MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns (P)A1 rating to Avinor's EMTN programme; stable outlook

19 Dec 2013

London, 19 December 2013 -- Moody's Investors Service has today assigned a provisional long-term senior unsecured rating of (P)A1 rating to the EUR1.5 billion euro medium-term note (EMTN) programme of Avinor AS. The outlook assigned to the rating is stable.

RATINGS RATIONALE

The (P)A1 rating reflects the standalone credit quality of Avinor, expressed as a baseline credit assessment (BCA) of a3 together with two notches of uplift to reflect the likelihood of extraordinary support being provided by the Government of the Kingdom of Norway (Aaa stable), in the event that this were ever to be required to avoid a default. This incorporates the strategic importance of Avinor's assets and the recent examples of extraordinary State support including a payment holiday on the State loan provided to Avinor, subsidies and a relaxation of dividend payments in 2009 and 2010 (although we note that Avinor does not receive direct ongoing State subsidies in contrast to certain other State-owned companies).

The a3 BCA reflects: (i) the strong business profile of Avinor, on account of its near monopoly position and modest trans-model competition for medium-long distance travel within Norway; (ii) a supportive strategic framework established by the State which reflects the importance of Avinor's operations to achieve societal objectives; (iii) relatively robust traffic growth underpinned by strong passenger volume increases recorded by the Oslo Airport and Large Airports divisions, which is expected to continue albeit at somewhat lower levels.

However, the BCA is constrained by (i) the significant capital expenditure programme which entails investment of approximately NOK20 billion during the period 2013-2017; and (ii) an expected move to relatively high leverage with FFO/Gross Debt trending towards 12% by 2016-17.

The stable outlook assigned to the ratings reflects the near monopoly position of Avinor, the strategic importance of its airport and air navigation operations to Norway, and a traffic growth trend that continues to be at the upper end of the range for European airports.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Upward rating pressure could develop if (i) material projects within the capital investment programme are successfully completed, particularly at Oslo Airport; and (ii) Avinor's Cash Interest Coverage Ratio was consistently higher than 5.0x and FFO / Debt was trending towards 20%.

The ratings could come under downward pressure if (i) the capital investment programme were to experience significant delay and/or cost overruns; or (ii) Avinor's Cash Interest Coverage Ratio fell below 4.0x and FFO / Debt ratio declined to below the low teens in percentage terms. Furthermore, any downwards move in the Kingdom of Norway's credit rating could put downward pressure on Avinor's ratings.

PRINCIPAL METHODOLOGIES

The principal methodology used in this rating was Operational Airports outside of the United States published in May 2008. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Avinor AS is a company that owns and operates a network of airports in Norway, and is the sole provider of air navigation services within Norwegian airspace. Avinor AS benefits from a near monopoly position in Norway, accounting for over 90% of Norwegian passenger traffic in 2012. It is currently 100% owned by the Kingdom of Norway.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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