

# Avinor Investor presentation

April 2013

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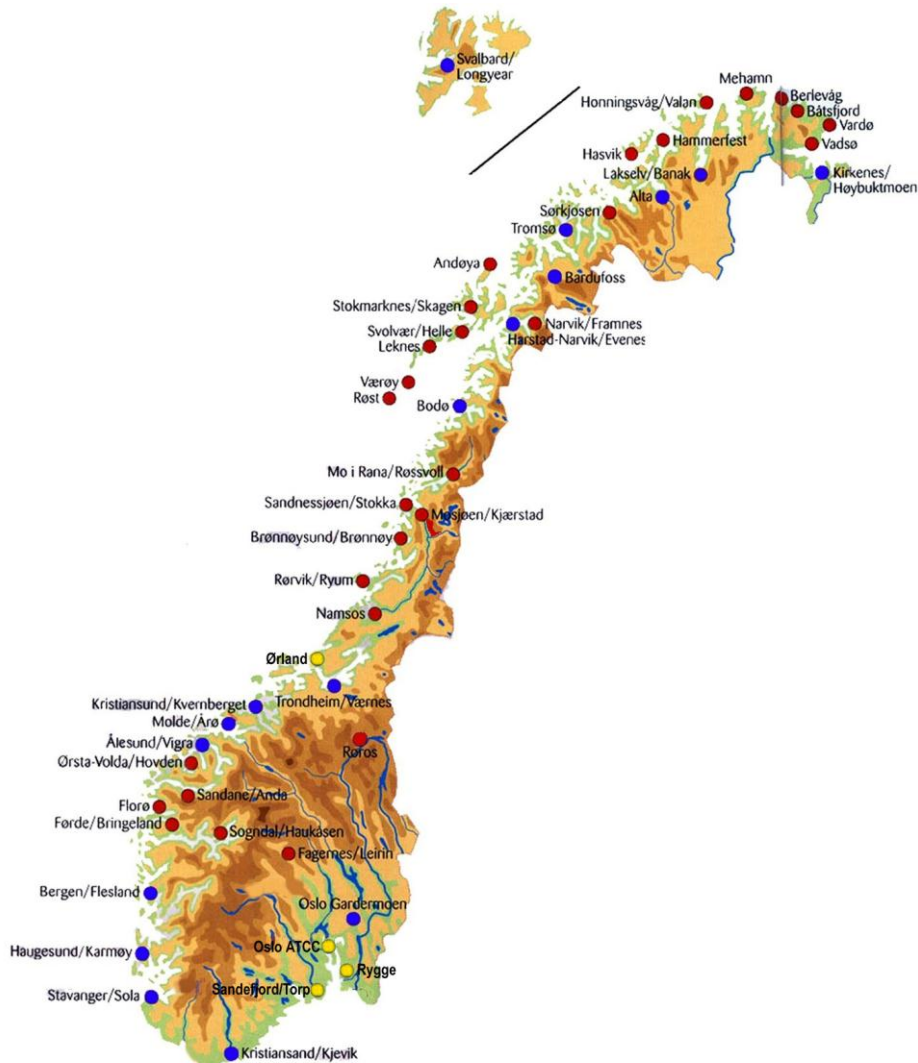
# Agenda

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- I. **About Avinor**
- II. Shareholder governance and objectives
- III. Strategy and operating structure
- IV. Financial highlights

# Aviation in Norway

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



- 2650 km mainland coast line
- 46 Avinor operated airports
- 3 air traffic control centers for civil and military aviation
- 46 million passengers annually
- 0,8 million aircraft movements annually
- > 30000 air ambulance and medical assistance movements annually
- > 0,5 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 2012:
  - 98 % of domestic passengers
  - 86 % of international passengers

- 1947: «Luftfartsdirektoratet» established
- 1978: Name changed to «Luftfartsverket»
- 1993: Legal status changed to government owned corporation (statlig forvaltningsbedrift)
- 2000: Norwegian Civil Aviation Authority (Luftfartstilsynet) established as a separate and independent entity (located in Bodø, Norway)
- 2003: Avinor AS established as a limited company  
The Norwegian State owns 100 per cent of the shares.

