

AVINOR ANNUAL REPORT 2007

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2007

Highlights in 2007

- There were no aviation accidents in Norwegian aviation in 2007 in which Avinor was a contributory party.
- Work on aviation safety and HSE has continued in 2007. A large number of internal and external audits, inspections and risk analyses have been carried out, the findings of which form the basis for further efforts. Measures to further strengthen the culture of safety have been continued.
- Avinor was certified as a supplier of air safety services on 1 June 2007.
- SCAT-1 was approved by the Civil Aviation Authority and brought into use at
- Brønnøysund airport, which became the world's first airport to have a satellite-based landing system with a local ground station.
- Through the project Aviation – Sustainability and Social Benefits the aviation industry has concluded that it is possible to achieve zero growth in greenhouse gas emissions from aviation by 2020, even with substantial growth in traffic.
- Air traffic increased by 6.8 percent to 38.7 million passengers. The strong increase in traffic entails that more airports and air navigation services are operating at full capacity in peak traffic periods.
- Stable operations have also been a priority in 2007. There was a net increase of 21 in the number of air traffic controllers. An increase in the number of air traffic controllers is also expected in 2008.
- Regularity at Avinor's airports reached 98.4 percent in 2007, the best result since registration started in 2001.
- The annual working environment survey showed a significant improvement in comparable areas from the previous year's survey.
- Operating revenues increased by 11.1 percent in 2007 to NOK 6,689 million, while the post-tax profit increased by NOK 212 million to NOK 645 million.
- The Group had a negative cash flow of NOK 828 million in 2007, primarily due to substantial investment requirements. Investments in fixed assets totalled NOK 2,185 million, compared to NOK 1545 million in 2006.

About Avinor

Avinor operates airports and air navigation services in Norway. The Group's primary objective is to facilitate safe and efficient air travel, and to participate in other activities that support the Group's primary objective, including the commercial development of the enterprise. Total operating revenues were in the order of NOK 6.7 billion, and Group has approx. 2800 fulltime equivalents. The shares in Avinor are wholly-owned by the Norwegian state as represented by the Ministry of Transport and Communications. The Group's head office is in Oslo.

Air Safety and HSE

REGULATORY REQUIREMENTS AND OBJECTIVES

The regulatory requirements in the area of air safety ensue from Norway's international obligations through the EEA and ICAO (the UN's International Civil Aviation Organisation). Based on these, the Norwegian Civil Aviation Authority introduces provisions that Avinor abides by. In 2007 considerable work was laid down in connection with certifying Avinor's air safety services in accordance with Norwegian provisions implemented from EU regulations. Avinor was certified as a supplier of air safety services on 1 June 2007.

The primary aim in terms of air safety is for Avinor to develop a highly qualified and effective level of safety in all of its activities in order to avoid accidents and serious incidents. In 2007 the Group has particularly focused on the strengthening of the culture of safety, improving runway safety and implementing more secure methods of runway reporting. Several projects and initiatives were started in these areas.

The divisions work systematically on air safety. The task of resolving notifications, including reported non-conformities from internal and external audits and inspections, has been a priority area in 2007 as well. The follow-up of notifications is based increasingly on these being risk-classified as a basis for their further processing in the divisions.

ACTIVITIES IN 2007

In 2007, some 30 internal audits and inspections were conducted group-wide in the areas air safety, security and HSE. In addition to this, several external authorities have carried out inspections, including the EFTA Surveillance Authority, which used several airports as inspection sites for monitoring Norwegian implementation

of EU Directives on security. None of the inspections resulted in an "Article 15 decision", which means that all the airports satisfied the minimum requirements the EFTA Surveillance Authority prescribes for the level of security monitoring. The Civil Aviation Authority – Norway inspected 16 airports.

The most important discoveries from Avinor's internal audits have been related to the need for improvement in the traffic areas, tower-to-ground communications, familiarity with how the management system functions, and how the reporting system can be used for follow-up. Improvement measures have been implemented for all findings. The most significant audit findings by the Civil Aviation Authority – Norway relate to security checks, the design of airports, and familiarity with regulations and management systems.

ACCIDENTS AND SERIOUS AVIATION INCIDENTS

There were no aviation accidents in Norwegian aviation in 2007 in which Avinor was a contributory party. In Avinor one serious aviation incident was recorded in which Avinor was a contributory party. The Accident Investigation Board's (AIBN) investigations have a broader scope than those undertaken by Avinor, and they may therefore reach different conclusions. The corresponding figures for 2006 were one aviation accident and eight serious aviation incidents.

Avinor's aim is for there to be no aviation accidents in which Avinor is a contributory party, and that the number of serious aviation incidents in which it is a contributory party should be reduced.

PROJECTS

In the period since 2002, changes in procedures, traffic flows, traffic levels and the composition of air transport movements have caused a change in traffic intensity in sectors within Oslo Control Centre's area of responsibility (Oslo AoR). Experience indicates that there is a need for aids to optimise the sequencing of inbound traffic (arrival management system), and this has brought about a need to assess the airspace organisation in Oslo AoR. The Oslo Advanced Sectorisation and Automation Project (Oslo ASAP) was established in May 2006, and has carried out Fast Time Simulation of a new airspace concept in 2007. The simulations are a theoretical calculation of workloads and capacities under various scenarios. Based on these calculations, a decision has been reached about a concept that will be simulated at the Eurocontrol Experimental Centre in Bretigny in 2008.

