

Avinor AS

Debt Investor Presentation

April 2015

Petter Johannessen, CFO



Agenda

1. Avinor in brief

2. Group performance overview

3. Business segments

4. Financial review and strategy

Appendix

Avinor's mission

- To develop and operate a safe, effective and sustainable aviation system in Norway



Key credit highlights

1. The main airport operator and air navigation service provider in Norway with near monopoly position
2. 100% government ownership (covenant) & strategic importance to Norway
3. Supportive regulatory environment
4. Well-diversified revenue base from operations
5. Diversified portfolio of 46 airports under full ownership with Oslo as major hub
6. Solid long term growth prospects
7. Resilient margins with high cash conversion rates
8. Conservative capital structure & stable ratings from S&P and Moody's (AA-/A1)

Key developments since the previous EUR bond issue in March 2014

- An early stage of a cost efficiency programme to meet the structural changes in the aviation industry
- Restructuring of the legal structure of the Avinor group
 - Established new legal entities Avinor Flysikring AS (Air Navigation Services) and Avinor Utvikling AS (Real estate holding company)
- In process of selling of Radisson Blu hotel at Oslo Airport, to strengthen equity for the Avinor group while building a new terminal at Bergen airport
- Avinor has again been appointed as the operator of Norwegian national en route traffic control services until 2024 and tower and approach control services until 2017
- Issued 7 year EUR bond and 5 year NOK FRN bond in 2014. Planning to issue 10 year EUR bonds in 2015, and to revert to the EUR market in 2016

The importance of Avinor

Availability:

- Two out of three Norwegians have access to an airport within an hour's travel
- 99.5% of the population can visit Oslo and return home the same day
- Due to the layout of the country and the geographical dispersion of the population, flights is of great importance to regional growth and accessibility to regional centres

Employment:

- Aviation provides approx. 60,000 jobs
- Its importance is particularly great in non-urban areas
- Overall, the impact of aviation is equivalent to approx. 2% of Norway's GDP

Importance to the oil and gas sector:

- 13% of all domestic flights are connected with this sector
- 50,000 helicopter trips and 700,000 passengers annually to the installations on the continental shelf

Importance to commerce:

- Great importance for business travel and transport of time-critical goods and high-value spare parts
- Over 200 direct connections between Avinor's airports and abroad
- Direct intercontinental travel is expected to triple in the next 10 years


Tourism:

- Of all tourists who visit Norway, 34% arrive by air, which is the form of transport that is increasing the most
- Spending by air tourists in Norway amounts to around NOK 14bn

Transport of patients:

- Around 325,000 patients are transported on scheduled flights each year. Aviation's importance to the health sector is greatest in Northern Norway
- More than 30,000 ambulance aircraft movements annually
- Assisted travel (for passengers with reduced mobility, etc.) covers approx. 170,000 trips annually

Government ownership and strategic importance to Norwegian infrastructure

Category 1: Commercial objectives	Category 2: Commercial objectives and domestic headquarter	Category 3: Commercial and other defined objectives	Category 4: Regulatory and political objectives
Baneservice	DNB	Eksportkreditt	 AVINOR
Entra	Kongsberg	NSB	Norsk Tipping
SAS	Norsk Hydro	Posten	NRK
Flytoget	Statoil	Statkraft	Petoro
Mesta	Telenor		Statnett
	Yara		Statskog
			Vinmonopolet

Importance of «government related entity»

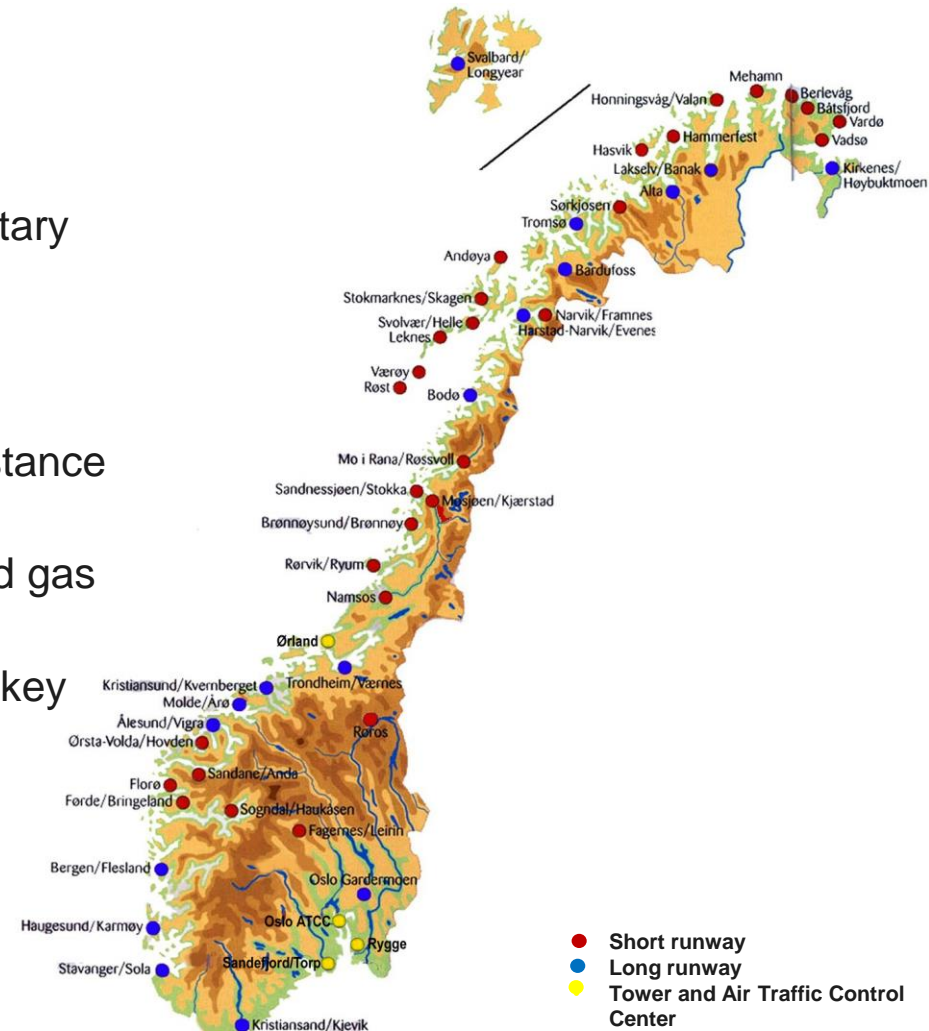
A Category 4 company* fulfils national sectorial political objectives. The Norwegian government sets guidelines for a number of conditions, including airport structure, emergency preparedness, aviation fees and duties imposed by society.