A key objective for the establishment of Avinor as a limited company was to facilitate commercial operations and predictable long term financing of air navigation services and airport operations

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# Categorization of state ownership

Companies fully owned or partly owned by the Norwegian state  
 Avinor is defined as a «Category 4 company»

1 Commercial objectives	2 Commercial objectives and domestic headquarter	3 Commercial and other defined objectives	4 Regulatory and political objectives
Baneservice	DNB	Eksportkreditt	<b>Avinor</b>
Cermaq	Kongsberg	NSB	Norsk Tipping
Entra	Norsk Hydro	Posten	NRK
Flytoget	Statoil	Statkraft	Petoro
Mesta	Telenor		Statnett
SAS	Yara		Statskog
			Vinmonopolet

Importance of «government related entity»



# Regulatory, industrial and shareholder objectives

1 Regulatory and industrial objectives  
(sektorpolitiske mål)

2 Shareholder policies and objectives  
(eiermål)





- Rules and regulations
  - Safety and security requirements
  - Environmental regulations
- Aviation charges



- Airport network structure requirements
- Opening hours and service level requirements
- Operation of national air traffic management services
- Emergency and preparedness requirements
- Provision of industrial reviews, studies and analytical capability to the government
- Financial objectives



# Shareholder financial policy and objectives



Objective	St.meld.nr.36 (2003-2004)	St.meld.nr.15 (2006-2007)	St.meld.nr.48 (2008-2009)
Return on average capital employed after tax	7,0 %	6,45 %	7,6 %
Return on equity after tax	10,3 %	9,7 %	10,4 %
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
Equity ratio**	Min 40 %	Min 40 %	Min 40 %
Interest bearing debt	Max NOK 10,5 bn	Max NOK 10,5 bn	No limitation
Equity value (market adjusted)	No impairment	No impairment	No impairment

A new parliament white paper (Stortingsmelding) on Avinor is expected in April/May 2013

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

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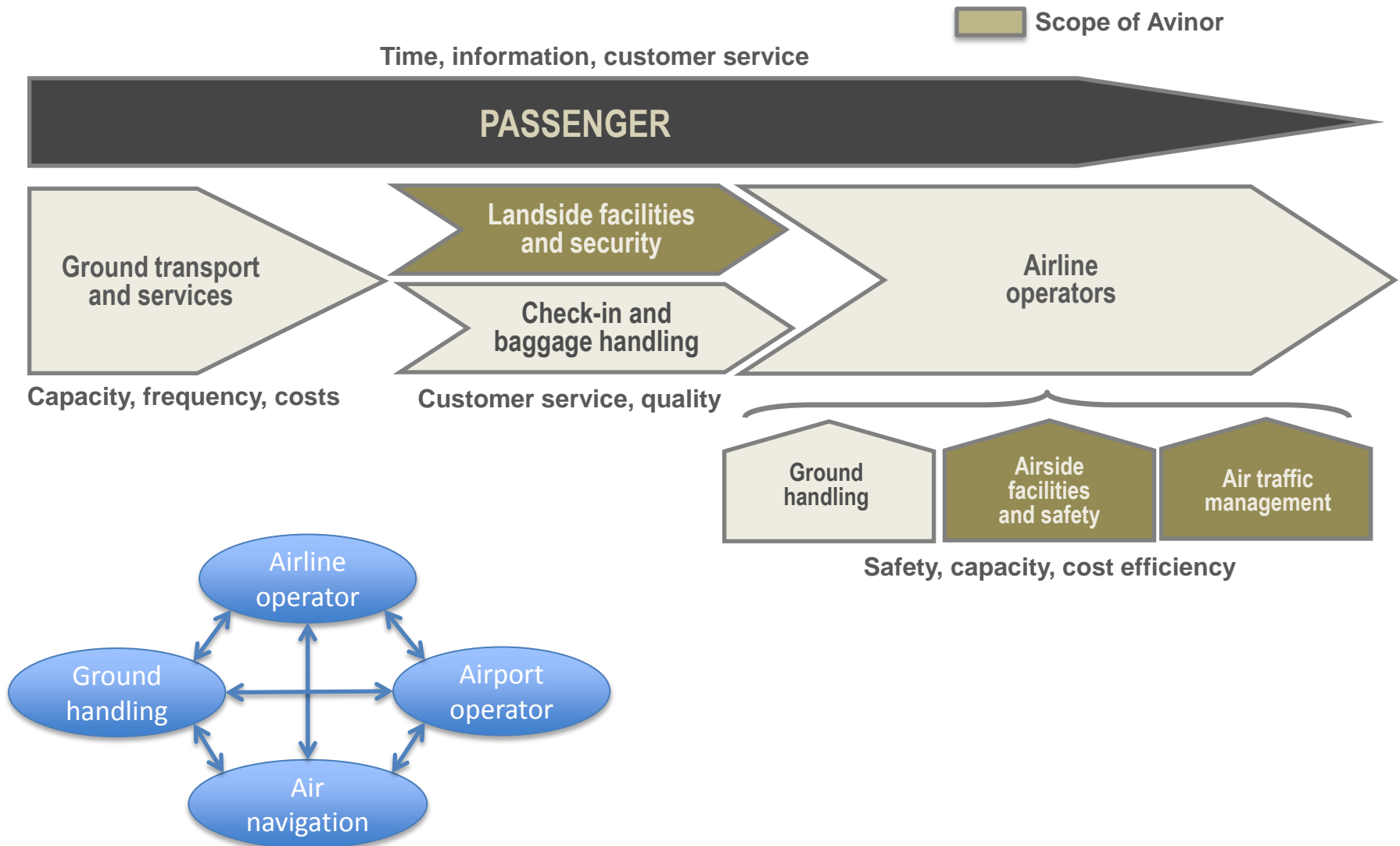
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# Operating structure