The implementation of Oslo ASAP will introduce a new way of operating arrival management, called the Point Merge System. The system has been developed by the Eurocontrol Experimental Centre,

and has not yet been implemented elsewhere. It provides a higher capacity and better predictability for pilots. The descent will become more continuous than at present, which will provide an environmental benefit. The new airspace concept will also allow for a continuous ascent, which also provides substantial environmental benefits. The implementation date for Oslo ASAP is the first quarter of 2011.

The equipment used by the air traffic control service at the control centre in Bodø, and at several arrival and tower units, was developed in the early 1970s. The technology is old and does not satisfy domestic or international functionality requirements. The NATCON-N project, which is the implementation of a new technological solution, carried out a Factory Acceptance Test of the equipment in the units in 2007. Planning of training activities was completed in 2007, and training started in January 2008. The Site Acceptance test and accompanying stability testing are going to be carried out during the first six months of 2008. Operation of the system is scheduled to start at the beginning of 2009.

Avinor is participating in the work on achieving the targets of improving helicopter safety that have been recommended in Official Norwegian Reports NOU 2001:21 and NOU 2002:17. A separate plan of action has been prepared that covers the measures where Avinor has, or will naturally take, direct responsibility for follow-up. One of the focus areas is the introduction of controlled airspace above the North Sea and Haltenbanken. The extension of controlled airspace to also apply to offshore helicopter traffic is dependent on extended radar coverage, where the installation of radar sensors on offshore facilities is included. On Haltenbanken a secondary installation is expected to be shipped out and installed on the Heidrun platform during 2008. Test operations are planned towards the end of 2008. Bodø ATCC will commence activities for the introduction of controlled airspace above the Haltenbanken following completion of the NATCON-N project. Progress is more uncertain regarding the Ekofisk area because agreement has not been reached with the platform operator concerning deployment of radar facilities.

Due to an increase in traffic, Hammerfest TMA (Terminal Control Area) has been established. Hammerfest TMA covers the airspace over the Hasvik and Hammerfest aerodromes and is controlled by Alta tower/approach (TWR/APP). With effect from December 2007, the Civil Aviation Authority has granted Avinor three months of test operations for Hammerfest TMA.

Report no. 38 to the Storting (1996–97) "Norwegian Aviation Plan 1998–2007" and the National Transport Plan (NTP) lay down the framework for an investment profile for upgrading regional airports.

Amongst other things, there is focus on increased landing safety through the introduction of gliding paths. An analysis of air safety during the approach to regional airports that Avinor carried out in 2000, confirms that the establishment of gliding paths is the single measure that provides the best improvement in terms of safety. In light of this, Avinor in cooperation with Widerøe and the industry has carried out a project in order to establish approach systems at regional airports based on satellite technology, Special Category 1 (SCAT-1). SCAT-1 is a precision approach system for CAT-1, based on the GNSS satellite system. The system consists of a minimum of 24 satellites and provides a positioning accuracy of approx. 10 centimetres with the aid of a local ground station. The system was approved by aviation authorities in the USA, EU and Norway during 2005–2007 and was officially brought into use in October 2007 at Brønnøysund airport, which became the world's first airport with a satellite-based landing system with a local ground station. The ground station has been operative since April 2007 and was tested throughout the whole of 2006 without any operational interruptions. Since being brought into use in October, Widerøe has carried out SCAT-1 approaches to Brønnøysund, and pilots are very satisfied with the new system. Over the next few years, Avinor will roll out the system on most of Norway's short runway airports.

In March 2007, the Civil Aviation Authority clarified that Norwegian requirements concerning the design of safety areas for runways shorter than 1,200 metres shall comply with international recommendations. The requirements entail substantial investments in local airports in the years ahead.

Due to the local topography, some local airports will have difficulties in fully complying with requirements. Examples are mountains that obstruct the obstacle plan and make it difficult to obtain the full length of lighting. The regulations allow for the use of risk analysis and compensatory measures in cases where basic requirements cannot be met without implementing unreasonable measures. Avinor has carried out obstacle risk analyses that describe the risk conditions for aircraft operations caused by the airports' obstacle situation, and that describe the effects of certain possible risk-reducing measures. These analyses have been used as a basis for seeking acceptance for compensatory measures for the relevant airports. Avinor wishes to prioritise airports with the greatest potential safety gains when carrying out construction projects. In 2007 Avinor prepared a risk model which will be used for this purpose.

SECURITY

The tightened security regulations that were introduced in 2006 have led to greater focus on the security control service. In March

2007 Avinor received a letter from the airlines describing the possible evolvement of a negative culture amongst security personnel. The Civil Aviation Authority established a Security Committee, headed by Avinor, which was to assist the Civil Aviation Authority in efforts to ensure that security checks were carried out in an efficient and professional manner. The committee submitted its report to the Civil Aviation Authority on 15 June 2007. The report identified 11 measures for improving the security control service. Avinor has already implemented several measures as a result of this report. Measures that have been initiated include the improvement of space and logistics in security checkpoints, the upgrading of technical equipment, the extension of Critical Security Restricted Areas (CSRA) and the improvement of reporting systems.

