

ANNUAL REPORT 2008

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2008

Highlights in 2008

- There were no aviation accidents in Norwegian aviation in 2008 in which Avinor was a contributory party.
- Work with air traffic safety and HSE has continued in 2008 with continued focus on strengthening the culture of safety.
- Several airports were evaluated with respect to Norwegian implementation of EU regulations, and all of the airports satisfied the requirements stipulated by the EU regulations.
- The financial crisis affects air traffic and Avinor's financial situation.
- 39,600,000 passengers, including offshore, travelled through Avinor's airports in 2008, 2.2 percent more than in 2007.
- Regularity at Avinor's airports was 97.6 percent. Punctuality has improved in recent years, and was up two percentage points in 2008 compared to 2007, to 86 percent.
- Stable operations have also been a priority in 2008. There was a net increase of three in the number of air traffic controllers. Greater access to air traffic control resources is expected through 2009.
- The annual employee survey shows that the Avinor Group scores higher than external benchmarks in nearly all areas.
- Avinor has prepared a climate audit for 2008 and adopted a plan for the reduction of own emissions.
- Avinor prepared a land protection plan in 2008; an administration plan for properties of cultural-historical value.
- On 26 July 2008 Avinor took over responsibility for the assistance service at the airports from the airlines.

About Avinor

Avinor operates airports and navigation operations in Norway. The Group's primary objective is to facilitate safe and efficient air travel, and to participate in other activities that support this objective, including the commercial development of the enterprise. Total operating revenues were in the order of NOK 7.4 billion, and the Group has approximately 3,000 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.

The financial crisis and Avinor

Avinor's operations are financed through aviation fees and related commercial income. Changes in airline traffic will therefore significantly affect Avinor's financial manoeuvrability. During the autumn and winter of 2008/2009 a significant reduction in air traffic compared to the previous year has taken place.

Avinor has therefore adapted its operations and investment plans in accordance with a new financial outlook. So far, this has led to the postponement of significant investments and adjustment of the operational framework.

With respect to the 2008 annual accounts, an assessment of balance-sheet values as of 31 December 2008 – depreciation test has been carried out as a result of the above. The assessments conclude that both the parent company and the Group justify the entered values of their assets. These assessments are based on reasonable premises related to framework conditions and future activities. Supplementary information is provided in note 6 to the annual accounts.

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.

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 2008 as well, the Group has particularly focused on the strengthening 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 2008 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 2008

In 2008, some 28 internal audits and inspections were conducted group-wide in the air safety, security and HSE areas. 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. All airports satisfied the requirements stipulated by the EU regulations. The Norwegian Civil Aviation Authority inspected 19 airports during the course of the year. In general, no major deficiencies were discovered, and Avinor has emphasized correcting identified deficiencies as fast as possible.

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.

ACCIDENTS AND SERIOUS AVIATION INCIDENTS

There were no aviation accidents in Norwegian aviation where Avinor was a contributory party in 2008. Five serious aviation incidents where Avinor was a contributory party were recorded. 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 2007 were no aviation accidents and one serious aviation incident. The corresponding figures for 2006 were one aviation accident and eight serious aviation incidents.

Avinor's goal 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 November 2008 a new computerised radar system, NATCON-N, was successfully implemented and brought into operative use in the ATCC in Bodø and in several approach and tower units in the North and Middle of Norway. This means an automatization, standardization of functionality and implementation of safety nets. NATCON is thereby implemented in the three ATCCs in Norway and in everyone of Avinor's approach and tower units in the mainland of Norway. The old equipment, developed in the early 1970s, is now removed.

In the period since 2002, changes in procedures, traffic flows 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 optimize the sequencing of inbound traffic (arrival management system), and this has brought about a need to assess the airspace organization in Oslo AoR. "Oslo Advanced Sectorization and Automation Project" (Oslo ASAP) was established in May 2006 and has been highly active in 2007 and 2008. Several simulations have been carried out. The planned implementation date for Oslo ASAP is the first quarter of 2011.

