

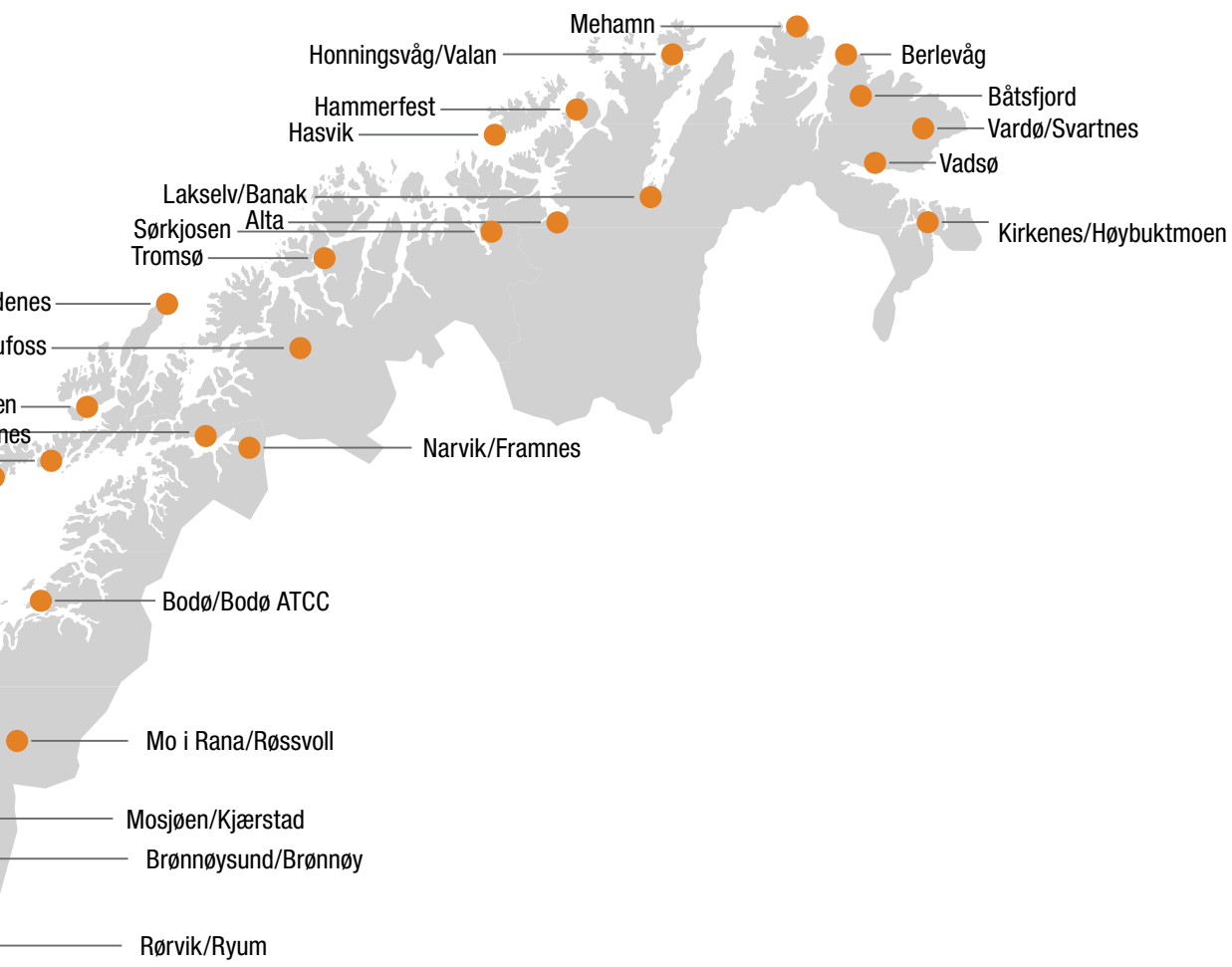


# ANNUAL REPORT OF THE BOARD 2009

● Airport

● Other Air Traffic Control Units







Managing Director Sverre Quale:

# AVINOR WILL FACE THE INCREASED COMPETITION!

In spite of the decline in air traffic in 2009 compared with the record year of 2008, Avinor can report a profit more or less in line with the budget. Revenue per passenger has increased, and certain airlines, such as Norwegian, have even expanded during the recession. Optimism and the desire to travel are coming back in full force now, and we anticipate that the larger cities in particular will experience growth in traffic. Avinor will therefore focus in particular on the airports in Stavanger, Bergen and Trondheim – and not to mention OSL.