* Norsk Tipping (state lottery); NRK (national broadcaster); Petoro (government ownership in oilfields); Statnett (grid owner); Statskog (forestry); Vinmonopolet (wholly owned by the state and has a monopoly of sale of wine, spirits and strong beer)

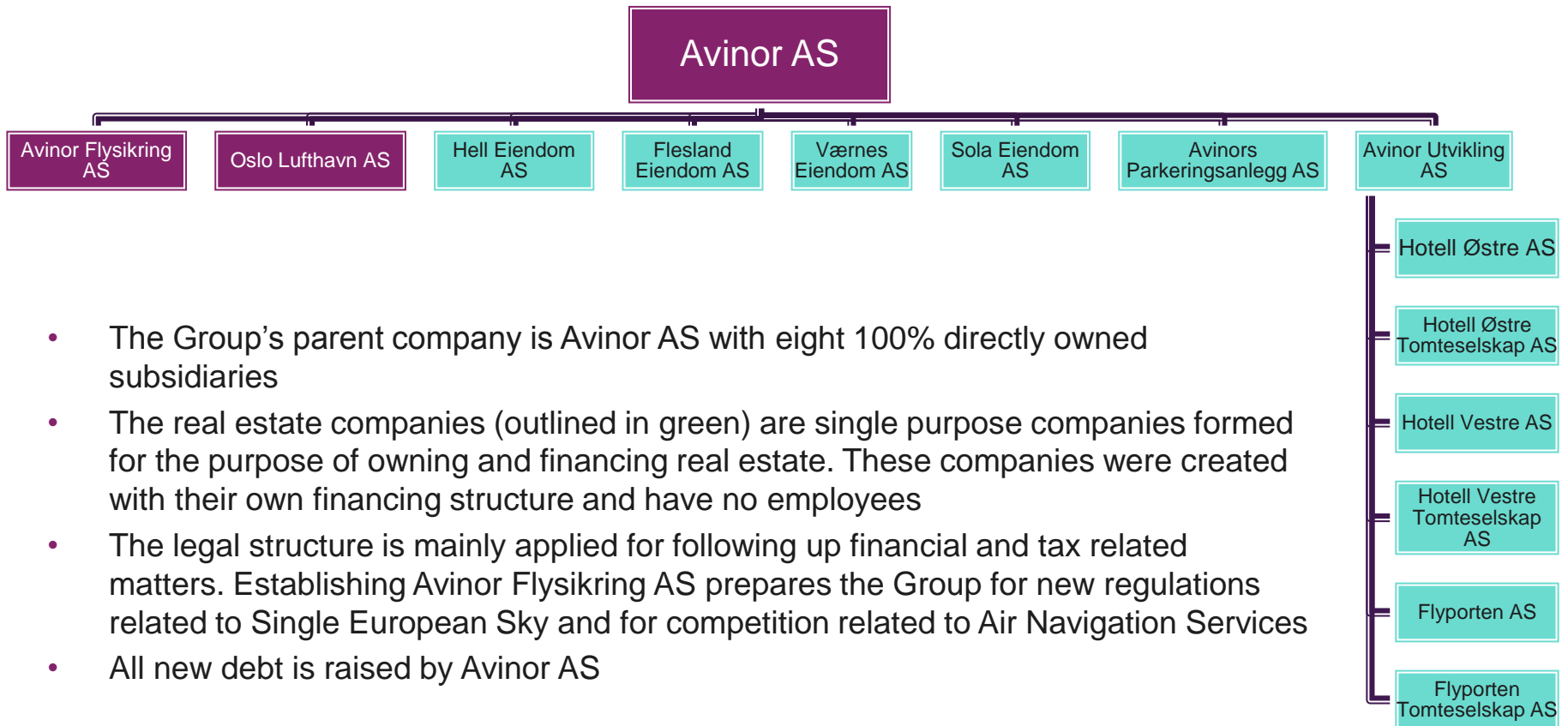
Aviation in Norway

Norwegian air traffic per capita is five times higher than the European average

- 2,650 km mainland coast line
- Avinor operates 46 airports in Norway
- 3 air traffic control centres for civil and military aviation
- 50.1 million passengers annually
- 0.85 million aircraft movements annually
- > 30,000 air ambulance and medical assistance movements annually
- > 0.7 million passengers to offshore oil and gas installations per year
- Extensive air cargo operations supporting key industries (e.g. seafood export)
- Avinor market share in Norway 2014:
 - 97% of domestic passengers
 - 86% of international passengers