Avinor participates in the work aimed at reaching targets with regard to improving helicopter safety which have been proposed in recommendations from public committees (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 assume direct responsibility for follow-up. One of the focus areas is the introduction of controlled airspace in the North Sea and the Halten Bank. The introduction of controlled airspace requires the use of radar, amongst other things. According to plan, a new radar facility on the Heidrun platform will be put into operative experimental operation in the autumn of 2009. This will facilitate the introduction of controlled airspace on the Halten Bank.

Introduction of controlled airspace in the North Sea is dependent on radar on Ekofisk and on the mainland in Rogaland. The project is heavily delayed due to conflicts of interest between windmill projects and radar in Rogaland/Bjerkreim municipality and the lack of an agreement with ConocoPhillips for the establishment of radar on Ekofisk.

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 regional airports in the years ahead.

Due to the local topography, some regional 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 undertaking construction projects. Avinor has prepared a risk model being used for this purpose.

The Norwegian radar programme (Norap) project will establish 10 MSSR radars (Monopulse Secondary Surveillance Radar) and a combined MSSR/PSR (Primary Surveillance Radar) at given locations in Norway by 2012. The project's primary objective is to improve radar coverage, particularly in northern airspace. By the end of 2008, seven locations were given framework approval. Out of these seven, six have also been given approval to start.

SECURITY

In the autumn of 2008 Avinor entered into a contract for the provision of security control services to all of Avinor's airports with the exception of OSL. Avinor's contract partner is Securitas Transport Aviation Security AS (STAS), and the start of the contract period is 1 March 2009. The contract with STAS is for 4 years with an option for a further year.

In July the Local regulations chapter 15 Security was published in Avinor's management system. The chapter describes Avinor's common policy and guidelines for the Security area, and is prepared in accordance with guidelines provided by the Civil Aviation Authority.

The work on improving the efficiency of the security control service has also been the focus of much attention in 2008 and a number of measures have been implemented to improve space and logistics at security checkpoints, to upgrade technical equipment, extend the critical part of the security restricted area (CSRA) and improve reporting systems and the quality control of the service.

PREPAREDNESS

In 2008 approximately half of the Group's airports carried out a total of more than 100 activities in Avinor's training program, hereunder just less than 20 full scale exercises. The remaining airports will undergo the program in 2009.

Further, a revitalisation of the colleague support arrangement with systematic skills improvement in the field of psychosocial support work was initiated. The colleague support arrangement is a voluntary employee representative arrangement, and constitutes a supplement and relief to the management's other personnel care arrangements. As a preparedness factor, the colleague support arrangement may represent valuable support for employees who experience crisis situations. Amongst other things, the colleague support arrangement is also intended to satisfy Eurocontrol's main criteria for a Critical Incident Stress Management program for air traffic control personnel. At the 2008 year-end the arrangement comprised 98 colleague supports. In addition, OSL has its own colleague support arrangement. Avinor's aim is to have an active colleague support arrangement, and the colleague supports will in the time ahead participate in crisis handling exercises.

In 2008 the Civil Aviation Authority introduced new Security preparedness measures due to changes in the national risk outlook adjusted for the threat levels used by the Norwegian Police Security Service. Any implementation of the measures is prepared through the use of Avinor's automated notification system.

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 procedures to uphold HSE responsibility.

HSE is generally well attended to at Avinor. However, it is a challenge to ensure adequate focus on the area considering the significant growth in air traffic and the operational challenges this entails. The role as primary company and builder has been particularly challenging due to extensive development activity in the group in 2008. How this role has been handled has therefore been the subject of numerous internal and external revisions, and improvement issues are continuously reviewed.

The employee survey in 2008 has been extended with questions related to safety. The result showed that safety has a strong position in the group, and that safety work turns out to be an important

contributor towards the organization's culture. The year has also been used to strengthen the status of the safety deputies, and considerable resources have been used on strengthening the HSE competence of managers.

During 2008 58 incidents involving injuries to employees were reported. During the previous year there were 53 such incidents. A total of 67 employees were injured as a result of the incidents. 21 of these were so serious that they led to sick-leave. This is an increase from 19 personal injuries with sick-leave in 2007. Based on available data, the groups H value in 2008 is estimated to be 3.1, up 0.1 from 2007.