HEALTH SAFETY AND THE ENVIRONMENT

Health, safety and the environment (HSE) is an integrated component of Avinor's management system, and is placed on the same strategic level as air safety. Avinor has approved a comprehensive system consisting of a set of basic HSE procedures to promote HSE interests in Avinor.

HSE is generally well attended to at Avinor. However, one challenge we have identified is ensuring adequate focus on the area considering the significant growth in air traffic and the operational challenges this entails. The divisions work systematically with HSE, and HSE is an integrated part of auditing.

Following the employee survey in 2006, the strengthening of HSE was chosen as one of three areas requiring particular attention in 2007. The results of the 2007 employee survey show that HSE work in the Group has been significantly strengthened compared to the 2006 survey.

Avinor has approved new HSE procedures for construction work. A survey of the use of chemical substances in the Group was concluded in April 2007. A separate management group for the use of chemical substances in Avinor was established as an extension of this work. A manual for colleague support was prepared, and associated procedures and guidelines have been approved. Avinor has also introduced mandatory HSE e-learning for all employees.

During 2007, 53 work-related accidents were reported in the Group, compared with 55 in the previous year. Based on available data, Avinor's H-value in 2007 is estimated to be 3.0. The total number of injuries involved in these accidents was 53, of which 19 injuries resulted in sick-leave, compared to 24 injuries entailing sick-leave in 2006.

Society and the environment

GENERAL REMARKS

Avinor's primary aim is to operate safe, environmentally friendly and efficient aviation in Norway. The operations shall take place within a justifiable financial framework.

Airport coverage is very good in Norway, and aviation help unite the country. It has been shown that two out of three residents have access to an airport within a journey time of one hour. Coverage is particularly good in western and northern Norway. The significance of this can also be illustrated by the fact that 99.5 percent of the population are able to travel to Oslo and get back home again on the same day.

Examples of the significance of the sector:

- Aviation provides 60,000–65,000 jobs. The significance of this is particularly high in the regions. Overall, aviation has an impact equivalent to 4 percent of the country's GDP.
- 13 percent of all domestic trips are related to the oil and gas sector. There are also 550,000 annual helicopter trips to offshore installations.
- 30 percent of all tourists arrive by air, and this form of transportation is showing the highest increase. Spending by air tourists in Norway amounts to around NOK 13 billion.
- On an annual basis, 400,000 patients are transported on scheduled flights. The importance to the health sector is particularly high in northern Norway.
- Aviation makes it possible to hold nationwide cultural and sporting events.
- The industry offers assistance to passengers such as the elderly and sick, and unaccompanied minors. This constitutes an important social service that makes up more than 250,000 annual trips.
- Air freight is essential for trade and industry, the health sector, etc.

THE EXTERNAL ENVIRONMENT

The operation of airports affects the local and global environment. Protection of the external environment is integrated into Avinor's management system and follows the principles set out in ISO 14001. This involves systematic and continual improvement activities in all phases from planning, execution, and monitoring to corrective actions.

Emissions linked to aircraft and runway de-icing and fire drill activities are licensable under the Pollution Control Act and the Group's aim is to have emissions permits for all airports. Applications to the County Governors' environmental protection departments were submitted in 2003, and processing is still pending for 12 airports.

Use of aircraft de-icing and runway de-icing chemicals varies according to traffic volume and weather conditions. In the winter season of 2006–2007 use at Oslo Airport Gardermoen was somewhat lower than the previous year, while Avinor's other airports reported figures corresponding to the previous season. Avinor used slightly more chemicals for fire drills, while Oslo Airport Gardermoen had a significant reduction. In 2007 PFOS trace of compounds were found in the treatment plant at Oslo Airport Gardermoen, but samples showed that the source is not the extinguishers the Avinor group has used in recent years.

At Oslo Airport Gardermoen 123 possible breaches of the noise regulations were recorded in 2007. New regulations concerning approaches and takeoffs are currently being processed by the Ministry of Transport and Communications. Avinor recorded a total of 194 aircraft noise enquiries in 2007, mainly submitted to the largest airports. In conformity with the EU directive on noise-related operating restrictions (2002/30/EC), Avinor operates systematic noise mapping activities. In 2007 15 updated noise zone maps were published.

Avinor's energy consumption in electricity-specific installations amounted to 107.35 GWh in 2007, an increase of almost 5 percent compared with 2006. Energy consumption varies with temperature, level of activity and the size of the building. A comprehensive energy project has been initiated that in the years ahead shall identify and implement measures to reduce consumption of electricity and provide a transition towards carbon-neutral heating sources.

The total quantity of waste for Avinor and the entire Oslo Airport Gardermoen was approx. 10,000 tonnes in 2007. The separation rate at Oslo Airport Gardermoen was 53 percent, while for other airports it was approx. 36 percent. Avinor, excluding Oslo Airport Gardermoen, will enter into a joint framework agreement for waste disposal in 2008 and will impose more stringent requirements regarding the facilitation of sorting at the source.

