Avinor group has dividend requirements from its owner, the Norwegian state, of 50% of profits after tax. Based on Avinor Flysikring AS's capitalisation as at 31 December 2018, Avinor AS does not require dividends for 2018.

17. Pensions

All amounts in NOK million

Defined-benefit pensions

The company is required to have an occupational pension scheme pursuant to the Norwegian act relating to mandatory occupational pensions. The company's pension scheme these requirements. The pension scheme encompasses pension benefits in accordance with the Norwegian act relating to the Norwegian Public Service Pension Fund (Pe and dependent pension. In addition, any calculations for benefits from the age of 62 pursuant to the contractual pension (AFP) for the public sector apply.

The pension benefits are co-ordinated with the Norwegian National Insurance Scheme and any previous entitlements accrued within the public sector. The pensions have a guaranteed level of gross payment independent of the Norwegian National Insurance Scheme. Around 63% of the employees have a pension scheme that comes in or 65.

A new act on occupational pension schemes for the public sector is scheduled to take effect from 2020. The act is expected to be adopted in 2019. New regulations for co-ordination between the public sector occupation pension and rules of the Norwegian National Insurance Scheme have been adopted but not implemented in anticipation of the Act on the Public Sector Occupation Pension. The company's public service occupational pension scheme is to close with effect from 1 January 2019. A defined-contribution scheme pursuant to the Defined-Contribution Pensions Act was introduced on the same date. It is agreed that all employees under the age of 53 as at 31 December 2018 transitioned to the defined-contribution scheme. Employees over the age of 53 may choose to remain in the public sector pension scheme or transition to the defined-contribution pension scheme.

In connection with the closure of the company's public sector pension scheme and the transition of all employees under the age of 53 on 31 December 2018, a new scheme has been established related to the special retirement pension. The change is reflected in a plan change in the accounts for 2018 and has resulted in a positive effect of NOK 129 million (including employer contributions). The accounting effects of other changes described above are not taken into account in the accounts as at 31 December 2018 due to the uncertainty surrounding the scope of the transition to the new pension scheme and the accounting implications of the changes.

From 1 January 2019, the company will be affiliated with the private AFP scheme, which is a collective pension scheme for the collective-agreement-regulated sector in Norway. The AFP scheme is based on three-party co-operation between employers' organisations, employee organisations and the state. The state covers a third of the AFP pension contributions, while the affiliated companies cover two-thirds.

In accounting terms, the scheme is regarded as a benefit-based multi-company scheme. It is not currently possible to calculate the company's share of the scheme liabilities with a sufficient degree of reliability. Consequently, the scheme is recognised as a defined-contribution scheme and the premium contributions are expensed on a rolling basis.

The scheme has a substantial deficit. In addition, companies which participate in the AFP scheme are jointly and severally liable for two-thirds of future pension payments. Consequently, premiums are expected to increase going forwards. The premium for 2019 will be 2.5% of a salary basis detailed in the statutes of the scheme.

Effective from 1 January 2018, new rules were implemented which result in the transfer from the state to the individual business of the payment obligation for the adjustment

The increase in pension liabilities as at 1 January 2017 as a result of the change of NOK 232 million was expensed in the accounts

for 2019. Negative estimate deviations in 2018 (NOK 175.9 million including age) are due to a change in demographic and economic assumptions.

The risk table K2013 is used for mortality probability and life expectancy, while the risk table for disability probability is based on risk table K1963*200.

Age	Life expectancy		Mortality probability		Disability probability	
	Male	Female	Male	Female	Male	Female
20	81	85	0,0237 %	0,0094 %	0,1148 %	0,1724 %
40	82	86	0,0501 %	0,0293 %	0,2638 %	0,5236 %
60	84	87	0,3510 %	0,2383 %	1,4064 %	2,4044 %
80	89	91	3,8661 %	2,5469 %	N/A	N/A

The pension cost for the year is calculated as follows:

	Avinor Flysikring AS	
	2018	2017
Costs of pension accrual for the current period	181,9	364,4
Plan changes	-112,9	0,0
Interest cost	91,3	82,2
Return on pension assets	-57,0	-57,6
Employees' 2% contribution	-18,6	-17,9
Administrative expenses	2,7	3,1
Employer contributions	30,8	55,3
Pension cost for the year (note 5)	118,2	429,5

Pension liabilities and pension assets:

Avinor Flysikring AS	2018			2017		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Change in gross pension liabilities:						
Pension liabilities as at 1 January	3 834,5	0,6	3 835,1	2 981,2	0,4	2 981,6
Costs of pension accrual for the current period	184,3	0,2	184,5	367,3	0,2	367,5
Plan changes	-370,4	257,4	-112,9	0,0	0,0	0,0
Interest cost	91,3	0,0	91,3	82,2	0,0	82,2
Actuarial gains and losses – financial assumption	168,5	0,0	168,5	435,0	0,0	435,0
Pension payments	-41,8	0,0	-41,8	-31,2	0,0	-31,2
Gross pension liabilities as at 31 December	3 866,5	258,3	4 124,7	3 834,5	0,6	3 835,1

Avinor Flysikring AS
Noter til regnskapet

Change in gross pension assets:

Fair value of pension assets as at 1 December	2 299,3		2 299,3	2 169,5		2 169,5
Return on pension assets	57,0		57,0	57,6		57,6
Premium contributions	195,5		195,5	118,6		118,6
Actuarial gains and losses	14,3		14,3	-15,2		-15,2
Pensions paid	-41,8		-41,8	-31,2		-31,2
Fair value of pension assets as at 31 December	2 524,3	0,0	2 524,3	2 299,3	0,0	2 356,9

Net pension liabilities	1 342,2	258,3	1 600,4	1 535,2	0,6	1 535,8
Employer contributions of net pension liabilities	189,2	36,3	225,5	213,5	0,0	213,5
Net pension liabilities carried forwards as at 31	1 531,4	294,6	1 826,0	1 748,8	0,6	1 749,4

Actual return on pension assets for previous year	51,6		51,6	36,7		36,7
Expected premium contributions next year	3,3		3,3	56,6		56,6
Expected pension payments next year	-42,5		-42,5	-31,7		-31,7

The pension cost and net pension liabilities are estimated on the basis of a number of assumptions. The discount rate is determined based on the market for bonds with preferential rights.

The weighted average duration of the pension liabilities is 29 years. Wage growth and pension adjustments are based on historical observations for the company.

	2018	2017
Discount rate	2,60 %	2,40 %
Wage growth in percent	2,75 %	2,50 %
Pension adjustments in percent	1,75 %	1,50 %
AFP withdrawals	15,00 %	15,00 %
Average turnover rate (under 50 years of age)	3,00 %	3,00 %
Average turnover rate (over 50 years of age)	0,20 %	0,20 %

Pension assets

The establishment of premiums and calculation of provisions for pension benefits for the pension scheme in the Norwegian Public Service Pension Fund are made on the basis of assumptions. The pension scheme is not directly fund-based. The payment of pensions is guaranteed by the Norwegian State (§1 of the Norwegian Pensions Act). The assigned pension assets ("fictitious funds") are simulated as if these funds were invested in long-term government bonds.

Five percent of Avinor Flysikring AS's pension assets as at 31 December 2018 are invested simulated in the Norwegian State Pension Fund.

The pension scheme is not portable in the same way as private pension schemes. This calculation assumes that the pension scheme will remain in the Norwegian Public Service Pension Fund. The simulation assumes that the bond will be held until maturity.

Consequently, the pension assets are valued at their nominal value plus

Sensitivities to the pension liabilities:

Sensitivities to the pension liabilities for changes in the weighted economic assumptions are:

Discount rate: A change of 1% would result in a change in the obligation in the order of NOK -841/+1,160 million.

Wage growth: A change of 1% would result in a change in the obligation in the order of NOK +262/-534 million.

Base amount and pension adjustment: A change of 1% in the expected base amount and pension adjustment would result in a change in the liabilities in the order of NOK +419/-653 million.

18. Other provisions for liabilities

All amounts in NOK million

Balance as at 31 December 2017		Total
Allocated		12,3
Reversed		15,6
Used		0,0
Used		-12,5
Balance as at 31 December 2018		15,4
Current liabilities recognised as other current liabilities		10,8
Non-current portion of provisions for liabilities		4,5

19. Other current liabilities

All amounts in NOK million

	2018	2017
Holiday allowance	124,4	121,1
Advances from customers	22,8	0,0
Payroll and social security contributions	33,3	36,8
Accrual of operating and investment expenses	46,9	54,2
Intra-group liabilities	205,4	26,2
Other current liabilities	0,0	0,0

20. Investments in subsidiaries

The company established three subsidiaries in 2018:

FS Air Navigation Services AS, Norwegian limited liability company, 100% owned by Avinor Flysikring AS

Avia Polaris AB, Swedish limited liability company, 100% owned by Avinor Flysikring AS

CASA Air Navigation Services Limited, British limited liability company, 100% owned by Avinor Flysikring AS

There was no activity in any of these companies in the 2018 financial year.

21. Related parties

For reasons of conflict of interest, the chair of the board has stood down while matters relating to services subject to competition are dealt with.