The forecasts show that centralisation and population growth in the larger cities will continue. Increased globalisation increases the international division of labour and generates an increased need for air travel. Business development focusing on knowledge companies requires a good travel network. The need for contact between different knowledge environments generates increased air traffic. The international airports must be developed even more in a customer-oriented and commercial direction. This is also completely necessary if Avinor is to maintain the joint financing model whereby the four largest airports cover in practice the financial losses at the other 40 airports in the Avinor Group.

A good working environment, a well-functioning climate of cooperation and a high level of expertise ensures that Avinor is well equipped to meet the challenges of tomorrow. Our organisation is being developed in accordance with new requirements, and Avinor focuses on being proactive and innovative in its priorities and development of expertise. Avinor would like to promote social development. This includes contributing to regional development and strengthening Norway's international competitiveness.

Parts of Avinor's potential revenue will increasingly be exposed to competition in the future. The commercial activities at the airports will experience increased competition. The sale and leasing of space at our airports, including the sale of duty free goods, is an important contribution to maintaining air traffic throughout the entire country. For Avinor, good framework conditions that are as predictable as possible are of decisive importance.

Increased competition will emerge in our home market – especially in relation to the private/municipally owned airports in Eastern Norway – and internationally. This applies also to the air safety services, which are becoming increasingly more international. Avinor must position itself in relation to this new situation. It is not a matter of course that Avinor's monopoly on air safety services in Norway will remain.

A project to study a possible investment in high-speed trains here in Norway has been launched. Nevertheless, for Avinor the car will still be our most important competitor in the foreseeable future. The limitation of air traffic as a result of too little investment in the expansion of capacity will result in a reduced offering, higher ticket prices and passengers being forced to make use of the roads. This is something that the environment, road safety, the regions, business development, cultural offerings or the health sector will not benefit from. It is important to point out that air traffic in Norway is first and foremost domestic public transport.

Avinor's social duty is to manage and develop a comprehensive aviation system in Norway. This includes 46 airports, in addition to control towers, control centres and technical infrastructure for flight navigation. With its high level of expertise, Avinor is well equipped to meet the challenges of tomorrow.

# THE BOARD OF DIRECTORS

Helge Løbergli

Oddbjørg A. Starrfelt

Marianne Njåstein

Inge K. Hansen  
Board Chairman

Petter Jansen

Kristin Vangdal,  
Deputy Board Chairman





Torunn Sneltvedt

Sverre Quale,  
Managing Director

Dag Hårstad

Ingrid Synnøve Brendryen

Christian Berge





# ANNUAL REPORT OF THE BOARD OF DIRECTORS 2009

## Important events

Work with air safety and HSE has the highest priority in the Group, and in 2009 there has been a special focus on our safety culture, runway safety and improved methods of runway reporting. There have been no aviation accidents with personal injury in which Avinor was a contributory party in 2008 or 2009. Two aviation accidents without personal injury in which Avinor was a contributory party and three serious aviation incidents were registered.

Punctuality and regularity in the Avinor airports are among the best in Europe. The overall nationwide punctuality improved in 2009 for the third year in a row. In 2009 the Group achieved its internal target for punctuality of 88 per cent. The recorded regularity was 99 per cent in 2009.

The financial crisis impacted air traffic through much of 2009, but the fourth quarter showed growth. Measured in number of passengers and aircraft movements, air traffic declined by 4.1 per cent and 5.6 per cent, respectively, in 2009. A total of 37.9 million passengers travelled through Avinor's airports in 2009.

In 2009 a significant effort was made to survey the environmental status and risk of pollution at all the local and regional airports. A group-wide project was established to systematise measures to reduce the risk of hazardous emissions. Work on climate measures in the aviation industry continued in 2009.

The annual employee survey confirms the good results from 2008. The internal collaborative climate is good with a high degree of job satisfaction.

As a result of the reduction in air traffic, the Group's operating profit was reduced by around 15 per cent. The Group's operating profit was NOK 1,183.4 million, and the profit after tax was NOK 604.9 million. A high level of project activity continued with investments of NOK 2,378.1 million in fixed assets and infrastructure in 2009. The Group has raised new bond loans totalling NOK 1,500 million in 2009. The loans are listed on Oslo Børs.