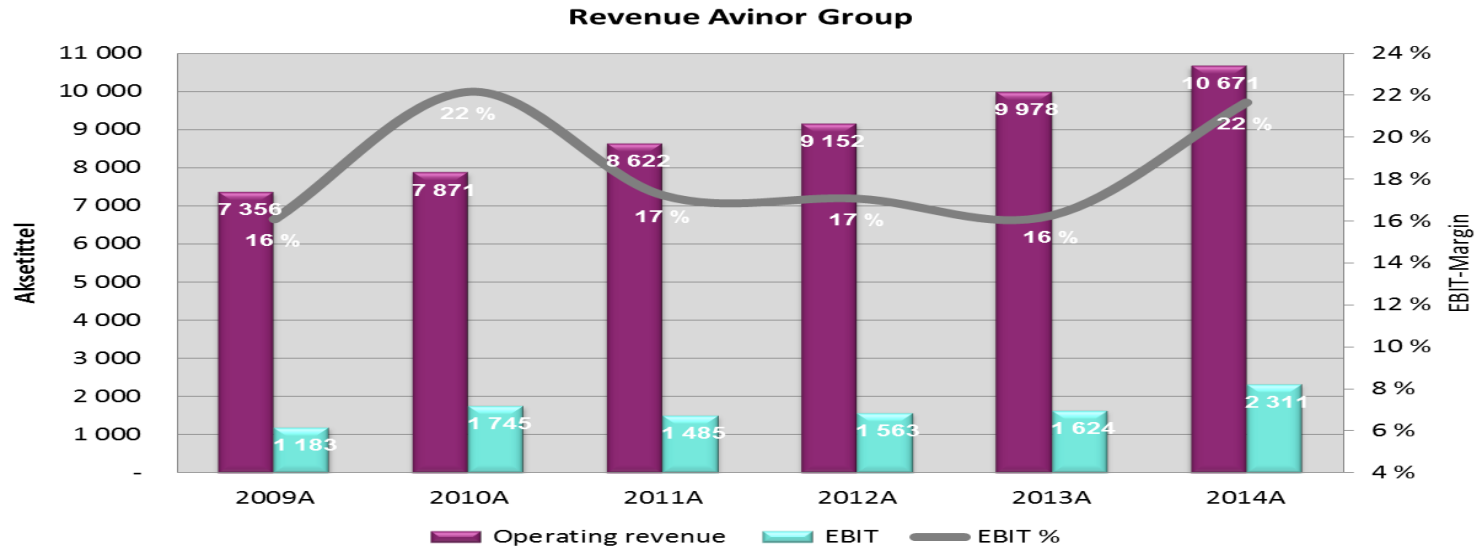
Group legal structure



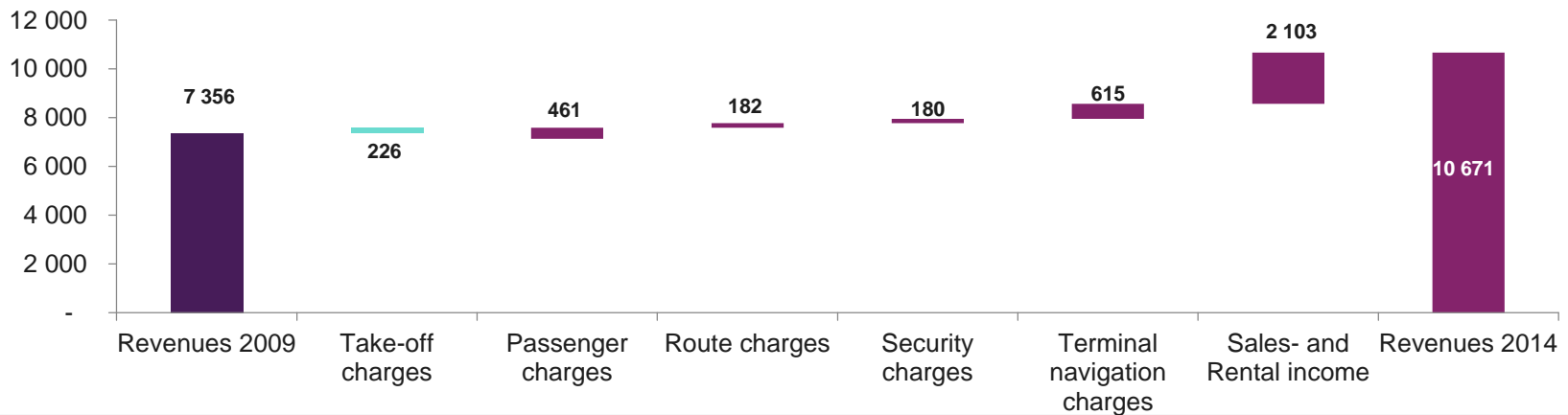
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Strong revenue growth over the last 6 years



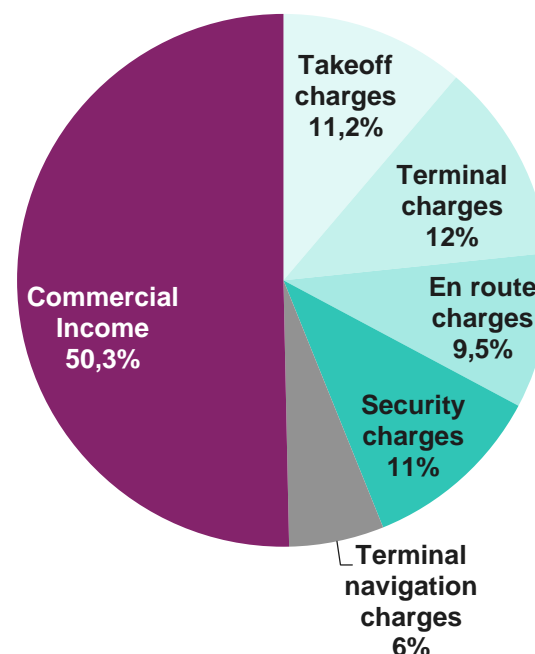
Drivers of Revenue Growth 2009 – 2014 (MNOK)



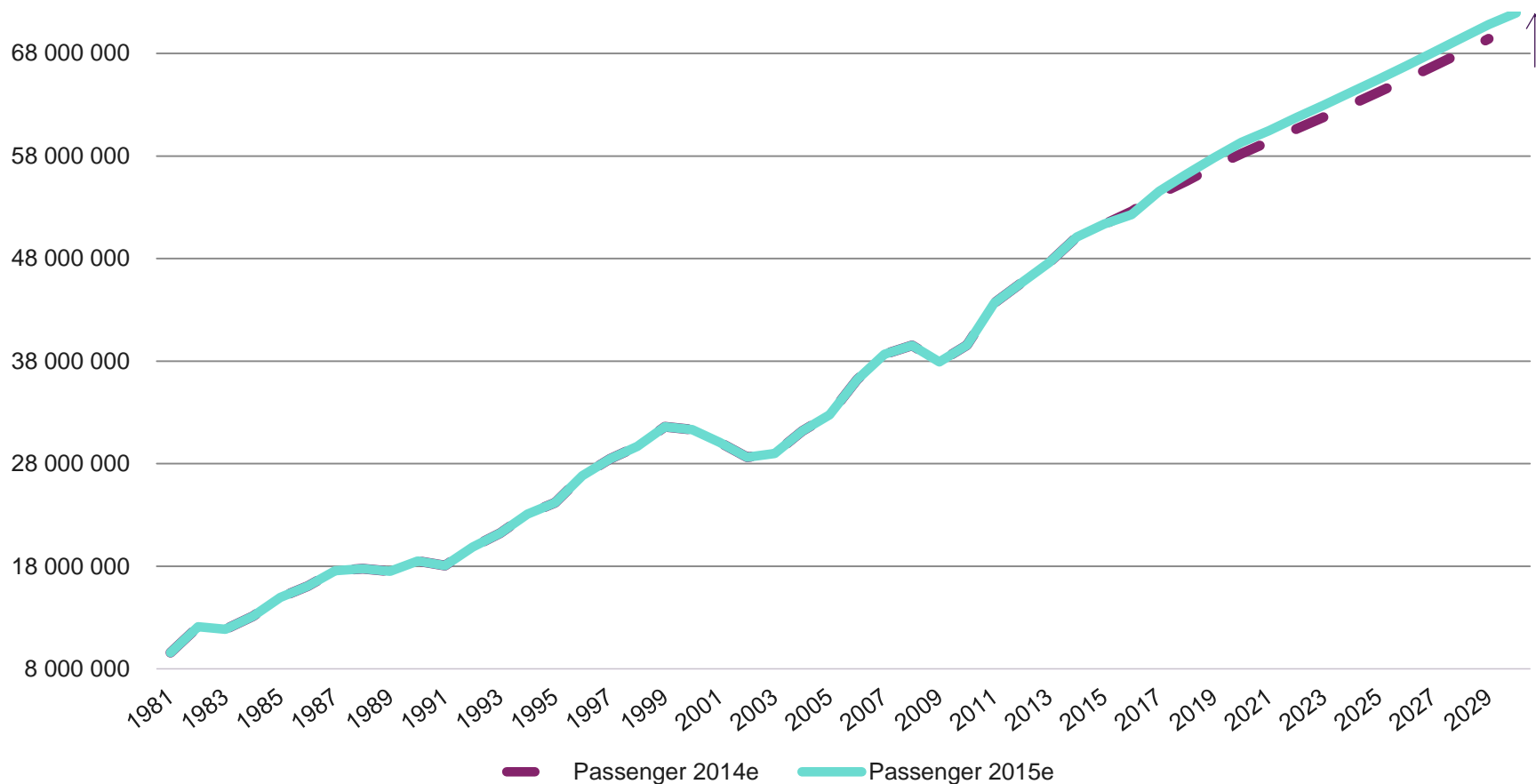
Well-diversified revenue base from operations