# Avinor's role in the value chain



# Two primary business areas



## Air Navigation Services

## Airport Operations

Operating revenues	MNOK 1837	MNOK 8253
EBIT	MNOK 62	MNOK 1851
Property, plant and equipment	MNOK 653	MNOK 17500
FTEs	ca. 1040	ca. 1970

2012-actual figures.

Intergroup revenues not eliminated.

# Air traffic management

- **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 (H12, H16, H24)



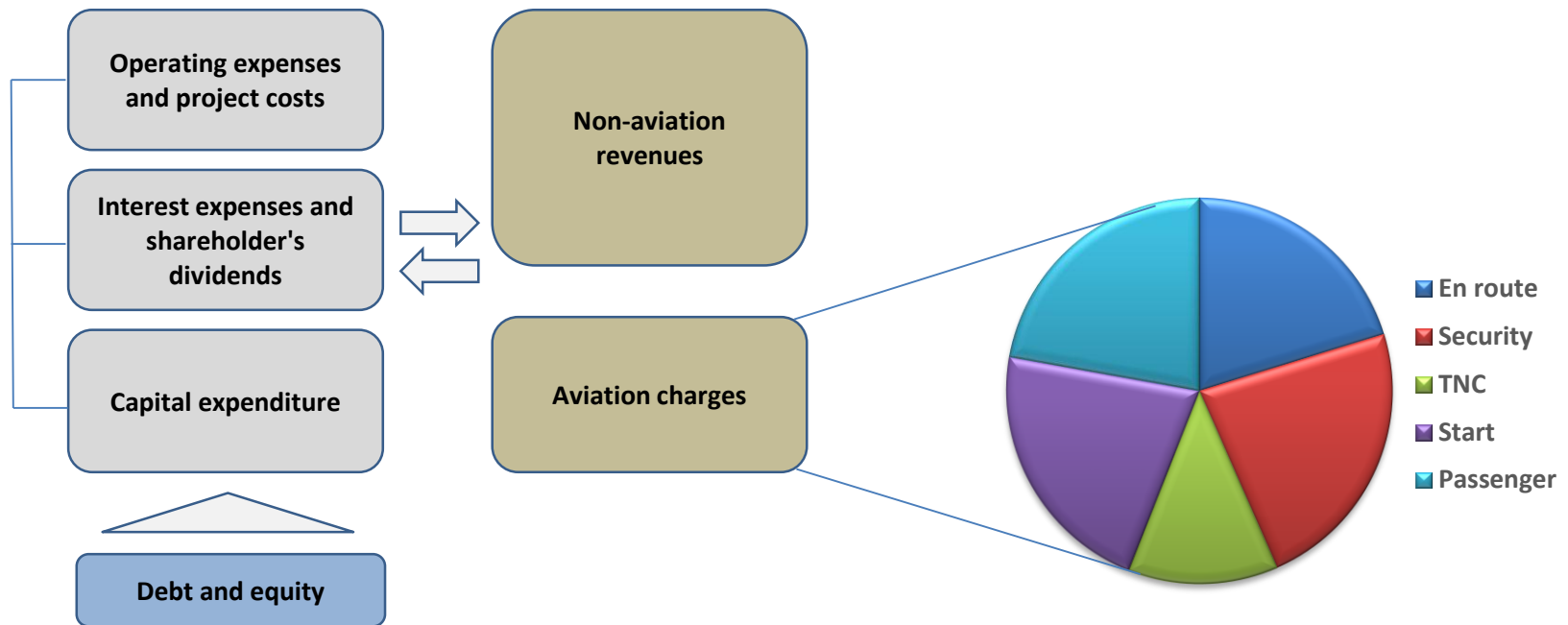


# Airport operations

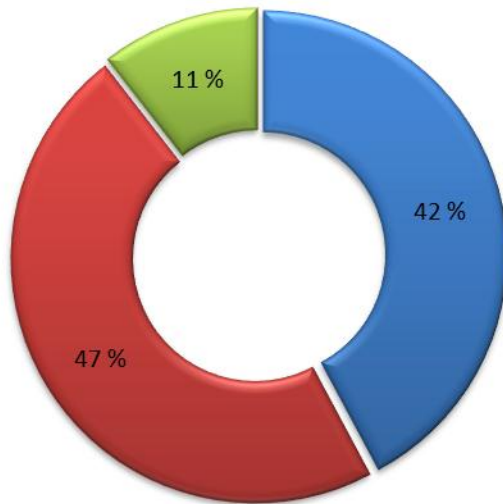
- **Service areas:**
  - Airside operations
  - Landside operations and security
  - Commercial services
- **Revenue drivers:**
  - Number of passengers
  - Aircraft movements/take-off weight
  - Commercial penetration
- **Cost drivers:**
  - Safety requirements
  - Security requirements
  - Operating hours (H12, H16, H24)



# Financial model



# Aviation versus non-aviation revenues



■ Airline revenue

■ Non-airline revenue

■ Security revenue



## Key strengths

- Aviation has a key role in the Norwegian public transportation infrastructure
- Demand for air transport is increasing