## About Avinor

Avinor has two primary business areas, the operation of a nationwide network of airports and air navigation services for civilian and military aviation. This encompasses 46 airports in Norway, as well as control towers, control centres and other technical infrastructure for safe flight navigation. Twelve of the airports are operated in cooperation with the Norwegian Armed Forces. In addition to aircraft operations, we also seek to generate commercial revenue from airport hotels, car parks, duty free shops, food and beverage services and other services for air passengers.

Avinor's goal is to facilitate safe, environmentally friendly and efficient aviation in all parts of the country. Financially, the entire operations are managed as a single unit, which means that the financially profitable airports finance the financially unprofitable airports. The air navigation services are self-financed through pricing the services according to the cost principle.

The shares in Avinor AS are wholly-owned by the Norwegian state as represented by the Ministry of Transport and Communications. The Ministry of Transport and Communications manages the Norwegian state's ownership of Avinor, and determines, for example, the duties imposed on the group by society, the required rate of return and dividends. In addition, the Ministry of Transport and Communications regulates the aviation fees. The Ministry of Transport and Communications is the highest authority for Norwegian aviation and also lays down the Civil Aviation Authority's regulations that have consequences for Avinor's operations. Avinor's head office is located in Oslo.

## Air safety and HSE

The regulatory requirements in the area of air safety follow from Norway's international obligations through the EEA Agreement and ICAO, the UN's International Civil Aviation Organisation. The Norwegian Civil Aviation Authority implements provisions that Avinor is required to comply with based on these obligations. The concept of air safety encompasses both safety and security.

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 2009 Avinor conducted 28 internal audits and inspections. The Norwegian Civil Aviation Authority has carried out inspections at 19 airports in 2009. In general, no major non-conformities were discovered, and Avinor

has emphasised correcting identified non-conformities as quickly as possible. A review of safety culture in The Air Navigation Services Division in cooperation with Eurocontrol and The University of Aberdeen, shows an obvious positive development as a consequence of targeted work the last two years. In 2009 the Group has focused in particular on strengthening the safety culture, improving runway safety and implementing more reliable methods of runway reporting.

There were 2 (1) aviation accidents without personal injury in which Avinor was a contributory party, and 3 (5) serious aviation incidents in 2009. The numbers in brackets are figures for 2008. There have been no aviation accidents with personal injury in which Avinor was a contributory party in 2008 or 2009. The term "aviation accident" follows the definition in BSL 1-3 A.

EFTA's Surveillance Authority, ESA, has used several airports as inspection sites to monitor the Norwegian implementation of EU Directives on security. The trend in 2009 shows a significant decline in serious non-conformities at Avinor's airports, and the severity of the non-conformities that are identified now is less than before. All the airports satisfied the requirements stipulated by the EU regulations. A continuous effort is being made to improve the efficiency of the security control service, including an improvement of the space and logistics at security checkpoints, upgrading of technical equipment, extension of the critical part of the security restricted area (CSRA) and quality control of the service.

Emergency preparedness and disaster management exercises are carried out on an ongoing basis. Avinor has participated in the Norwegian authorities' pandemic planning in connection with the outbreak of influenza A (H1N1) in 2009. A full-scale exercise concept for emission and pollution scenarios has also been developed in 2009.

Avinor heads or participates in a number of projects related to air safety and air traffic management. The Single European Sky Second Package (SES II) was approved by the EU in the autumn of 2009. Norway's affiliation with this package entails a high level of international activity for the Group. Avinor is an active participant in the establishment of a North European functional Airspace Block (NEFAB) through the Alliance North European Air Navigation Service Providers (NEAP), and has agreed to contribute actively in Single European Sky ATM Research (SESAR) through the North European and Austro Control Consortium (NORACON).

As a result of increased traffic intensity and an increased strain on the Oslo Control Centre's area of responsibility, Oslo ASAP

(Advanced Sectorisation and Automation Project) was established in 2006. The aim of the project is to develop and implement a changed airspace structure with new standard approach and departure routes in the airspace over Eastern Norway. In addition, the project will implement new information systems to help optimise the flow of traffic to Oslo Airport Gardermoen. The progress of the project is going according to plan, and the planned implementation date is in the first quarter of 2011.

The aim of SNAP (Southern Norway Airspace Project) is to optimise the airspace over Western Norway and Trøndelag, as well as the interfaces with Oslo AoR (area of responsibility). The planned implementation date is in 2013.