- **Balanced portion of regulated vs. commercial revenues:** Avinor has a diversified revenue base as traffic income through aviation charges only accounted for 49,7% of revenue in 2014, a small decrease of 0,3% from 2013
- **Diversified other income:** The balance comprises the facilities and services provided at the airports to passengers and others and stems from commercial activities such as car parking and hotel operations, leasing of commercial areas and tax-free shops and restaurants

Revenue Distribution 2014



Strong passenger growth



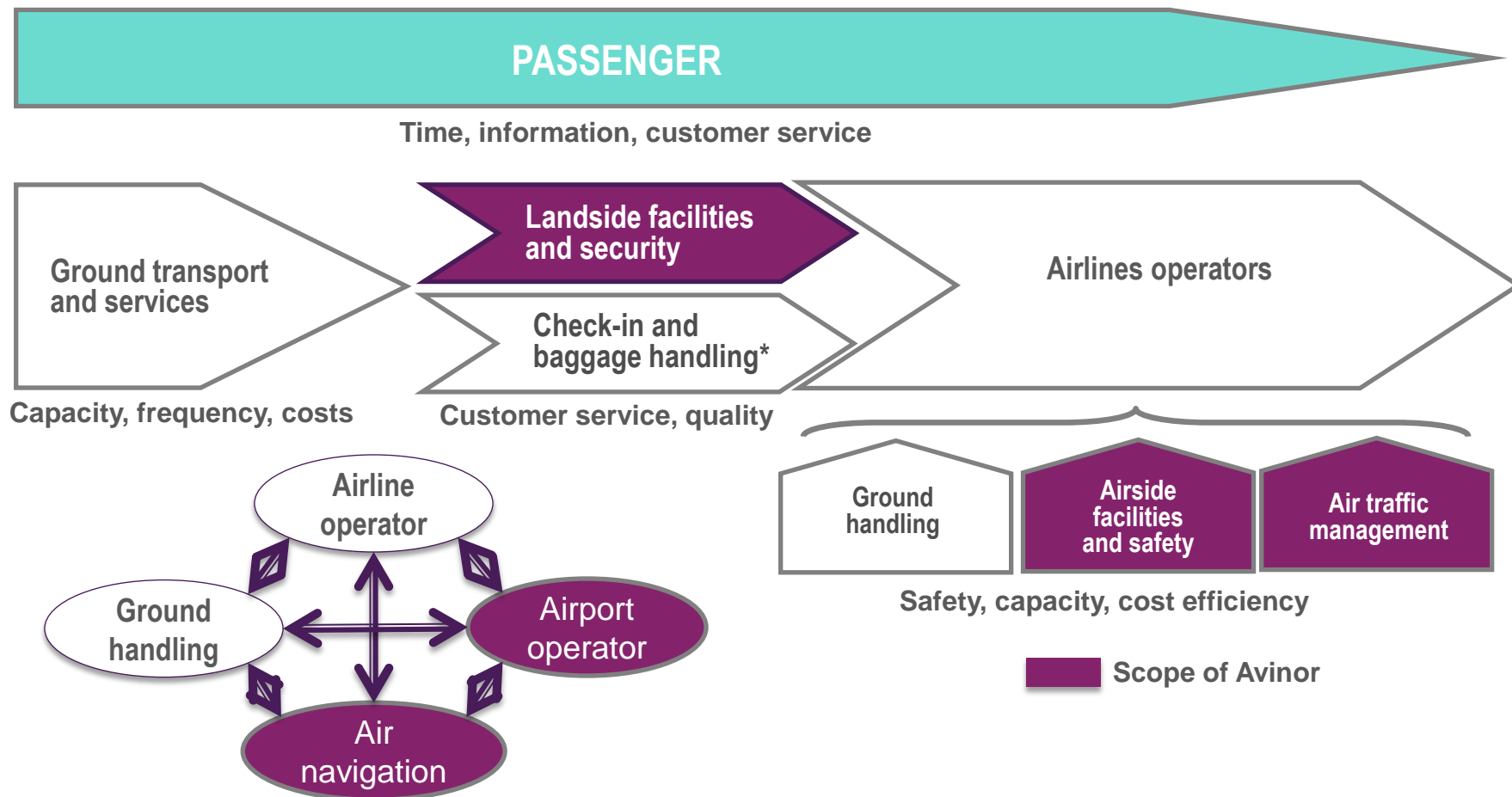
* 1981 - 2014: Official figures from Avinor

* 2015 - 2030: Forecast from Avinor / Institute of Transport Economics ("TØI")

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Avinor is a critical enabler for successful operation of Norwegian aviation



* Avinor provides some infrastructure such as Common-Use Self Service (CUSS) terminals and baggage self scan equipment

Airport operations

Service areas:

- Airside operations
- Landside operations and security
- Commercial services

Revenue drivers:

- Number of passengers
- Aircraft movements / take-off weight
- Commercial penetration