At four of the Group's 46 airports Avinor is somewhat delayed with respect to the ban on light fixtures containing PCB that came into force on 1 January 2008. Remaining fixtures will be phased out during 2008. During 2008 Avinor will prepare a schedule for phasing out all products that contain PCBs.

Local air quality at the airports is affected by aircraft traffic, road traffic, buildings and other activities. At Oslo Airport Gardermoen no values above the limits for suspended dust and nitrogen oxides (NOx) were recorded in 2007, but monitoring equipment was inope-

rate for parts of the year (data coverage 32 percent for NOx and 91 percent for suspended dust). During 2008 Oslo Airport Gardermoen will acquire air quality software. This software may also be adapted for the Group's other airports.

Oslo Airport Gardermoen has Europe's highest rate of public transport to the airport, with a share of approx. 60 percent.

Avinor is in the final phase of preparing a management plan for property of cultural-historical value. All the buildings have been reviewed and documented, and six airports are expected to be included in the final plan. It has also been decided to carry out extra documentation projects at 11 airports.

In 2007, Oslo Airport Gardermoen surveyed its greenhouse gas emissions in accordance with the "Greenhouse Gas Protocol" and has had its climate accounts verified by Det Norske Veritas. The airport has invested in two Clean Development Mechanism projects in order to compensate for emissions in 2006 and 2007.

As a continuation of the work on the external environment related to the National Transport Plan 2010–2019, Avinor is going to start a project for surveying biological diversity around the airports in 2008. The project is expected to last for several years, and will form the basis for a comprehensive management plan for biological diversity at and around the airports.

The board would like to point out that Avinor and Oslo Airport publish separate environmental reports. These are available at www.avinor.no and www.osl.no respectively, and contain more comprehensive statistics and information on the environmental work in the Group.

AVIATION – SUSTAINABILITY AND SOCIAL BENEFIT

The Aviation – Sustainability and Social Benefit project was initiated by the aviation industry in Norway in early 2007. The objective was to identify and implement environmental measures – both through technical and operative measures related to aircraft and within airport operations and ground transport – which improve the aviation industry's environmental performance. It has been concluded that it is possible to achieve zero growth in greenhouse gas emissions from aviation by 2020, even with substantial growth in traffic. The industry is going farther than the goal for the transport sector laid down in the Government's Climate Report. The report from the project shows:

- **Continued growth in air traffic**
Annual growth of 2.8 percent is expected at Norwegian airports in

the period up to 2020. Somewhat lower for domestic traffic and somewhat higher for international traffic.

- **More than 50 specific climate measures suggested**
Technical and operational aviation-related measures will provide the largest contributions towards reducing emissions. Modernization of the aircraft fleet will have a particularly large emission-reducing effect. Changes in airspace organisation over southern Norway will also make a significant contribution.
- **"Carbon neutral" airports**
Greenhouse gas emissions from airport operations will be approximately 10–20 percent lower in 2020 than today, even with considerable growth in traffic. Important measures include the changes in heating production, a transition to more energy-efficient vehicles and the use of carbon-neutral fuel. As of the 2008 accounting year, Avinor will compensate for its greenhouse gas emissions by purchasing UN-approved emission credits.
- **Strengthened share of public transport to and from the airport**
A number of measures will be implemented in order to encourage the use of public transport to and from the largest airports. The aim is 5–10 percent lower greenhouse gas emissions from shuttle services in 2020 than in 2007.
- **Few alternatives to aircraft**
For 94 percent of transport by aircraft in 2020, there will be no alternative transport options.

In addition to documenting specific measures, the project aims to provide an objective and correct presentation of aviation's contribution to greenhouse gas emissions. Official statistics show that greenhouse gas emissions from civil domestic aviation in Norway in 2005 accounted for 1.7 percent of the total CO2 emissions in Norway. If all aviation fuel sold in Norway in 2005 (bunkers) is taken into consideration, aviation's share of the national greenhouse gas emissions is 3.5 percent. This includes all domestic flights and all services to initial international destinations, including those operated by foreign airlines.

The report from the project, including comprehensive documentation from the Institute of Transport Economics (TØI), Cicero and Asplan Viak, is available at Avinor's website (www.avinor.no).

Customers and partners

TRAFFIC STATISTICS

Air traffic increased by 6.8 percent in 2007 measured by number

of passengers, and by 4.1 percent measured by number of aircraft movements at the airports. The total number of passengers that passed through Avinor's airports rose from 36.2 million in 2006 to 38.7 million in 2007. At Oslo Airport Gardermoen, the number of passengers rose by 7.8 percent to 19 million in 2007, and the number of aircraft movements rose by 5.9 percent.

Cargo traffic measured by weight carried increased by 2 percent in 2007. Offshore traffic went up by 9 percent (passengers) and 4.7 percent (aircraft movements). The number of flyovers in Norwegian airspace rose by 10.5 percent in the year, comprising an increasing share of all IFR aircraft movements in Norwegian airspace (7.5 percent in 2007).

There are three main players in the domestic market in Norway. SAS was largest with approx. 62 percent, Norwegian had approx. 24 percent and Widerøe had 13 percent in 2007. Norwegian has significantly increased its market share since 2003. Approx. every fifth passenger travelled with Norwegian on the four main routes in 2003. In 2007 the market share is between 36 percent (Oslo–Tromsø) and 44 percent (Oslo–Bergen).