The aim of NORAP (Norwegian Radar Programme) is to renew and improve radar coverage over Norway. The objective is to provide full radar coverage for mainland Norway, as well as improved offshore coverage. There is ongoing work at six of the ten selected locations encompassed by the programme. For controlled airspace offshore it has been decided to establish a trial project by establishing a newer surveillance system, ADS-B (Automatic Dependent Surveillance - Broadcast), en route to/from and in the Ekofisk area. Avinor will also evaluate another surveillance system, MLAT (WAM) – MultiLATERation (Wide Area Multilateration), in combination with ADS-B, with a view to replacing the use of radar in several areas. The planned completion date for the radar programme is 2012.

The SCAT project is a satellite-based approach system that will be implemented at local airports and will provide both horizontal and vertical navigation data. The system reduces the risk associated with approaches in the short runway network by establishing an electronic glide path. The installation of SCAT is planned for a total of 22 local airports. The system has been under installation at Førde, Båtsfjord, Vadsø, Namsos and Svolvær airports in 2009. The system is already installed at Brønnøysdun og Hammerfest Airports.

KS Sør (Stavanger Control Centre) is being upgraded by the establishment of a new communications centre. Further upgrade work is pending clarification of the consequences of SESAR's requirements and a possible transfer of airspace in connection with the establishment of a Northern European Functional Airspace Block (NEFAB project).

In 2006 the Group established security areas and lighting systems to implement necessary measures related to the renewal of the airports' technical/operational approval in accordance with the amended regulatory requirements in BSL E 3-2. This project

encompasses the implementation of all the physical improvement measures related to the design of the airports. These measures entail major investments and contribute greatly to a significant improvement in safety at all the Group's airports. In 2009 the project has conducted compensatory measures at Narvik, Mo i Rana og Røst Airports. Complete upgrade is conducted at Alta Airport and has started at Honningsvåg, Førde, Sandane og Krisitansund Airports. The Værøy Heliport is also upgraded under the direction of the project. A total of 17 airports have been completed in accordance with the new requirements.

Avinor is the builder in a number of projects through the Group's investment programme and is responsible for the coordination of partner enterprises and subcontractors. A total of 64 accidents resulting in personal injury were reported for employees in 2009. In connection with these accidents, a total of 25 employees were on sick leave for more than one day. The number of personal injuries with sick leave for 2008 was 21. The Group's H value is estimated to be 5.8 for 2009.

## Traffic, punctuality and regularity

The financial crisis impacted air traffic in 2009 and entailed a significant reduction in the schedules of many airlines. Measured in number of passengers and aircraft movements, air traffic declined by 4.1 per cent and 5.6 per cent, respectively, compared with the previous year. The total number of passengers was 37.9 million in 2009, compared with 39.5 million in 2008. The number of invoiceable service units in the air navigation services declined by 2.8 per cent in 2009. However, offshore traffic increased by 2.1 per cent in 2009 measured in number of passengers, and by 4.3 per cent measured in number aircraft movements. The decline in air traffic was greatest at the beginning of 2009, and in the fourth quarter of 2009 the trend turned around and air traffic showed growth compared with the previous year.

Due to the travel distances and Norway's topography, air travel is significantly more widespread in Norway than in the other Nordic countries and Europe. The decline in traffic in Norway was therefore less than in our neighbouring countries and Europe in 2009.

The Group's internal target for punctuality and regularity is 88 per cent and 98 per cent, respectively. Achieving this target depends on the concerted efforts of the airports, airlines and handling companies, as well as the weather conditions. Punctuality improved in 2009 for the third year in a row. The overall punctuality target of

88 per cent was achieved for the first time since 2003. Recorded regularity was 99 per cent, which is the best result in recent years. Norwegian regularity and punctuality are among the best in Europe.

## Environment

Avinor should be a positive driving force in social development and the improvement of aviation's environmental performance. The external environment is an integral part of Avinor's management system and follows the principles set out in ISO 14001. This involves systematic and continuous improvement 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. Today most airports have emissions permits, with the exception of Sogndal, Førde, Florø, Sandane and Ørsta-Volda airports, for which emissions permits are pending approval by the County Governor of Sogn og Fjordane.

In 2009 a significant effort was made to survey the environmental status and risk of pollution at all the local and regional airports. The purpose of this survey was to identify potential sources of acute pollution with a risk of damage to the external environment as required by the emission permits. A group-wide project was established based on this survey with the aim of reducing the risk of hazardous emissions in a systematic, economic and comprehensive manner. This project is expected to last for a period of three years.