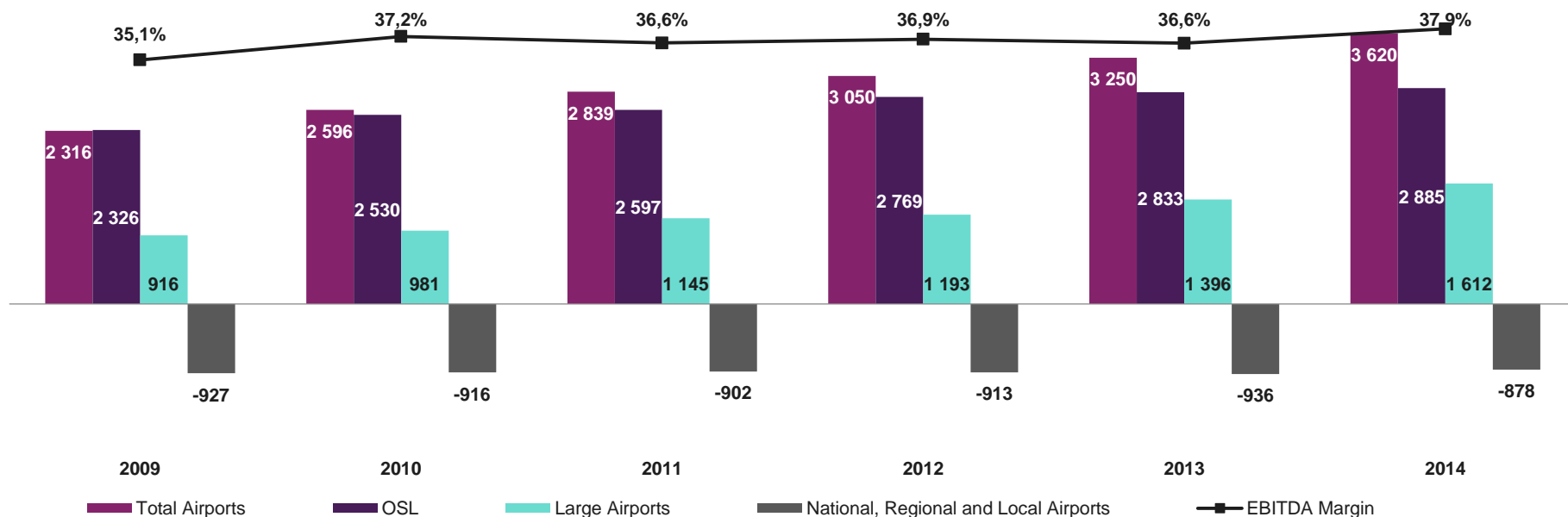
Cost drivers:

- Safety requirements
- Security requirements
- Operating hours



Operating performance of Avinor airports

Evolution of EBITDA (MNOK)

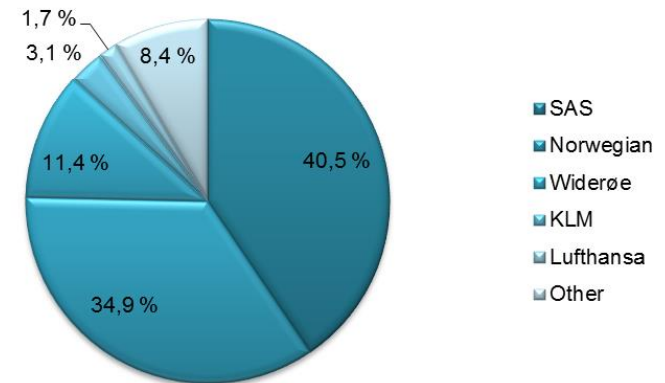


- The very strong performance of OSL and other Large Airports allows to fund the deficit of smaller airports and support the system and societal objectives of the government
- Overall performance has improved demonstrating the robustness of the system

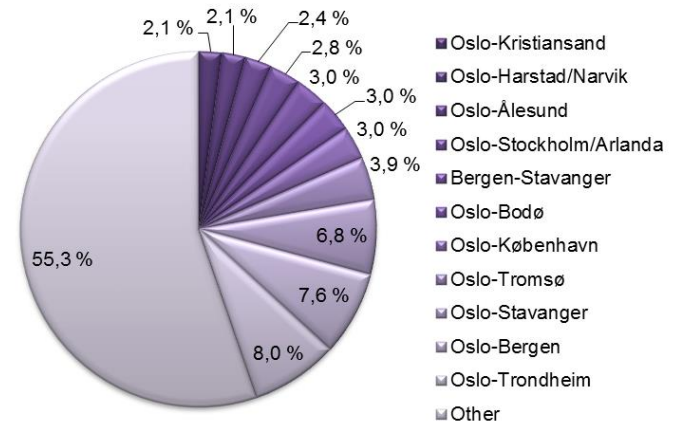
Split of traffic income reflects large share of domestic business and demonstrates limited reliance on specific routes and airlines

- Top 5 airline customers are SAS, Norwegian, Widerøe, KLM and Lufthansa and contributed to 81% of 2014 traffic income revenues on scheduled route and charter flights
- SAS alone represents approx. 40% of traffic income (up from 36% for 2013) and Norwegian represents approx. 35% of passenger traffic in 2014 (down from 38.8% in 2013)
- Commercially, all customers are treated equally when considering the charges and incentives programmes
- Domestic passengers represented 42.6% of total passengers at OSL in 2014 (down from 45% in 2013)
- The key catchment area of Avinor's network of airports is the entire Norwegian territory, although Oslo region represents the most important catchment area. The population of Norway is forecasted to increase by 5% between 2013 and 2017 from 5.05m to 5.3m which will support air travel demand*
- Our main route accounted for only 8% of our traffic income for passenger flights in 2014 and top 10 routes accounted for 42.6%

Split of traffic income by airline (2014)



Split of traffic income by route (2014)



*source: Statistics Norway («SSB»)

Air Navigation Services (ANS)

Service areas:

- En route
- Approach/Tower
- Communications, navigation and surveillance (CNS)

Revenue drivers:

- En route service units
(flown distance / aircraft weight)
- Aircraft movements

Cost drivers:

- Safety requirements
- Capacity requirements
- Operating hours



High share of origin & destination traffic supports credit quality

Evolution of O&D share of passengers in Avinor airports



- O&D represented 84% of total passengers in 2014
- For international passengers, the proportion of transfers averaged only 12% over the past 5 years
- Avinor is less dependent on transfer traffic than other traffic airport operators
- Strong domestic demand for air transport
- Avinor is well positioned to take market share in transfer due to growth potential in international traffic

Commercial operations

Almost 50% of Avinor's revenue comes from commercial operations.

- Duty Free sale is the most important revenue driver

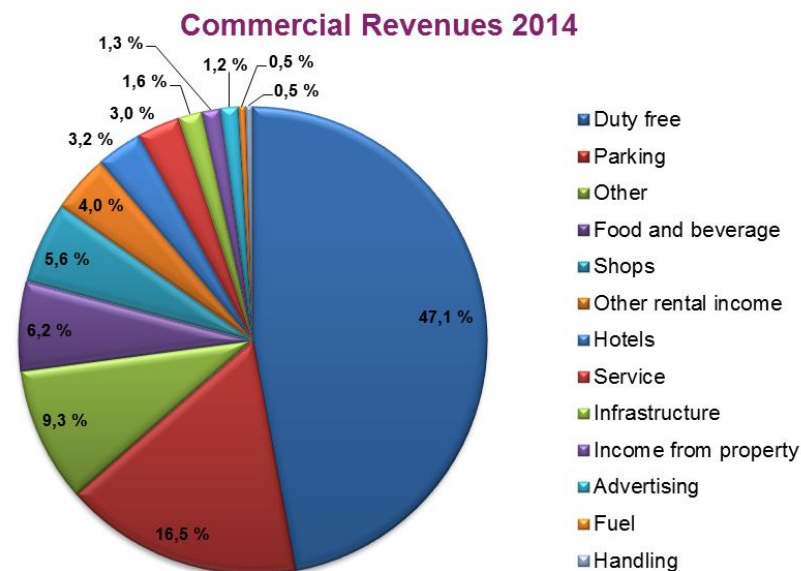
The Group has established a real estate portfolio of hotels and car parks that are organised as wholly owned SPV's.