In the international market SAS' share has decreased from 51 percent in 2003 to 34 percent in 2007. Norwegian has increased its share to 21 percent (including Fly Nordic), and KLM has increased its share to 9 percent. In the period since 2003 Norwegian has been responsible for more than every second new international passenger, while SAS, KLM and Ryanair are each responsible for approx. every tenth new passenger.

Avinor carries out regular air travel surveys. These demonstrate that ticket prices for customers in general have become cheaper and cheaper. For the domestic market, prices in 2007 were approx. 10 percent lower than in 2003. It is primarily in relation to business trips and in areas where there is competition that customers have benefited from lower prices. The Haugesund-based airline Coast Air wound up operations in January 2008. The company has been a significant player in Norwegian aviation. Coast Air was established in 1975, and was Norway's fourth largest airline.

Traffic growth has been stronger than expected, and more airports and air navigation services are operating at full capacity in high traffic periods. In combination with tightened regulatory requirements, e.g. related to security checks, this has posed considerable challenges to operations at times.

At Oslo Airport Gardermoen planning work commenced in 2006 for a new passenger terminal that is expected to be completed in 2012. A new car park for passengers was also opened, providing approx. 2,600 new parking spaces.

PUNCTUALITY AND REGULARITY

One important aspect of Avinor's operational responsibility is to ensure punctuality and regularity. Avinor aims for punctuality of at least 88 percent and regularity of at least 98 percent. However, it is important to note that achieving this objective depends on concerted efforts between the airport, the airlines, the handling companies, etc.

It is estimated that Avinor's share of the delays amounts to approx. 24 percent (airport operations and air safety services), while other actors account for approx. 67 percent. Weather conditions account for the remaining 9 percent.

Recorded punctuality in 2007 was 82.2 percent, compared with 81.6 percent in 2006. The figure is an improvement on the previous year, but is the worst result behind 2006, and still 6 percentage points below the punctuality target. Recorded regularity was 98.4 percent, which is the best result since recording started in 2001. Norwegian regularity and punctuality are amongst the best in Europe, but have displayed a downward trend in recent years. These developments are related to considerably higher capacity utilisation by the airlines, which make the entire system more vulnerable to operational disruptions. Oslo Airport Gardermoen was fourth in punctuality amongst the largest airports in Europe.

ACCESSIBILITY FOR PERSONS WITH REDUCED MOBILITY

Accessibility work in aviation is organised through the "Forum for accessibility to air travel". It consists of representatives for all affected parties such as airlines, service and support companies, the Ministry of Transport and Communications, the airports and user organisations. The Forum has prepared a quality plan for the entire air journey. The quality plan contains a situation analysis, and describes the desired standard. In the opinion of Avinor, accessibility is satisfactory at most airports. However, challenges remain at several airports related to various elements in the travel chain, from arrival at the airport to boarding the aircraft.

Work in 2007 has largely focused on the transfer of the assistance service from the airlines to Avinor.

CUSTOMER/SERVICE SURVEY

Towards the end of 2007, Avinor carried out a customer/service survey. The purpose was to gauge the passengers', pilots' and other

partners' satisfaction with Avinor's facilities and services. Below are some of the main findings of the survey:

- Passengers are relatively satisfied with the airports, and the score is at approximately the same level as in corresponding surveys in 2003 and 2005.
- Avinor and airlines/handling companies face considerable challenges in terms of cooperation and the provision of services.
- A separate management study towards partners yielded similar results.
- Pilots are generally satisfied with the services they receive, both from the airport and air traffic control services. However, there are significant variations between airports.

In following up this work, emphasis will be placed on efforts targeting customers and partners in order to clarify expectations towards Avinor, the organisation of forums for cooperation at the airports and the establishment of a set of improvement measures that can be followed up locally and centrally.

Staffing and organisation

FULLTIME EQUIVALENTS

In 2007, the average number of permanent and part-time employees in the Group was approx. 3,400. Of these, approx. 2,850 were permanent employees who worked approx. 2,620 fulltime equivalents. When temporary employees are included, approx. 2,800 fulltime equivalents were worked in 2007. There are fairly large fluctuations in staffing figures throughout the year, based on seasonal requirements, sick-leave, holidays and training activities. There has been a net increase of 47 permanent employees in 2007.

TURNOVER

Turnover amongst permanent employees in the Group is approx 6.4 percent (as the number of people who terminated their employment divided by the average number of permanent employees, regardless cause of termination).

SHARE OF WOMEN AND AVERAGE AGE

The share of women in the Group increased slightly from 2006, and was at approx. 24 percent in 2007. There were two women and nine men in group management at year-end. The shareholder-elected board members consist of three men and three women. With effect from 1 April 2007, the employee representation in the Group was brought into line with the Limited Liability Company Act's requi-

rements regarding gender representation on the board, and now consists of two men and one woman. The average age in the group in 2007 was 44 (women 42 and men 45). There are considerable variations in the average age between the different professions.