Avinor has strengthened its commitment to the reduction of greenhouse gas emissions through participation in the voluntary industry programme Airport Carbon Accreditation (ACA). Kristiansand Airport Kjevik, Trondheim Airport Værnes and Oslo Airport will apply for certification of their work in the spring of 2010. Preparation of detailed greenhouse gas accounts for the individual airports, as well as a plan of action and binding greenhouse gas reduction targets are the main elements of the certification scheme.

Avinor's greenhouse gas accounts show combined greenhouse gas emissions from own operations of around 19600 tonnes of CO<sub>2</sub>, around 5900 tonnes of which is from OSL. In addition to implementing special measures, Avinor compensates for the remaining emissions on its own initiative by investing in emission rights through UN's green development mechanism.

In 2009 Avinor continued its cooperation with the airlines and the Federation of Norwegian Aviation industries to reduce the

greenhouse gas emissions from aviation, through, for example, the project organisation that coordinates the follow-up of the report "Sustainable and Socially Beneficial Air Travel", which was published in 2008. Important topics have included improvement measures in airspace and continued optimisation of landings and take-offs at Norwegian airports. There is a great potential for reducing the emissions. Simulations of new airspace over Eastern Norway have shown, for example, that greenhouse gas emissions from aviation in the area could be reduced by around 30,000 tonnes of CO<sub>2</sub> equivalents annually from the spring of 2011.

The Board has reviewed and approved Avinor's and OSL's environmental reports and makes reference to these for more detailed information on the Group's environmental status and environmental work. These reports are available on Avinor's and OSL's websites.

## Organisation

There were 2,910 permanent employees in the Group as at December 2009. Permanent and temporary employees performed work corresponding to an estimated 3,045 fulltime equivalents in 2009. The turnover (number of employees who resigned during the period divided by the average number of employees during the period) among permanent employees in the Group was 3.1. For most of 2009 there has been a hiring ban, with the exception of air traffic controllers and other critical operating personnel.

Absence due to illness was 5.3 per cent in 2009, an increase from 4.9 per cent in 2008. The Group's Inclusive Working Life target is 4.5 per cent. Long-term absence due to illness (more than eight weeks) was 2.5 per cent in 2009, compared with 1.7 per cent in 2008.

The percentage of women in the Group is stable compared with recent years and is just under 24 per cent. There were three women and nine men in group management at year end. In general, there is a higher percentage of women in administrative positions. The average age of employees in the Group in 2009 was 45.

Avinor is an Inclusive Working Life company that works systematically with the facilitation of workplaces.

The aim is to ensure increased diversity and equality through recruitment.

Key goals for Avinor are to facilitate workplaces, promote equal opportunities and prevent discrimination. Increased diversity is

a key goal in the Group's recruitment policy. Management development seminars were held in 2009 to make managers better equipped to meet the expectations inherent in the Group's values and management requirements. The Group has in 2009 implemented a more life stage-oriented human resources policy of a number of measures in particular to facilitate the employees in operational positions with physical and/or medical claims in the position.

The annual employee survey confirms the good results from 2008. With an 83 per cent response rate, the survey shows significant job satisfaction in working for Avinor.

In 2009 the Group established routines for the notification of reprehensible conditions in the workplace in accordance with Sections 2-4, 2-5 and 3-6 of the Working Environment Act.

## Economy and finance

### FINANCIAL RESULTS FOR THE GROUP

The Group's profit after tax was NOK 604.9 million in 2009, compared with NOK 765.1 million in the previous year. Return on invested capital after tax was 5.16 per cent, compared with 6.52 per cent in the previous year. The reduction in the return on invested capital is due to a reduced operating margin combined with strong growth in invested capital as a result of the Group's investment and project activities.

The Group's combined operating revenues totalled NOK 7,355.5 million in 2009, which was 0.4 per cent lower than the previous year. The reduction in air traffic was compensated by higher revenues per unit and a continued focus on commercial activities at the airports. Commercial revenue accounted for 44.3 per cent of the operating revenues in 2009, compared with 44.0 per cent in 2008.

The total operating costs, including depreciation totalled NOK 6,163.7 million in 2009, compared with NOK 5,967.0 million in 2008, which represents an increase of 3.3 per cent. Wages and other personnel expenses have increased by 6.2 per cent in 2009 as a result of a greater number of fulltime equivalents, negotiated wage settlements and higher pension and training costs. A reduction in overtime has been a major focus in 2009. Overall there was a decline in the number of compensated overtime hours of just over 13 per cent compared with 2008. Other operating costs related to services subject to competition including security, ploughing, operations and maintenance increased by 4.7 per cent. Avinor took over

responsibility for the assistance service for persons with reduced mobility from the airlines on 26 July 2008, and this made a contribution to the higher costs in 2009, which was the first full operating year for this service. The Group has reduced costs in a number of other areas, including a reduction in the use of consultants and a reduction in travel activities.