- The Real estate companies develop and build airport hotels
- The operation is outsourced to external operators such as Choice, Rezidor and Scandic
- There is considerable potential for further development of real estate surrounding the largest airports
- Process initiated to sell the “Radisson Blu Airport hotel” at Oslo Airport, Gardermoen



Commercial revenues are a key source of existing revenues and future growth

Commercial Revenues (MNOK)	2013	2014	2015
Advertising	60.9	66.3	8,9 %
Duty free	2 342.7	2 526.1	7,8 %
Food and beverage	313.9	331.1	5,5 %
Fuel	20.0	25.6	28,0 %
Handling	26.4	25.1	-4,9 %
Hotels	190.3	170.0	-10,7 %
Income from property	62.4	69.7	11,7 %
Infrastructure	90.9	87.4	-3,9 %
Parking	813.4	884.0	8,7 %
Service	148.4	159.4	7,4 %
Shops	276.1	302.9	9,7 %
Other rental income	176.1	215.9	22,6 %
Other	471.5	501.5	6,4 %
Total	4 939.0	5 365.0	7,5 %



- Commercial revenues offer the highest potential growth rates for Avinor
- Due to high taxes on items such as cigarettes and alcohol in Norway, there is a strong incentive to purchase duty free goods upon leaving and arriving in the country via Avinor airports

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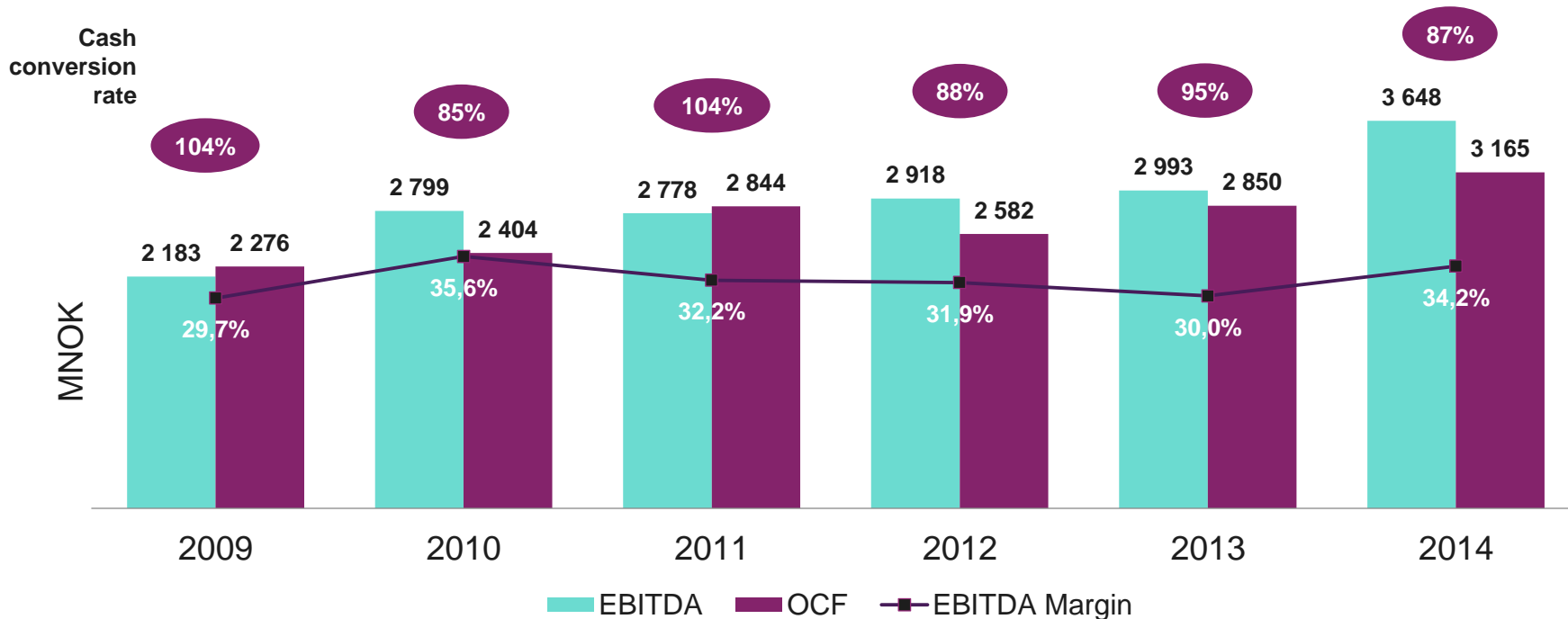
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Historical summary of income statement

MNOK	2009	2010	2011	2012	2013	2014
Total operating income	7,355.5	7,870.8	8,621.8	9,152.1	9,977.6	10,671.0
Operating expense	6,163.7	5,072.1	5,841.9	6,233.9	6,984.6	7,022.8
Changes in values and other losses/gains, net	-8.4	36.2	-35.8	-20.3	0.1	-2.8
Operating profit	1,183.4	1,744.8	1,485.4	1,562.2	1,619.6	2,305.3
EBITDA	2,183.3	2,798.6	2,779.9	2,918.2	2,993.0	3,648.3
EBITDA margin	29.7%	35.6%	32.2%	31.9%	30.0%	34.2%
Net finance costs	324.5	325.6	295.0	355.9	346.0	368.6
Profit before income tax	858.9	1,419.2	1,190.4	1,206.3	1,273.6	1,936.7
Income tax expense	254.0	411.1	346.8	351.6	382.7	538.0
Profit for the year	604.9	1,008.1	843.6	854.7	890.9	1,398.7