Society and the environment

Aviation affects the local and global environment. Protection of the external environment is integrated in 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 eight airports. In 2008 eight airports in Finnmark were granted emissions permits. Oslo Airport Gardermoen (OSL) was granted a new emissions permit from the Norwegian Pollution Control Authority (SFT). The permit replaces and combines previous terms in one permit.

Consumption of aircraft de-icing and runway de-icing chemicals varies according to traffic volume and weather conditions. The consumption of aircraft de-icing chemicals at OSL during the 2007–2008 season was consistent with a normal season, while consumption of runway de-icing chemicals was slightly higher than normal. The same trend applies to the remainder of Avinor's airports. Consumption of urea for runway de-icing increased somewhat during the 2007–2008 season. For the 2008–2009 winter season a ban on the use of urea was introduced at Avinor's airports.

Since 2001 all acquired fire extinguishing foam has been without content of PFOS. After PFOS was discovered at the Gardermoen treatment facility, investigations were initiated at OSL. The results from these investigations indicated that there were residual

amounts of PFOS in certain tanks. Due to these findings, cleaning of all tanks that had contained PFOS at all Avinor airports including OSL was initiated, as well as the destruction of PFOS remains.

SFT carried out a national survey of PFOS pollution at fire training sites in 2008. The fire training site at OSL was also examined. SFT will use the results of the survey to order any necessary follow-up and cleanup measures at affected Norwegian fire training sites.

Avinor had a combined consumption of electric power of 183.5 GWh in 2008, whereof consumption at OSL comprised 73.4 GWh. The Group's combined energy consumption for stationary purposes corresponded to a total of more than 200 GWh. Energy consumption varies with temperature, level of activity and the size of the building. In 2008 Avinor carried out preliminary work related to energy management. The establishment of energy management and energy follow-up systems at the airports is expected to lead to reduced energy consumption. In the subsequent project phase Avinor will also implement prioritized energy efficiency measures at the airports.

Avinor recorded a total of 640 aircraft noise enquiries in 2008, mainly related to OSL and the largest airports. Updated noise surveying following the Ministry of the Environment guideline T-1442 has now been completed for 37 of the 43 airports where Avinor is responsible for surveying. At OSL in 2008 60 possible violations of the take-off and landing regulations were recorded. The Civil Aviation Authority's proposal for a new regulation is currently being processed by the Ministry of Transport and Communications. The project for new airspace organization for eastern Norway (Oslo ASAP) has been continued and will be implemented during the spring of 2011. New regulations for landing and take-off at OSL are expected to be introduced before the airspace changes, and the proposed regulation changes have been taken into consideration in the project.

Local air quality at the airports is affected by aircraft traffic, road traffic, buildings and other activities. Air quality is continuously monitored at OSL. The results show that the values are well within the requirements imposed by the Pollution regulations.

Since 2006 OSL has prepared climate accounts following methodology verified by Det Norske Veritas (DNV). In 2008 the accounts were updated with retroactive effect following methodological changes based on requirements from DNV. OSL's emissions in 2008 were approximately 5,850 metric tons. OSL compensates for greenhouse gas emissions by buying emission rights in projects

approved through the UN's clean development mechanism. In the summer of 2008 OSL adopted a plan of measures for the reduction of greenhouse gas emissions. Greenhouse gas accounts for Avinor as a whole, including OSL, were prepared for the first time in 2008. Avinor's greenhouse gas accounts reveal total annual greenhouse gas emissions of approx. 19,000 metric tons CO₂. A plan of measures has been prepared for the reduction of greenhouse gas emissions. The emissions will be compensated by buying emission rights following the same procedure as OSL.

The total amount of waste for Avinor, including OSL, was approximately 12,000 metric tons and 2000 m³ in 2008. The combined sorting rate was 52 percent for weight-registered waste and 73 percent for volume-registered waste respectively. There is some uncertainty related to the figures due to different reporting methods. Both OSL and the other airports turned the previous years' trend of declining sorting rates in 2008. Avinor, excluding OSL, entered into a new framework agreement for waste collection in 2008 that included requirements for the facilitation of sorting at the source, reporting of waste amounts and sorting rates and reporting on the climate strain the waste management involves. The agreement will be rolled out during the first half of 2009.

During 2008 Avinor has phased out remaining light fixtures containing PCBs.