COMPENSATED OVERTIME

A total of approx. 353,800 hours of overtime were compensated in the Group in 2007, which corresponds to approx. 190 fulltime equivalents. Compared with 2006, this is an increase of 14 fulltime equivalents. The target for 2008 is to reduce the use of overtime through better management and follow-up. Improving the quality of overtime reporting is also a focus area, particularly in relation to compliance with the Working Environment Act.

ABSENCE DUE TO ILLNESS

Absence due to illness was 5.4 percent for the entire Group in 2007, an increase from 5.0 percent in 2006. It is particularly long-term absence that is on the rise, and this is of concern. The inclusive working life target of 4.5 percent still applies, but was not achieved in 2007. The focus on absence due to illness was strengthened in 2007, and this will continue in 2008 as well. Several measures will be implemented with regard to prevention, training of managers, better facilitation etc., in order to prevent absence due to work-related illness and to get people on sick leave back to work.

SKILLS DEVELOPMENT

Several large projects related to developing skills in the Group have been implemented in 2007. Operations have had particular focus on KKVD (competency requirements winter operations) and OPVD (training winter operations), as well as team/manager training in the airport divisions. More training activities are planned for 2008, including a new management development programme for managers at various levels, from senior management to middle management. The Group will also acquire a new competency system, which will improve support for the follow-up of individual employees in addition to improving reporting both internally and externally.

ESS – EMPLOYEE SATISFACTION SURVEY

In 2007 a downscaled version of previous years' employee satisfaction survey was carried out. The main focus of the survey was to "take the pulse of the organisation" in five specific areas: management, attractive workplace, well-being, development, and mastery and control. The response rate was 72 percent (73 percent 2006). In general, the survey shows clear improvements on the previous year's survey – in areas where direct comparisons are possible. The Group management has selected the following primary focus areas based on this year's findings:

- What is done to instil objectives and strategies in individual units?
- Completion of Objective and Development Interviews in each unit, in percent.
- HSE

ODI (OBJECTIVE AND DEVELOPMENT INTERVIEW)

The aim is for all managers to carry out annual objective and development interviews (ODI) with their closest associates. In units with a high number of employees per manager (applies to certain units in the air safety division), interviews are carried out every second year. The target for the completed number of interviews was not achieved in 2007, but developments are encouraging. Annual ODI interviews are one of the Group management's focus areas for 2008. During 2008, better process and system support will be provided for carrying out ODI. The aim is to increase the degree of implementation and quality of the interviews, as well as improving reporting.

AKAN – PREVENTION OF ALCOHOL AND DRUG PROBLEMS IN THE WORKPLACE

An AKAN manual has been prepared that is included in Avinor's Steering Documents. In addition, an AKAN brochure was distributed to all employees at the end of 2007. Prevention of Alcohol and Drug Problems in the Workplace has also been the subject of staff meetings. AKAN contacts have further been established in all divisions, and new AKAN contacts will undergo training in drug and alcohol prevention work during spring 2008. AKAN coordinators remain to be elected in each division, a process that will be completed during 2008. Information on Prevention of Alcohol and Drug Problems in the Workplace and AKAN contacts is available on Avinor's intranet, Innsiden.

STRATEGY WORK

During 2007 a thorough and comprehensive strategy process has been carried out, and the results have been presented and established in Avinor's various joint forums. The primary objective for the plan period is:

Avinor shall be an attractive workplace and a learning organisation, with competent employees and a good working environment

The following intermediate objectives have been defined to support the primary objective:

1. Strengthen the manager as role model in order to develop a comprehensive customer-oriented safety culture.
2. Strengthen the Group's uniform staff policy and staff policy guidelines.

3. Ensure efficient processes and good interaction with employee organisations.
4. Secure the Group's position as an attractive workplace and achieve an employee satisfaction rate of 75 percent.
5. Strengthen the Group's steering information and ensure optimal use of resources in the staff and organisation area.

COOPERATION WITH EMPLOYEE REPRESENTATIVES

In 2007 Avinor and the organisations' employee representatives have cooperated well in many arenas and on many issues. Good, confidence-building collaborative conferences and consultation meetings have been held. Work on completing and agreeing on a collaborative model was concluded in February 2008. Good routines and practice for discussions and information meetings have also been further developed. It is Avinor's opinion that the employee representatives are concerned with contributing with their expertise in various projects and processes in order to strengthen the company's decisions and policy. The wage settlement for 2007 – for all settlement areas – was resolved within the given deadlines. This had a beneficial effect on Avinor's reputation. Focus will continue to be on developing a good dialogue and good collaborative processes between the company and the employee representatives in the forthcoming plan period.

ELECTRONIC TOOLS/KEY FIGURES/REPORTING

Several projects were initiated in 2007 to increase quality, safety and efficiency in various processes. These include recruiting (new recruitment system brought into use), commencement/termination of employment (better process and system support in administrative work), reporting (standardisation and quality assurance of reporting data). In addition, work was initiated on a new competence system, which will provide an overview of Avinor's total stock of competence and follow-up of this. The same also applies to work on an electronic staff and manager manual on Avinor's intranet.

Work on better, safer and faster processes continues in 2008, including increased focus on information and decision support for managers at all levels. Much of this work is being done in cooperation with the other professional areas in Avinor.