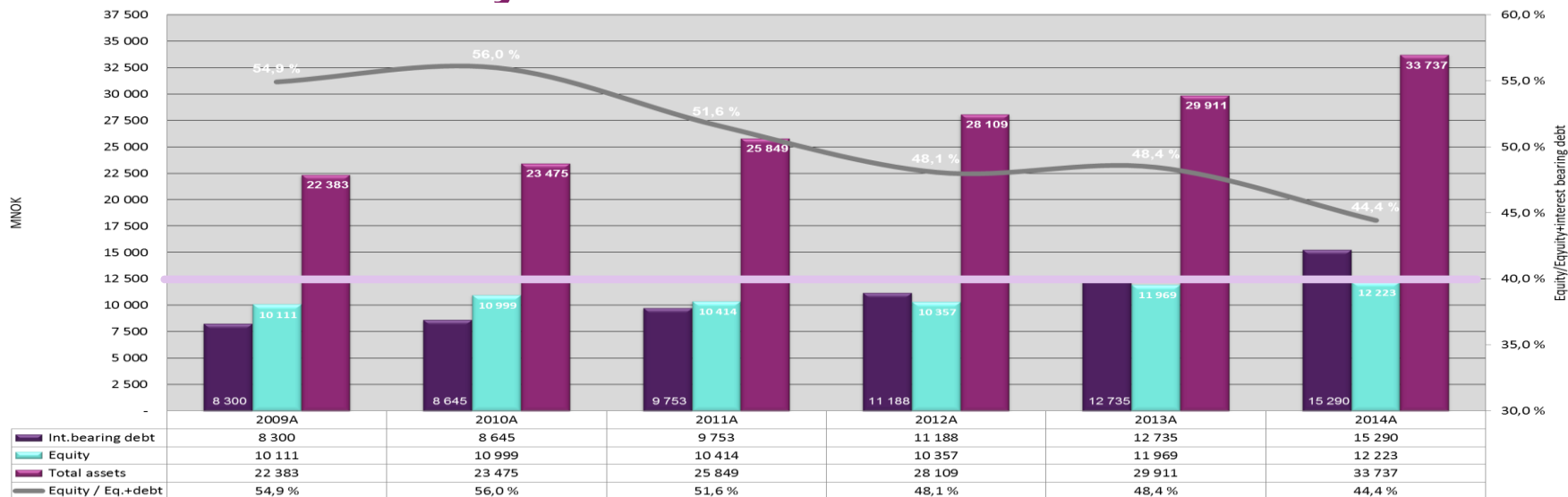
Resilient margins with high cash conversion rates

- Avinor's margins have proven very resilient through the cycle, despite the global financial crisis and the ash cloud air traffic disruption
- The cash conversion rate* has also historically been very high at an average 94% over the last 6 years



*OCF (cash flow from operations) / EBITDA

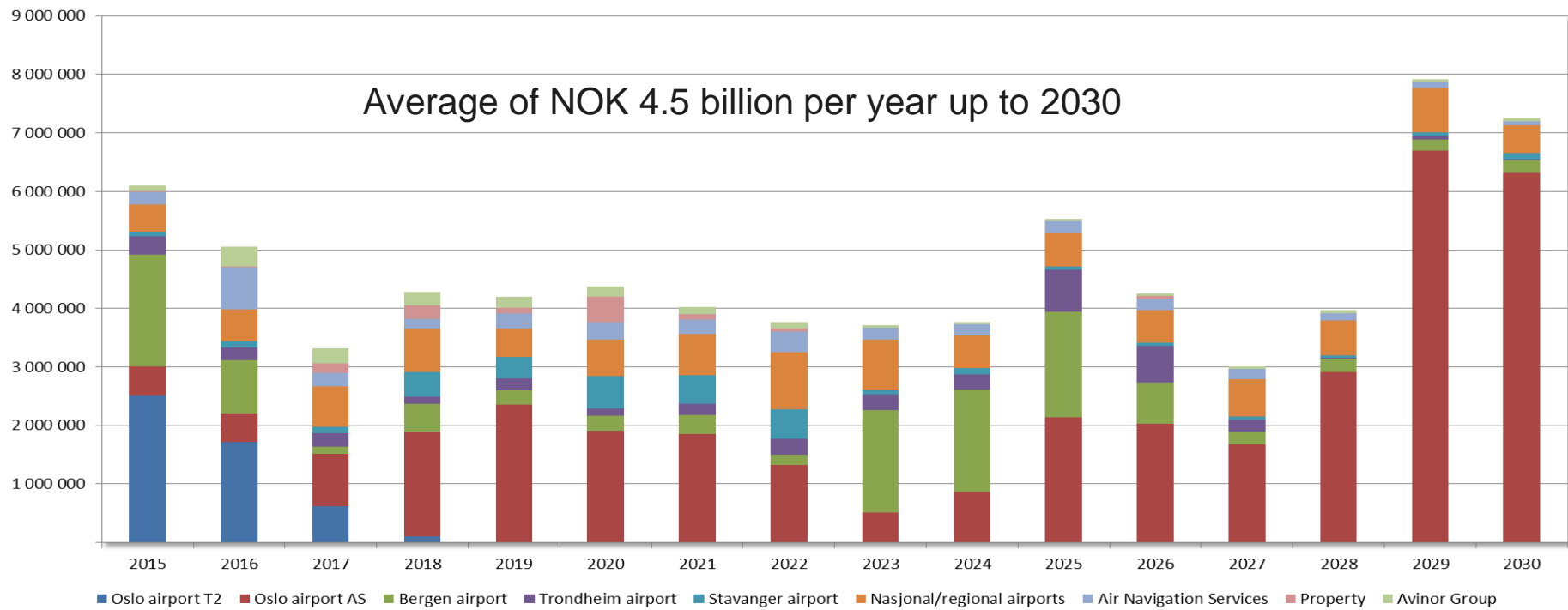
Historical summary of balance sheet 2009 - 2014



MNOK	2010	2011	2012	2013	2014
Assets					
Total intangible assets	2,090.3	2,473.0	2,577.4	2,068.4	2,053.9
Total property, plant and equipment	18,706.3	20,060.5	22,854.2	25,578.7	28,954.5
Total financial assets	29.4	74.3	101.9	138.3	350.8
Total non-current assets	20,826.0	22,607.8	25,533.5	27,785.4	31,359.2
Cash and cash equivalents	1,570.4	2,109.7	1,315.7	673.7	932.0
Total current assets	2,648.8	3,240.7	2,575.7	2,125.6	2,377.3
Total assets	23,474.8	25,848.5	28,109.2	29,911.0	33,736.5

MNOK	2010	2011	2012	2013	2014
Equity and liabilities					
Total equity	10,999.0	10,414.3	10,356.7	11,969.4	12,222.6
Total provisions	1,941.7	3,276.6	4,065.3	2,600.8	3,050.3
Total non-current liabilities	8,207.5	9,096.5	10,109.8	11,102.7	14,067.0
<i>of which debt</i>	<i>8,131.0</i>	<i>8,978.2</i>	<i>9,967.0</i>	<i>10,989.4</i>	<i>13,938.5</i>
Total Current liabilities	2,326.6	3,061.1	3,577.4	4,232.7	4,396.6
<i>of which debt</i>	<i>513.5</i>	<i>774.5</i>	<i>1,220.9</i>	<i>1,745.5</i>	<i>1,351.9</i>
Total liabilities	12,475.8	15,434.2	17,752.5	17,941.6	21,513.9
Total equity and liabilities	23,474.8	25,848.5	28,109.2	29,911.0	33,736.5