Avinor prepared a land protection plan in 2008 – an administration plan for properties of cultural-historical value. The chief purpose is to ensure protection of a representative selection of buildings that document the aviation sector's history with respect to technical solutions, function and architecture. Avinor has evaluated buildings at all airports, and has in cooperation with the Directorate for Cultural Heritage selected objects for consideration for protection in Bodø, Stavanger, Kristiansand, Båtsfjord, Fagernes and Oslo Airport. The land protection plan was adopted by the Avinor Group management in the autumn of 2008 and was submitted to the Directorate for Cultural Heritage in February 2009. Additional documentation projects will be carried out at 13 airports starting in 2009.

In 2008 Avinor started a project to investigate biological diversity. The diversity of species at the airports in Berlevåg, Båtsfjord and Kristiansand were surveyed. 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.

In February 2008 Avinor presented the report “Sustainable and socially beneficial air traffic” in cooperation with the airlines and the Federation of Norwegian Aviation Industries. The report discussed the aviation industry’s greenhouse gas emissions and indicated a number of measures to reduce these. The report also discussed the public utility of aviation. The report concluded that emissions from domestic civilian aviation will be 10–20 percent lower than in 2007, even with a significant increases in traffic. Technical and operative measure will provide the greatest contributions to emission reductions from the industry. A project organisation has been established that coordinates follow-up of the project.

The board would like to point out that Avinor and OSL 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.

Customers and partners

TRAFFIC DEVELOPMENTS

2008 was a turbulent year for the air traffic market. The year started with continued significant growth in the market, which was turned to a decline in the last six months. The domestic market went from growth of four percent to a decline of two percent compared to the same period the previous year. The international market correspondingly went from ten percent growth to one percent growth during the last six months, and a decline of two percent during the last four months. The downturn in the market occurred before the international financial crisis, as a result of higher prices, in turn caused by higher oil prices. Further, a poor financial outlook has worsened the situation. At the airports air traffic increased by a moderate 2.2 percent in 2008 in terms of passenger numbers and by 1 percent in terms of aircraft movements (scheduled, charter and cargo), including the strike in May.

A total of 39.5 million passengers travelled through Avinor’s airports. Offshore passengers bring the figure to 40.1 million. At Oslo Airport Gardermoen the number of passengers increased by 1.6 percent to 19.3 million in 2008, and the number of scheduled, charter and cargo movements increased by 3.2 percent. Avinor expects a decline in the market in 2009.

Cargo traffic measured by weight carried increased by 1.4 percent in 2008. Offshore traffic went up by 1.5 percent (passengers) and 2.7 percent (aircraft movements). The number of flyovers in

Norwegian airspace rose by 5.2 percent in the year, comprising an increasing share of all IFR aircraft movements in Norwegian airspace.

Competition from the main Nordic airports is considerable for Avinor and Oslo Airport. The strong Norwegian market has nevertheless entailed that Oslo Airport, along with Helsingfors, has captured further market shares, while Stockholm and Copenhagen have lost shares. Oslo Airport has continued to lose market shares to Sandefjord Airport for international traffic. Additionally, there has been growth at Moss Airport Rygge.

There are three main players in the domestic market in Norway. The structural changes in the market have further accelerated. The most important players have developed differently, from strong growth via moderate development to strong decline. Additionally, Sterling, Coast Air and City Star Airlines all went bankrupt in 2008, while Kato Air discontinued their airline operations. These companies were responsible for approximately five percent of both aircraft movements and passengers internationally, and four percent of movements and less than one percent of passengers domestically.

SAS is still the largest player in the market with approximately 58 percent domestically, down three percentage points from 2007. Norwegian had approximately 26 percent in 2008, up 4 percentage points from 2007. Widerøe was responsible for 13 percent in 2008, roughly the same as in 2007.

Norwegian has increased its market share considerably since they had 11 percent of traffic in 2003. Approximately every fifth passenger travelled with Norwegian on the four main routes in 2003. In 2008 the market share ranged from 34 percent (Oslo–Tromsø) to 45 percent (Oslo–Bergen).