Operating profit was NOK 1,183.4 million in 2009, compared with NOK 1,395.9 million in 2008. Adjusted for intra-group transactions and distributions, Oslo Airport Gardermoen accounted for an operating profit of NOK 1,861.4 million and the International Airports Division accounted for an operating profit of NOK 692.7 million. The profit from these airports helps finance the rest of the airport network, which showed an overall operating loss of NOK 1,120.8 million.

Net financial items totalled NOK -324.5 million, compared with NOK -313.7 million in the previous year. This change is due primarily to higher net interest-bearing debt, as well as the costs associated with raising a new bond loan in May 2009.

The tax charge for the year was NOK 254.0 million, which gives an effective tax rate of 29.5 per cent. The effective tax rate is higher than 28 per cent due to permanent differences between the profit and loss accounts and the tax accounts.

### CASH FLOW AND CAPITAL STRUCTURE

The Group had a net positive cash flow of NOK 1,365.1 million in 2009, compared with a net negative cash flow of NOK 1,083.7 million in 2008. The change is due primarily to the fact that the Group raised NOK 2,594.0 million in new debt in 2009. Cash flow from operating activities declined by 11.1 per cent to NOK 2,276.2 million, while net investments, interest and repayment of debt totalled NOK 3,505.1 million. Significant account items with no cash flow effect include depreciation of NOK 999.9 million.

The Group's total equity was NOK 22.4 billion, and the equity ratio was 59.5 per cent, cf. note 3. A significant portion of the total equity consists of fixed assets. In connection with the expansion of Oslo Airport Gardermoen the remaining debt to the Norwegian state totals NOK 5.6 billion as at 31 December 2009. The actuarial factors used to calculate the Group's pension liabilities are based on recommendations from the Norwegian Accounting Standards Board. The recognised pension liabilities have been reduced by 8.9 per cent to NOK 1,982.4 million, primarily as a result of modified economic assumptions. At year end the Group had current liabilities of NOK 1,954.7 million and liquid reserves of NOK 1,418.3 million.

## FINANCIAL RESULTS FOR AVINOR AS

The parent company's profit after tax was NOK 510.6 million in 2009, compared with NOK 791.1 million in the previous year. This change is attributed primarily to higher operating costs and lower group contributions from subsidiaries.

Operating revenues increased by 2.5 per cent to NOK 4,170.8 million, while operating costs increased by 6.2 per cent to NOK 4,451.7 million. The operating result was a loss of NOK 290.0 million, compared with a loss of NOK 117.2 million in 2008.

The parent company had a net positive cash flow of NOK 1,371.9 million in 2009, compared with a net negative cash flow of NOK 1,029.2 million in 2008. Net investments totalled NOK 1,295.1 million. The profit and loss account was charged NOK 493.3 million for depreciation. The parent company's total equity is NOK 14.3 billion. A significant portion of the total equity consists of fixed assets.

## FINANCIAL RISK

In addition to operational risk, Avinor's operations are exposed to risks of a political, regulatory, market-related, financial and legal nature. Operationally, our activities focus a great deal on safe air traffic management with detailed guidelines for, and active management of, measures to minimise the risk of accidents and serious incidents.

Avinor's operations are characterised by heavy investments in structural infrastructure with an expected life of several decades. In addition, the operations and preparedness require regulated manning levels. Our operations are therefore characterised by a high percentage of fixed capacity costs that vary little with changes in the air traffic, and cannot quickly be adapted to any reductions in the traffic volume. The Group's results are therefore sensitive to traffic fluctuations, and there is a risk of an impairment in value with regard to the fixed assets in the Group's balance sheet. Experience has shown a strong correlation between the general economic trends (GDP) and the demand for air travel.

Oslo Airport Gardermoen (OSL) accounts for approximately 50 per cent of the Group's operating revenues and a significant portion of the Group's operating profit. The airport is a key source of funding for the rest of the airport network in Norway. OSL's earnings are exposed to both economic cycles and competition from airports outside the Avinor system.