Economy and finance

ANNUAL PROFIT AND RETURN ON INVESTED CAPITAL

The Group's profit after tax in 2007 was NOK 645 million, compared with NOK 433 million in the preceding year. The return on

invested capital after tax, adjusted for the airport operations liability provision, was 4.26 percent, compared with 3.54 percent for 2006. The Ministry of Transport and Communications has defined Avinor's required return as 6.45 percent in Report to no. 15 to the Storting (2006–2007).

OPERATING REVENUES

Operating revenues increased by 11.1 percent in 2007 to NOK 6,689 million, of which NOK 3,719 million were traffic revenues from airlines. Other operating revenues derive essentially from commercial activities at the airports and constitute an increasing part of Avinor's finances. Commercial revenues constituted 44.4 percent of total revenues in 2007, compared to 41.6 percent in 2006. The main growth in operating revenues is at Oslo Airport Gardermoen and the other major airports.

OPERATING COSTS

Operating costs in 2007 came to NOK 5,750 million, compared to NOK 5,257 million in 2006. Adjusted for group-distributed pension costs, a major proportion of the increase in costs of NOK 493 million, or 9.4 percent, is due to increased staffing and wage costs related to the air safety operations. In addition to a full year's effect of a new wage agreement with the Norwegian Air Traffic Controllers Association, which was agreed in June 2006, the number of fulltime equivalents in air safety operations increased by approx. 6 percent compared with 2006. Security costs at the airports increased by approx. 20 percent in 2007 and currently constitute NOK 837 million before financial costs. Security costs are to be covered by a separate security fee, and at 31 December 2007 the Group has an accumulated shortfall in the range of NOK 130 million. The shortfall has been charged to the Group's profit and loss account in 2006 and 2007.

OPERATING PROFIT

Operating profit was NOK 1,120 million, compared with NOK 942 million in 2006. Adjusted for intra-group transactions and distributions, Oslo Airport Gardermoen accounted for an operating profit of NOK 1,661 million and the major airports division for NOK 551 million. The profit from these airports goes to finance the remainder of the airport network, which returned an operating loss of NOK 1,074 million.

FINANCIAL ITEMS AND TAX

The net financial result was NOK -274 million, compared with NOK -406 million in 2005. This improvement is due primarily to a significant increase in the actual value of an interest rate swap on an intra-group loan, higher interest on deposits, and that debt cer-

tificates related to state loans were renewed at significantly lower interest rates than previously.

The year's tax cost amounted to NOK 200 million, equating to an effective tax rate of 23.7 percent. This is lower than the default 28 percent, mainly due to a non-taxable reversal of balance-sheet airport-operations liabilities.

CASH FLOW AND CAPITAL STRUCTURE

The Group had a net negative cash flow of NOK 828 million in 2007, compared with a net negative cash flow of NOK 301 million in 2006. The cash flow from operations came to NOK 1,713 million, while net investments, repayment of debt and payment of a dividend to the State amounted to nearly NOK 2,500 million. Significant items in the accounts without a cash effect are depreciations of NOK 1,224 million and a change in balance-sheet pension liabilities of NOK 85 million.

The Group increased investments by 29 percent in 2007 from NOK 1,545 million in 2006 to NOK 1,991 million in 2007. Both safety-related factors and development measures were strengthened relative to previous years.

The Group's total equity is NOK 22.6 billion, with an equity ratio of 34.1 percent. A significant proportion of total equity consists of fixed assets and liabilities linked to the operation of the airports. In connection with the extension of Oslo Airport Gardermoen, the remaining debt to the State is NOK 6 billion at 31 December 2007. The actuarial factors used to calculate the Group's pension liabilities are based on recommendations from the Norwegian Accounting Standards Board, and changes in assumptions have led to an increase in pensions liabilities compared to previous years. An extraordinary payment was made to the Norwegian Public Service Pension Fund as a result of the wage settlement in 2006. The Group's financial position at year-end is satisfactory, with cash reserves of NOK 1,137 million. Short-term debt came to NOK 2,507 million. Due to a large investment programme, cash flow will be negative and external loan financing will be required.

FINANCIAL RISK

The Group uses financial instruments to manage its exposure to changes in exchange rates, interest and energy prices. Avinor is exposed to currency risks linked to revenues in progress and energy purchases. Forward contracts are used to limit currency risks. Forward contracts are taken out to cover some of the Group's energy use and, at year-end, the majority of the Group's expected energy consumption was secured until 2009 and part of 2010.

The Group's long-term debt is exposed to changes in long-term interest rates since the majority of the loans are government loans where interest is linked to long-term government bond rates. Part of the loan portfolio is at fixed interest.

When placing the Group's cash surplus, emphasis is given to the issuer's solidity and the liquidity of the placement in preference to the return on it. Cash at year-end is deposited in the bank on negotiated conditions.

The Group has historically had low losses on receivables. The majority of the Group's receivables are due from the airlines. A small portion of the receivables are secured using bank guarantees and/or deposits.

THE PARENT COMPANY AVINOR AS

The parent company's profit after tax in 2007 was NOK 683 million, compared with NOK 219 million in the preceding year. This improvement is due to a better net financial result through group contributions and dividends from the subsidiaries Oslo Lufthavn AS and Oslo Lufthavn Eiendom AS.