Avinor carries out regular air travel surveys. These demonstrate that ticket prices became cheaper and cheaper from 2003 to 2007. For domestic routes in southern Norway subject to competition, prices in 2007 were close to five percent cheaper than in 2003, while ticket prices in corresponding areas for routes with no competition had increased by approximately 15 percent. It is in the remainder of the domestic market and to Scandinavia and Europe that prices have dropped most, approximately 25 percent lower than in 2003. It is also in work-related travel that customers have benefited most from reduced prices.

In 2008 planning work for a new passenger terminal at Oslo Airport Gardermoen was initiated. A new parking garage for travellers has

also opened, which provided approximately 2600 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 and other parties.

In 2008 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. 68 percent. Weather conditions account for the remaining 8 percent.

Recorded punctuality in 2008 was 86 percent, an improvement of two percentage points from 2007. The result is an improvement on the previous year and is three percentage points better than the lowest level in 2006. However, it is still two percentage points short of the target for punctuality.

Recorded regularity was 97.6 percent, which is the poorest result since recording started. Part of the reason for the poor result was the strike in May. Norwegian regularity and punctuality are amongst the best in Europe, but have shown a declining trend in recent years. These developments are related to considerably higher capacity utilisation by the airlines, which in turn make the entire system more vulnerable to operational disruptions.

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.

In July 2008, Avinor took over responsibility for the passenger assistance services from the airlines. Work in 2008 has largely been focused on this responsibility. Responsibility is transferred to airport management in Europe due to EU regulation 1107/2006/EF. In Norway the regulations are implemented through the Regula-

tion pertaining to the rights of the disabled in connection with air transport.

The service comprises assistance to persons with reduced mobility (PRM) from indicated arrival location at the airport to the aircraft (aircraft seat), and from the aircraft to indicated departure location at the airport.

Prior to the transfer of responsibility, an open tender competition was held, and as a result Avinor entered into agreements with various companies who carry out the assistance on Avinor's behalf at the Group's airports.

SAS Ground Services (SGS) was selected as the vendor at large and medium-sized airports (except Bardufoss and Lakselv who have an agreement with Røros Flyservice and Widerøe).

Widerøe Flyveselskap was selected for regional airports, and Medema was selected as vendor for Oslo Airport Gardermoen.

Up until 31 December 2008, assistance was provided in 50,000 cases. Only three cases resulted in complaints from passengers.

ENTRY POINT NORTH (EPN)

Entry Point North AB – Nordic ATS Academy (EPN) was formally established as a Swedish limited company (AB) on 21 December 2005. The company has a share capital of SEK 300,000 and is owned by LFV Holding (Sverige), Naviair (Danmark) and Avinor AS with a third each. A separate agreement has been drawn up regulating the relationship between the owners.

In 2008 EPN had a turnover of just less than SEK 170 million for approximately 8,000 student weeks. 87 percent of production concerns the training of air traffic controllers, while the remainder comprises AFIS and HR. In 2008 28 Norwegian students completed training at EPN.

Staffing and organisation

In order to provide correct management information, data quality is essential. Throughout 2008 work has been ongoing in order to raise the quality of all HR data and the quality of reporting from the target area. The sum of the work is collected in a "Human resource account".

FULLTIME EQUIVALENTS

In 2008, the average number of permanent and part-time employees in the Group was approx. 3,544. Of these, approx. 2,995 were permanent employees who worked approx. 2,992 fulltime equivalents. There are somewhat large variations in staffing through the year, based on seasonal requirements, absence due to illness, holidays and training activities. There has been a net increase of 53 permanent employees in 2008. Turnover amongst permanent employees is 3.5 percent (the number who left during the period divided by the average number of employees during the period).

SHARE OF WOMEN AND AVERAGE AGE

The share of women in the Group is stable compared to recent years at just less than 24 percent. There were two women and ten men in Group management at year-end. In general, there is a higher share of women in administrative positions and close to complete male dominance in operative positions. The shareholder-elected board members consist of three women and three men. Employee representatives consist of two men and one woman. The average age in the Group in 2008 was 45.

COMPENSATED OVERTIME

The reduction in overtime has been the focus of much attention in 2008 and was reduced compared to 2007. In all, a total of 218,000 hours of overtime work was done, which corresponds to approximately 118 man-years.

Close to 318,000 hours of overtime were compensated in the Group in 2008. This also represents a strong reduction compared to 2007.