- Norwegian aviation has an excellent service record by international standards (safety, regularity, punctuality)
- The Norwegian State provides stable long-term ownership
- Solid financial position

## Key challenges

- Network infrastructure and operational requirements gives a high fixed cost base
- High capital expenditure requirements driven by need for more capacity
- International deregulation of air navigation services

## A

### Air navigation services

- Manage transition from cost-based to performance-based en-route services

Increased international collaboration and consolidation through functional airspace blocks

- Develop competitive position within tower and approach services
- Manage development of new technology within CNS (SESAR)

## B

### Airport operations

- Manage cost base and maintain competitive airport charges
- Continued commercial development
- Manage long term investment program within defined time, cost and quality

# Agenda

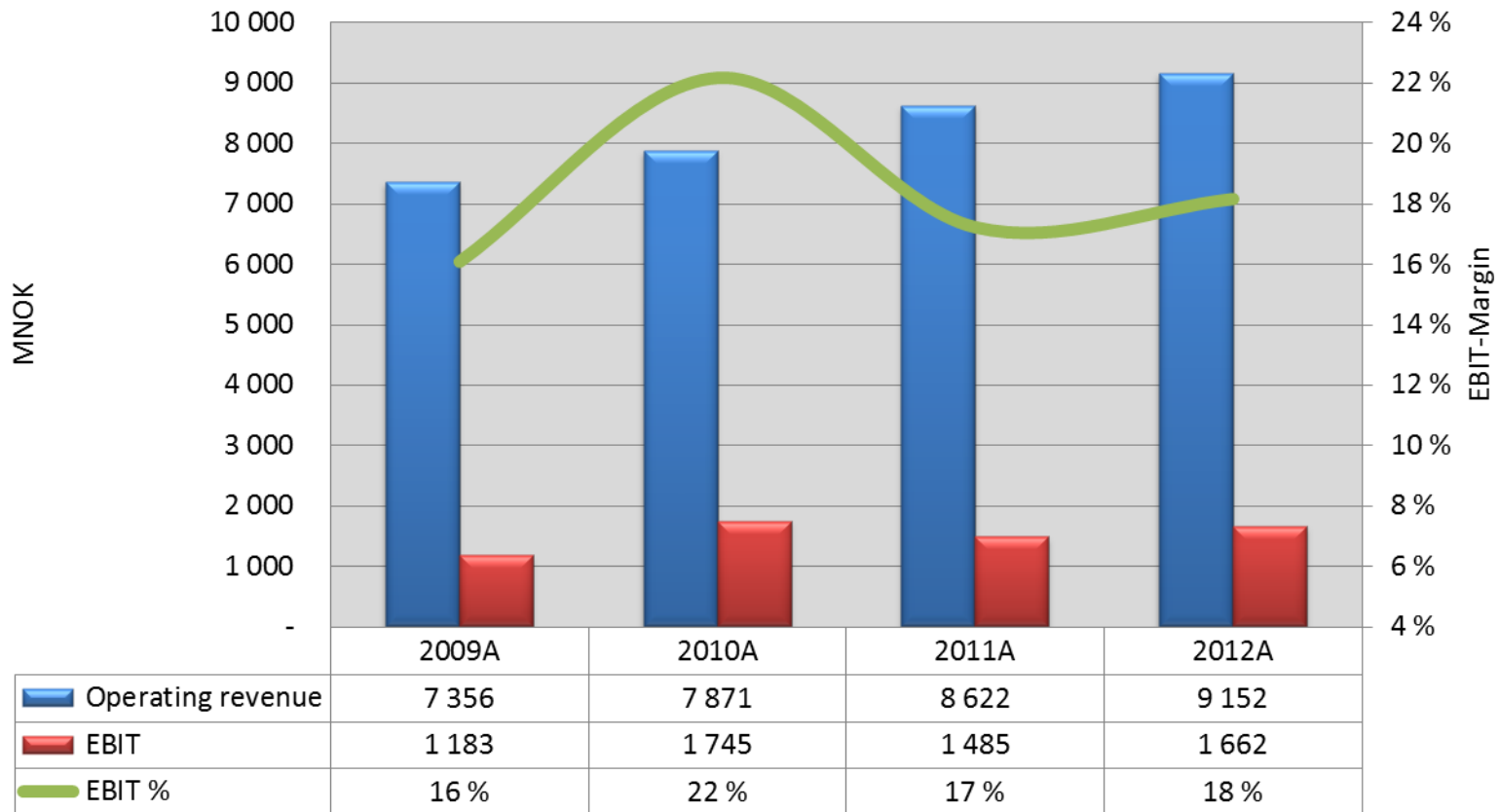
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# Group EBIT/EBIT-margin 2009 – 2012