Operating revenues increased by 13.1 percent to NOK 3,643 million, while operating costs increased by 9.2 percent to NOK 4,185 million. The operating loss after a reversal of balance-sheet operating liabilities for the non-profitable part of the airport network was NOK -362 million, compared with NOK -434 million in 2006. In 2007, the parent company had a net cash flow of NOK -962 million, compared with NOK 336 million in 2006. Net investments, repayment of external debts and payment of dividends to the State came to NOK 1,611 million in total. Net group contributions/dividends/changes in loans to group companies came to NOK 442 million. Short-term balance-sheet items increased by NOK 1,204 million. The profit and loss account was charged with NOK 651 million in depreciation, and a changed pensions liability on the balance sheet with no cash effect of NOK 46 million.

The parent company's total equity is NOK 14.8 billion, with an equity ratio of 49.5 percent. A significant proportion of total equity consists of fixed assets and liabilities linked to the operation of the airports.

GOING CONCERN

Under Section 3-3 of the Accounting Act, the Board confirms that the financial statement has been prepared on the going-concern basis. This assumption is based on future profit forecasts.

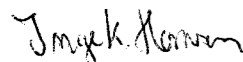
OUTLOOK

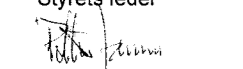
Avinor is facing a financially demanding period with major investment requirements in the years ahead. Even with high ongoing income, the investment requirements in unprofitable projects are so great that they are beyond the scope of normal business operations. The Group will continue to have a negative cash flow in the years ahead. As part of the work in ensuring sound financial operations, an assessment of the group's financial framework conditions is required. The Board is of the opinion that the State must cover capital requirements for upgrading and operating the regional network, as well as re-evaluate the current dividends policy.


Corporate governance

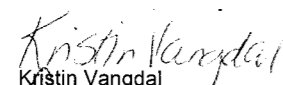
Avinor AS is wholly owned by the Norwegian State through the Ministry of Transport and Communications. The Minister of Transport and Communications constitutes the company's General Meeting. On agreement with the employees, the company does not have a corporate assembly, but instead there are three employee representatives on the Board. The Board comprises six shareholder-elected members and three employee representatives. The Board sets out an annual agenda for its work.


Oslo, 10 April 2008

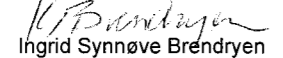

Inge K. Hansen
Styrets leder

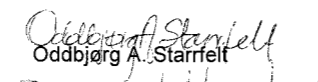

Petter Jansen

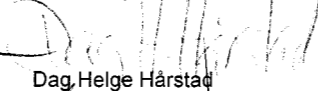

Magne Jepsfjød



Kristin Vangdal
Nestleder



Anne Stärk-Johansen


Ingrid Synnøve Brendryen


Oddbjørg A. Starreft


Dag Helge Hårstad


Helge Løbergslø


Sverre Quale
Konsemsjef

The Board's and the Managing Director's responsibilities and tasks are set out in instructions to the Board and instructions to the Managing Director, both determined by the Board. The Board attaches great importance to following up on the Government's focus on corporate governance through management of the State's ownership.

Allocation of the year's surplus

Post-tax profit in Avinor AS came to NOK 683 million. In conformity with the Ministry of Transport and Communications' established dividend policy for Avinor, the Board proposes distribution of a dividend of NOK 396.9 million.

This produces the following allocation of the year's surplus:

Dividend: NOK 396.9 million
To other equity: NOK 286.3 million

Distributable equity at 31.12.2007 was NOK 999.9 million.

After a successful year for Avinor, the Board would like to thank all employees and partners for their huge efforts in 2007.

MAIN FIGURES

(All amounts are in NOK million)

Main figures 2007 The Avinor group	2007	2006	2005	2004	2003	2002
Profit and loss account						
Traffic income	3,719	3,515	3,291	3,138		
Public purchase	0	0	35	264		
Other income	2,968	2,503	1,929	1,673		
Total income	6,689	6,018	5,255	5,075		
Operating profit	1,120	942	810	995		
Net profit for the year	645	433	386	463		
Balance sheet						
Fixed assets	20,547	19,533	19,057	19,428		
Current assets	2,068	2,876	3,048	2,515		
Equity	7,728	7,480	7,372	7,012		
Provisions	5,955	6,075	5,951	5,735		
Other long-term liabilities	6,425	6,655	6,991	7,823		
Short-term liabilities	2,507	2,199	1,791	1,373		
Total capital	22,615	22,409	22,105	21,943		
Investments	1,991	1,545	826	720		
Air traffic (Amounts in NOK 1000)						
Total no. of passengers	38,700	36,203	32,762	31,196	28,995	28,637
Flights	786	623	590	582	559	552
Key figures						
Liquidity ratio in %	82	131	170	183		
Equity-to-assets ratio in %	55	53	51	47		
Personnel						
Employees	2,850	2,792	2,588	2,732		

Definitions

Total no. of passenger: Passengers at each individual departure and landing

Flights: Number of departures and landings

Liquidity ratio: Current assets in percent of short-term liabilities

Debt equity ratio: Equity in percent of equity and financial debt



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