Continued reduction in the use of overtime will be one of the focus areas in a result-improvement program that will start in 2009. It is reasonable to expect that better fitness training work and better planning with respect to administrative work and courses/training and project work will contribute to a reduction in the use of overtime.

ABSENCE DUE TO ILLNESS

Absence due to illness in 2008 was 4.9 percent, a reduction from 5.4 percent in 2007. Much work has been done on following up absence due to illness, and a number of projects have been carried out in the area. In addition to various division-related projects, system support for following up absence due to illness has been established through the Group's rota planning system. The Group's Inclusive Working Life target of 4.5 percent absence due to illness remains in place despite failing to achieve the target in 2008.

EMPLOYEE SURVEY

The annual employee survey in 2008 was extended to include questions on safety culture in addition to questions related to well-being, management, mastery and control and development. The survey had a response rate of 87 percent from Group employees.

The results show significant progress from comparable parts of the downscaled version of the employee survey for 2007. The Avinor Group also does better than external benchmarks in almost all areas; 91 percent state that they are generally satisfied with their work, 92 percent expect to still be employed in one year and 82 percent are proud to work for the Group. The Group's well-being indicator, which is based on nine selected questions in the survey, is 80, while the Group target is 75.

STRATEGIC MEASURES

- **Akan - Prevention of alcohol and drug problems in the workplace**
Akan work in the Group had a boost in 2008 following a period of varied and uncoordinated work. Akan contacts and Akan coordinators were elected in all divisions and at the head office. A central Akan coordinator who is allotted time for Akan work was also elected for the Group. Training has been carried out for all contacts and dedicated meetings were held. Akan is a regular theme at all working environment committee meetings and the central Akan coordinator has presented Akan at meetings for managers and employee representatives.
- **The 2008 wage settlement and cooperation with employee representatives**
Avinor's adjustment agreement to the Basic agreement was negotiated in 2008. The agreement regulates the cooperation between Avinor and employee representatives and describes the parties' rights and obligations.
It is Avinor's experience that the Group's employee representatives are very concerned with contributing with their expertise in various projects and processes in order to strengthen the company's decisions and policy.
The wage settlement in 2008 was demanding and resulted in a six-day strike amongst employees in the settlement area for LO employees. Negotiations in the other settlement areas were also demanding processes, but these were resolved within the deadlines. Focus will continue to be on developing the openness and good dialogue that has been established between the company and the employee representatives in the forthcoming plan period.
- **Group management program**
The Group management program is a management development

program for all managers in Avinor with personnel responsibility, divided between basic, middle and senior management. The goal of the program is to train and develop managers that have a comprehensive perspective and who fulfil expectations towards Group managers; role model, results, collaboration and developer.

A total of 251 persons participated in the Group manager program in 2008.

- **Competence development**

In recent years several major competence projects have been implemented. The projects have developed a functional approach with accompanying competence requirements. This mindset will be continued in all competence work in the Group. Further, a separate competence system that is designed to secure documentation and compliance with external and internal requirements has been established.

A new unit for training of the ground services (KFB) has been established. For the time being, most activities are directed towards fire and rescue, but it will in the future have responsibility for continuing the competence improvement efforts done through the winter operation training project.

- **The life phase project**

A life phase-oriented personnel policy is to be implemented in Avinor, which is considered to be beneficial to society as a whole, to Avinor and to the individual employee. The purpose is to ensure that employees and executives experience Avinor as a responsible employer with an inclusive working environment that provides employees in different phases of life the opportunity to have a meaningful and satisfying job. In the near future Avinor will have a steadily increasing number of pensioners, and it is necessary to put in place measures that can contribute towards reducing the company's pension costs. At Avinor we have a high qualitative and efficient safety level through the entire enterprise to prevent accidents and serious incidents. In light of this it is important to strengthen the employees' awareness of the importance of factors that contribute to promote good health. During the first phase Group management has chosen to give priority to certain groups of employees and then evaluate the measures after approximately three years. Measures to retain employees and promote their health are directed at seniors who have long and important experience and expertise, employees in fire and rescue that are subject to physical and/or medical requirements, and employees with operative age limits.