Over 80 per cent of the Group's traffic revenues come from the three Norwegian operators, SAS, Norwegian and Widerøe. The

Group's earnings are exposed to future changes in the schedules and production by these companies. The Group's losses on receivables have been low historically. The majority of the Group's receivables are from the airlines. A small portion of the receivables are secured by means of bank guarantees and/or deposits.

Revenues from commercial offerings at the airports are important and this importance is increasing in relation to the Group's earnings. Changes to the associated framework conditions will have a significant negative financial impact.

The Norwegian state has defined Avinor as a company with sectoral policy objectives. This entails, for example, that the government sets guidelines for a number of duties imposed by society, including the operation of local airports, emergency preparedness duties and aviation fees. Depending on the various political priorities, this situation may entail uncertainty with regard to the scope and organisation of such duties.

The national and international regulatory activities are increasing, and there are extensive requirements regarding safety, security, aviation fees and certification. A high level of activity is still anticipated in the regulatory area. Initiatives from the European Commission will provide strict guidelines for the choice of technical solutions and the future organisation of air navigation services in Europe.

The Group's activities entail various types of financial risk linked to the fluctuation of foreign exchange rates, interest rates and energy prices. The Group's policy is to not assume any significant financial risks and be able to cover its payment obligations when they fall due. Forward contracts are used to limit foreign exchange risk and to cover portions of the Group's future energy consumption. The Group's long-term liabilities are exposed to the fluctuation of long-term interest rates, since around half of the loans are government loans for which the interest rate is linked to the long-term government bond rate. A significant portion of the loan portfolio has otherwise fixed interest rates or is hedged by means of financial instruments.

When placing the Group's surplus cash, emphasis is given to the issuer's solidity and the liquidity of the investment in preference to the return. At year end cash is deposited in a bank on negotiated terms.

About two years ago the Armed Forces took the initiative to start negotiations for a new cooperation agreement with Avinor. The Government has stipulated a mandate for the process that encom-

passes cooperation on the day-to-day operations and the rights to areas critical to aviation. The aim of this agreement is to regulate all aspects of this cooperation, including the provision of services and distribution of costs related to airport operations and air navigation services. In a letter dated 11 March 2009, the Attorney General concluded that Avinor must pay the Armed Forces for the transfer of land at Trondheim Airport Værnes and Bergen Airport Flesland. There is uncertainty related to what annual compensation Avinor must pay for areas critical to aviation, or what compensation must be paid in the event of a transfer.

The parties' reports were sent to the Ministry of Defence and the Ministry of Transport and Communications on 15 May 2009 for consideration. The company must take a stand on this matter when the conclusions from the ministries are made known.

#### **GOING CONCERN**

The 2009 financial statements have been prepared under the assumption that the company will continue as a going concern (cf. Section 3-3 of the Accounting Act) on the basis of forecasts and the calculated present value of estimated future cash flow. See note 6 to the annual accounts for further details.

## **OSL Terminal 2**

In 2008 the Group applied for a licence to expand the terminal capacity at Oslo Airport Gardermoen (OSL). The current facility opened in October 1998 with an estimated annual capacity of 17 million passengers. After ongoing expansion and adaptations, the current annual capacity is estimated to be around 23 million passengers. Since the first full year of operation, traffic has increased by around 38 per cent at OSL. Air traffic forecasts indicate increasing traffic and the airport will be operating increasingly closer to full capacity as a result of this. Phase 1 plans to increase the annual capacity to 28 million passengers.

A development project running parallel to ongoing operations is complex, and with the building decision to be made in 2010, the start-up of a new expanded facility will not take place until 2016/2017 at the earliest. Pending approval of the licence application, it is assumed that the Board can make a decision in 2010.

OSL plays a decisive role in the Norwegian aviation system, since around 70 per cent of all domestic flights and around two-thirds of all international flights, as well as around 70 per cent of all domestic and international air freight go through OSL. OSL's future growth and earnings are decisive to safeguarding Avinor's financial

value and capacity to finance future operations and investments in Norwegian aviation. The project has a very positive socio-economic and business economic present value based on the existing traffic forecasts.

## **Corporate governance**

Avinor is wholly owned by the Norwegian state through the Ministry of Transport and Communications. The Transport and Communications Minister constitutes the company's General Meeting and is the company's highest authority. Avinor issued bonds that are listed on Oslo Børs in 2009. The Board attaches importance to following the recommendation of Oslo Børs with regard to the Group's corporate governance whenever possible. Prinsippene supplerer regjeringens fokusering på eierstyring og selskapsledelse ved forvaltningen av statens eierskap.