Investments



Avinor's main investments

Largest ongoing project:

Extended terminal capacity at Oslo Airport

- ✓ Scheduled for completion 27 April 2017
- ✓ Allocated funds: NOK 14bn ex finance cost, includes CAPEX and OPEX for the project



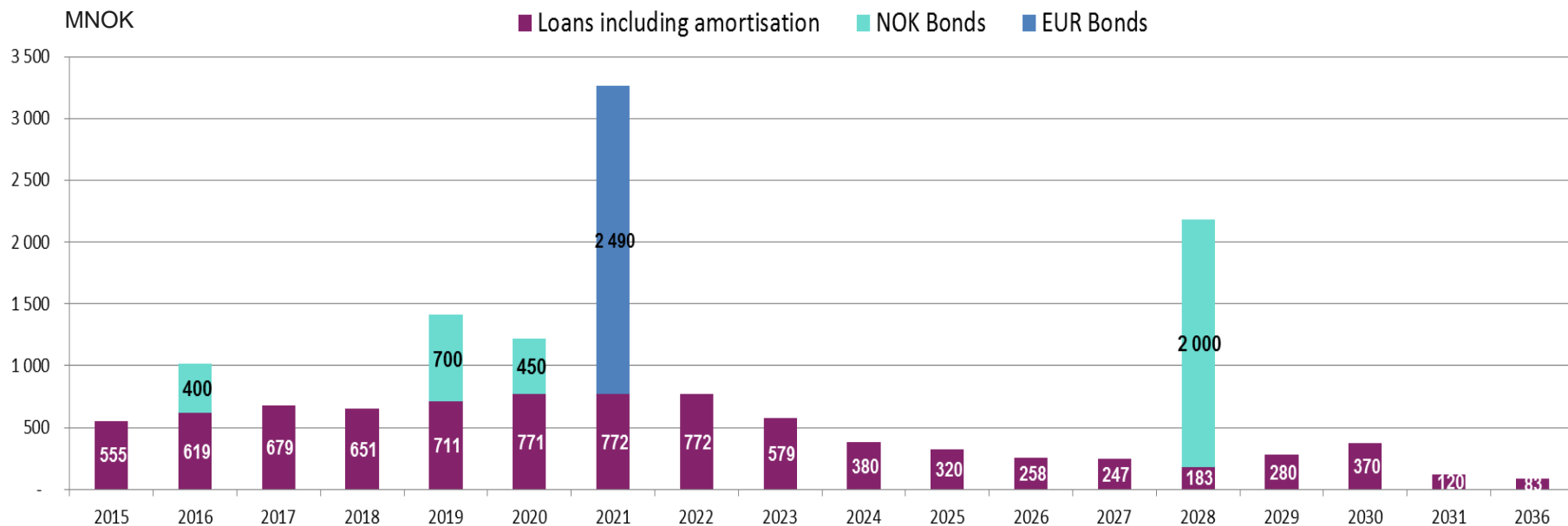
Bergen Airport, Flesland, new terminal

- ✓ Scheduled for completion within 2017
- ✓ Allocated funds: NOK 4.7bn ex finance cost, includes CAPEX and OPEX for the project



➤ Both projects are on schedule in terms of progress and budget.

Debt maturity profile (per 31.12.2014 excluding commercial paper)



- Avinor's loans are unsecured with negative pledge and 100% change of control clause
- Liquidity reserve > 12 month funding needs

Funding strategy

Long term funding preferred. Available sources of funding include:

- Eurobonds
- Norwegian bond market
- Commercial paper (with credit facilities as backstop)
- Nordic Investment Bank, European Investment Bank
- Bank loans (mainly for project companies)
- Other bond markets
- US Private Placement
- Capital injection from owner
- Drawdown on credit facilities

2015-2019: approximately NOK 12 bn funding needed, assuming:

- Re-financing of maturing debt NOK 5.5 bn (including NOK 1.2bn commercial paper)
- Yearly dividends not to exceed NOK 500 million for 2015 - 2018
- Realisation of approved projects as well as a number of currently non-approved projects
- Sale of Radisson Blu Airport Hotel at Oslo Airport is in process

Summary

Leading airport operator and air navigation service provider in Norway with near monopoly position

Diversified portfolio of airports under full ownership with Oslo as major hub

Government ownership and strategic importance to the infrastructure of Norway

Solid long term growth prospects

Supportive regulatory environment

Resilient margins with high cash conversion rates

Well-diversified revenue base

Conservative capital structure

- ✓ Strong cash flow generation from recurring revenue model, long-term customer relationships and substantial passenger growth opportunity
- ✓ Ample liquidity and comfortable covenant headroom
- ✓ Commitment to prudent financial policies and reasonable leverage
- ✓ Substantial deleveraging over the long-term plan horizon
- ✓ Long-term investments to support Norway's sustainable development and serve Norwegian society

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Supportive regulatory environment

Regulatory and industrial objectives



Ministry of Transport and Communications



Shareholder policies and objectives



Ministry of Transport and Communications



Alignment of
Shareholder and
Regulator objectives



- **A portion of revenues is regulated:** The Ministry determines special duties imposed on the Group by society, the required rate of return and dividends. In addition, the Ministry of Transport and Communications (i.e. the State) regulates the aviation fees on an annual basis
 - “Regulations Relating to Charges at Avinor AS’s airports” regulate airport charges
 - “Regulations Relating to Charges for Air Navigation Services Provided by Avinor AS” regulate En Route and Terminal Navigation charges. This regulation implements an EU Regulation (1794/2006)
- Avinor is regulated using a “Single till” approach (all commercial income is used to keep air traffic charges low)

Shareholder financial policy and objectives

Objective	St.meld.nr.36 (2003-2004)	St.meld.nr.15 (2006-2007)	St.meld.nr.48 (2008-2009)	St.meld.nr.38 (2012-2013)
Return on average capital employed after tax	7.0%	6.45%	7.6%	6.1%
Return on equity after tax	10.3%	9.7%	10.4%	9.5%
Dividend policy	Risk free interest rate times market equity value, limited to 40% of parent company net income	Risk free interest rate times equity value, limited to 75% of group net income	50% of group net income	50% of group net income**
Equity ratio*	Min 40%	Min 40%	Min 40%	Min 40%
Interest bearing debt	Max NOK 10.5bn	Max NOK 10.5bn	No limitation	No limitation
Market equity value	Not valued	NOK 8.3bn (Deloitte)	NOK 8.3bn (Ernst & Young)	NOK 10.3bn (Ernst & Young)

* Equity / Equity + interest bearing debt, ref. article 11 in company by-laws

** Dividends later capped by Government at 0,5 bn yearly for fiscal years 2014-2017 (with cash effect 2015-2018) to allow Avinor to retain more funds while investing in new capacity both at Bergen and Oslo airports

Disclaimer

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