Reduced working hours for employees who are 62 and older, 80 percent work for 100 percent salary. If reduced working hours is not an option, one can choose a senior bonus of one month's salary and extra holiday. One week of extra holiday is given at the age of

62, two weeks at the age of 63 and three weeks at the age of 64.

Employees in fire and rescue and employees with operative age limits will be summoned for a two-day seminar at ages 40 and 50. The purpose is to become aware of the opportunities for professional and personal development in current positions or in other positions. Employees above the age of 50 will also be followed closely by the company health service. Training during work will be organised.

A pilot project amongst administrative employees at the head office will be initiated with the purpose of preventing muscular-skeletal disorders.

Measures will be introduced in the second half of 2009.

- **Recruitment**

247 positions in the Group were announced in 2008 and 4278 applications were received, whereof admission to Flight traffic controller training constituted the largest single recruitment drive.

The general impression is that Avinor is an attractive employer, also in major cities where the Group competes for the same workforce as a number of other companies.

2008 was the first year where all of Avinor used the Group's new recruitment tool, EasyCruit. This tool represents a major administrative improvement and ensures more equal treatment of applicants in addition to a more efficient process.

Economy and finance

TRANSITION TO IFRS

With effect from 1 January 2008, Avinor presents its accounts in accordance with international accounting principles, IFRS. Reference figures from previous accounting periods have been converted to IFRS in order to have consistent comparison figures. For this reason, historical comparison figures stated in this annual report will not match figures from last year's annual report. The transition has considerably changed balance-sheet values and thereby also the balanced equity to the Group and parent company. For further details, refer to notes 30 and 31 to the annual accounts.

ANNUAL PROFIT AND RETURN ON INVESTED CAPITAL

The Group's profit after tax in 2008 was NOK 765 million, compared with NOK 731 million in the preceding year. Return on invested capital after tax was 6.39 percent compared to 5.65 percent in the preceding year. The Ministry of Transport and Communications has through Report to the Storting 15 (2006-2007) defined Avinor's required return as 6.45 percent.

OPERATING REVENUES

Operating revenues increased by 10.4 percent to NOK 7,384 million, of which NOK 4,120 million were traffic revenues from airlines. Other operating revenues originate mainly from commercial activities at the airports. Commercial revenue constituted 44 percent of operating revenue in 2008, compared to 44.4 percent in 2007.

OPERATING COSTS

Operating costs including depreciation constituted NOK 6,016 million in 2008 compared to NOK 5,382 million in 2007. A significant portion of the Group's increased costs in 2008 is related to running maintenance costs, energy, snow clearing and de-icing. In addition the takeover of the assistance service for persons with reduced mobility increased the Group's costs by NOK 17.1 million in the second half of 2008. Costs for security control at the airports increased by 9.8 percent in 2008. Total security costs constituted NOK 908 million in 2008. Costs for security are covered by a separate security fee, and the Group had as of 31 December a deficit of approx. 83 millioner kroner.

OPERATING PROFIT

Operating profit was NOK 1,368 million in 2008, compared to NOK 1,308 million in 2007. Adjusted for intra-group transactions and distributions, Oslo Airport Gardermoen accounted for an operating profit of NOK 1,910 million and the major airports division NOK 712 million. The profit from these airports goes to finance the remainder of the airport network, which returned an operating loss of NOK 1,000 million.

FINANCIAL ITEMS AND TAX

The net financial result was NOK -286 million, compared with -272 million in 2007. The decline in results is due to losses on financial hedging instruments.

The year's tax cost amounted to NOK 317 million, equating to an effective tax rate of 29.3 percent. The effective tax rate is higher than 28 percent due to permanent differences between the profit and loss accounts and the tax accounts.

CASH FLOW AND CAPITAL STRUCTURE

The Group had a net negative cash flow of NOK 1,084 million, compared with a net negative cash flow of NOK 828 million in 2007. The cash flow from operations increased by 10 percent to NOK 2,511 million, while net investments, repayment of debt and payment of a dividend to the State amounted to NOK 3,595 million. Significant account items with no cash flow effect are charged depreciations of NOK 1,046 million and negative value changes on hedging instruments/pensions commitments of NOK 286 million.