The company does not have a corporate assembly, but has four employee representatives on the Board based on an agreement with the employees. All board members are elected for a term of two years. There were no changes to the owner's members on the Board in 2009. In 2009 the Corporate Democracy Committee approved the application for a corporate scheme entailing that employees of Avinor AS and its subsidiaries are eligible to stand for election to the company's Board. The number of employee representatives was increased at the same time from three to four after clarification with the owner. Elections were held for employee representatives to the Board. After this the Board consists of six shareholder-elected members and four representatives that are elected by and from among the employees. The percentage of women among the board members is 50 per cent.

Remuneration of the Board is determined by the General Meeting. The Board sets the Managing Director's salary. The Board's and the Managing Director's responsibilities and duties are set out in rules of procedure for the Board and instructions to the Managing Director, both of which are determined by the Board. The rules and instructions are reviewed and updated in the event of changes to the relevant regulations and otherwise as required. The Board determines an annual plan for its work, with a special focus on objectives, strategies and implementation.

Avinor has an independent external auditor appointed by the General Meeting based on a recommendation from the Board. The auditor participates in the Board's consideration of the annual accounts. The Group has an internal audit that follows an audit plan approved

by the Board. The audit plan is updated at least once a year, and observations and findings are reported to the Board every six months. The Board has decided to establish an audit committee in the first half of 2010. The committee will be a preparatory body for the Board and support the Board with respect to its responsibility for financial reporting, auditing, internal control and overall risk management.

The Group's subsidiaries have their own boards comprised of internal managers and employees. The appointment of the board and the board's work in subsidiaries shall be in accordance with the Group's principles for good corporate governance.

## Outlook and framework conditions

Aviation is highly sensitive to economic cycles, and Avinor's earnings are sensitive to fluctuations in the traffic volume, cf. the aforementioned financial risk. Continued satisfactory air traffic growth is expected based on continued economic growth, continued internationalisation of the industry, increased cultural interaction, population growth and immigration. Growth will primarily be in the larger cities and Eastern Norway in particular. OSL is expected to take an increasing share of Avinor's total volume of traffic in the coming years.

Avinor finds itself in a financially demanding period with major investment requirements. The investment requirements are caused

in part by postponements and necessary upgrades to the infrastructure throughout the country, in part by changes to the regulatory framework, and in part by the need to expand the capacity at the international airports. As a result of major investments, a negative cash flow is expected before new loans and other financing is raised.

The Group's earnings, investment plans and other financial framework conditions are continuously monitored. The Group pursues an active dialogue with the owner regarding these questions.

## Allocation of the profit for the year


The Board proposes the following allocation of the profit for the year:

Dividend:	0
To other reserves:	NOK 510.6 million

Based on the annual accounts a group contribution of NOK 29 million will be paid to the subsidiaries. The distributable equity was NOK 1,380.5 million as at 31 December 2009.

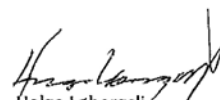
The company continued to perform well with respect to air safety and day-to-day operations in 2009. The Board would like to thank all the employees and partners for their efforts in 2009.

OSLO, 25 MARCH 2010

  
Inge K. Hansen  
Styrets leder

  
Kristin Vangdal  
Styrets nestleder

  
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Sverre Quale  
konsernsjef



# MAIN FIGURES

All amounts in million NOK

Main figures Avinor konsern	2009	2008	2007
<b>Profit and loss account</b>			
Traffic income	4 088	4 120	3 718
Public procurement	0	0	0
Other income	3 268	3 264	2 971
Total income	7 356	7 384	6 689
Operating profit	1 183	1 368	1 307
Net profit for the year	605	765	731
<b>Balance sheet</b>			
Fixed assets	20 034	19 126	17 506
Current assets	2 349	1 034	2 104
Equity	10 111	9 285	9 120
Provisions	2 027	2 228	1 940
Long-term liabilities	8 290	6 164	6 432
Short-term liabilities	1 955	2 483	2 118
Total capital	22 383	20 160	19 610
Investments	2 152	2 565	2 190
<b>Air traffic (in 1000)</b>			
Total no og passengers	38 678	40 321	39 479
Flights	760	800	786
<b>Key figures</b>			
Liquidity ratio in %	120 %	42 %	99 %
Equity-to-assets ratio in %	55 %	60 %	59 %
<b>Personal</b>			
Employees	2 910	2 995	2 850

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 in accordance with IFRS.



**AVINOR**

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