The Group increased investments by 17 percent from NOK 2,190 million in 2007 to NOK 2,566 million in 2008. Both safety-related factors and development measures were strengthened relative to previous years.

The Group's total equity is NOK 20.2 billion, with an equity ratio of 46 percent. A significant portion of total equity consists of fixed assets. In connection with the development of Oslo Airport Gardermoen, the remaining debt to the state constitutes NOK 5.6 billion as of 31 December 2008. The actuarial factors used to calculate the Group's pension liabilities are based on recommendations from the Norwegian Accounting Standards Board. Entered pension liabilities have increased by 15.6 percent to NOK 2,176 million, mainly as a result of reduced discount interest rates and higher wage and G growth than anticipated.

At year-end the Group had a short-term debt of NOK 2,483 million and liquid assets of NOK 53 million. In order to secure Group financing in 2009, an overdraft facility of NOK 2 billion with DnB NOR and Fokus bank was established. Further loans are planned for 2009 in order to finance the Group's comprehensive investment program.

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 used to cover parts of the Group's energy consumption.

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 2008 was NOK 791 million, compared with NOK 364 million in the preceding year. The improvement is mainly due to a better net financial result through group contributions from subsidiaries.

Operating revenues increased by 11.7 percent to NOK 4,068 million, while operating costs increased by 11.8 percent to NOK 4,227 million. The operating result was -158 million compared with -139 million in 2007.

In 2008, the parent company had a net cash flow of NOK -1,029 million, compared with NOK 66 million in 2007. Net investments, repayment of external debts and payment of dividends to the State came to NOK 2,073 million in total. Short-term balance-sheet items increased by NOK 222 million. The profit and loss account was charged with NOK 441 million in depreciation. The parent company's total equity is NOK 12.6 billion, with an equity ratio of 63.7 percent. A significant portion of total equity consists of fixed assets.

GOING CONCERN

The 2008 financial statement is prepared on the going-concern basis (cf Section 3-3 of the Accounting Act) based on future forecasts and current value of estimated future cash flow within applicable financial framework conditions. For further details, see note 6 to the annual accounts.

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,

which was a prerequisite when establishing Avinor as a limited company, 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.

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 791 million.

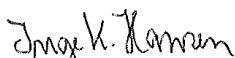
The board proposes the following disposal of the annual result:


Dividend:	NOK 0 million
To other equity:	NOK 791 million

Distributable equity at 31 December 2008 was NOK 476.9 million. The development of the Avinor Group was positive during 2008, both within safety, security and the economy.

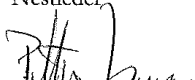
The board would like to thank all employees and partners for their efforts in 2008.

Oslo, 2 April 2009

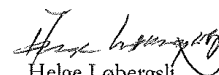

Inge K. Hansen
Styrets leder


Kristin Vangdal
Nestleder



Oddbjørn A. Stårrfelt


Petter Jansen



Magne Jerpstad


Helge Lobergsli


Marianne Njåstein


Dag Hårstad


Ingrid Synnøve Brendryen


Sverre Quale
Konsernsjef

MAIN FIGURES

(All amounts are in NOK million)

Main figures the Avinor group	2008	2007	2006	2005	2004	2003
Profit and loss account						
Traffic income	4,120	3,718				
Public procurement	0	0				
Other income	3,264	2,971				
Total income	7,384	6,689				
Operating profit	1,368	1,307				
Net profit for the year	765	731				
Balance sheet						
Fixed assets	19,126	17,506				
Current assets	1,034	2,104				
Equity	9,285	9,120				
Provisions	2,228	1,940				
Other long-term liabilities	6,164	6,432				
Short-term liabilities	2,483	2,118				
Total capital	20,160	19,610				
Investments	2,565	2,190				
Air traffic (in 1000)						
Total no. of passengers	40,321	39,479	37,000	33,517	31,948	30,857
Flights	800					
Key figures						
Liquidity ratio in %	42%	99%				
Equity-to-assets ratio in %	60%	59%				
Personnel						
Employees	2,995					

The Group has from the year 2008 applied International Financial Reporting Standards (IFRS) in the financial reporting. The comparative financial figures for 2007 have been restated to be in accordance with IFRS. The figures previous to 2007 are according to Norwegian accounting rules.



AVINOR

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