7,6 percent average annual growth in operating revenues 2009 – 2012

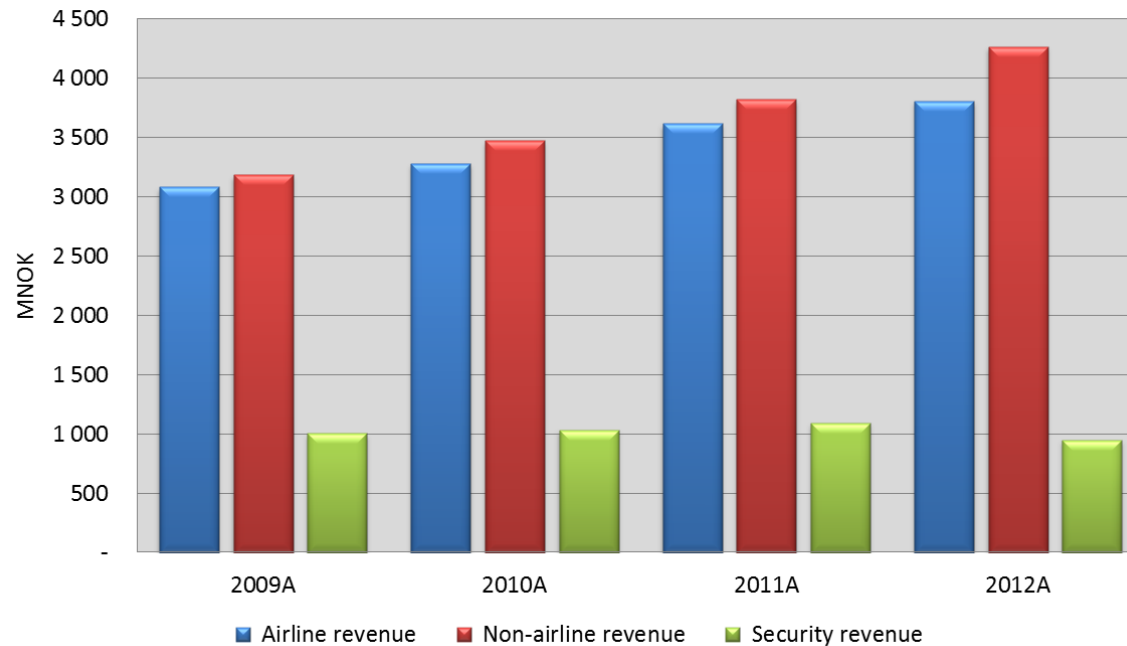
EBIT-margin 16-18 percent



# Group operating revenues 2009 – 2012

7,6 % average annual growth in operating revenues 2009 – 2012

Significant growth in non-airline revenues



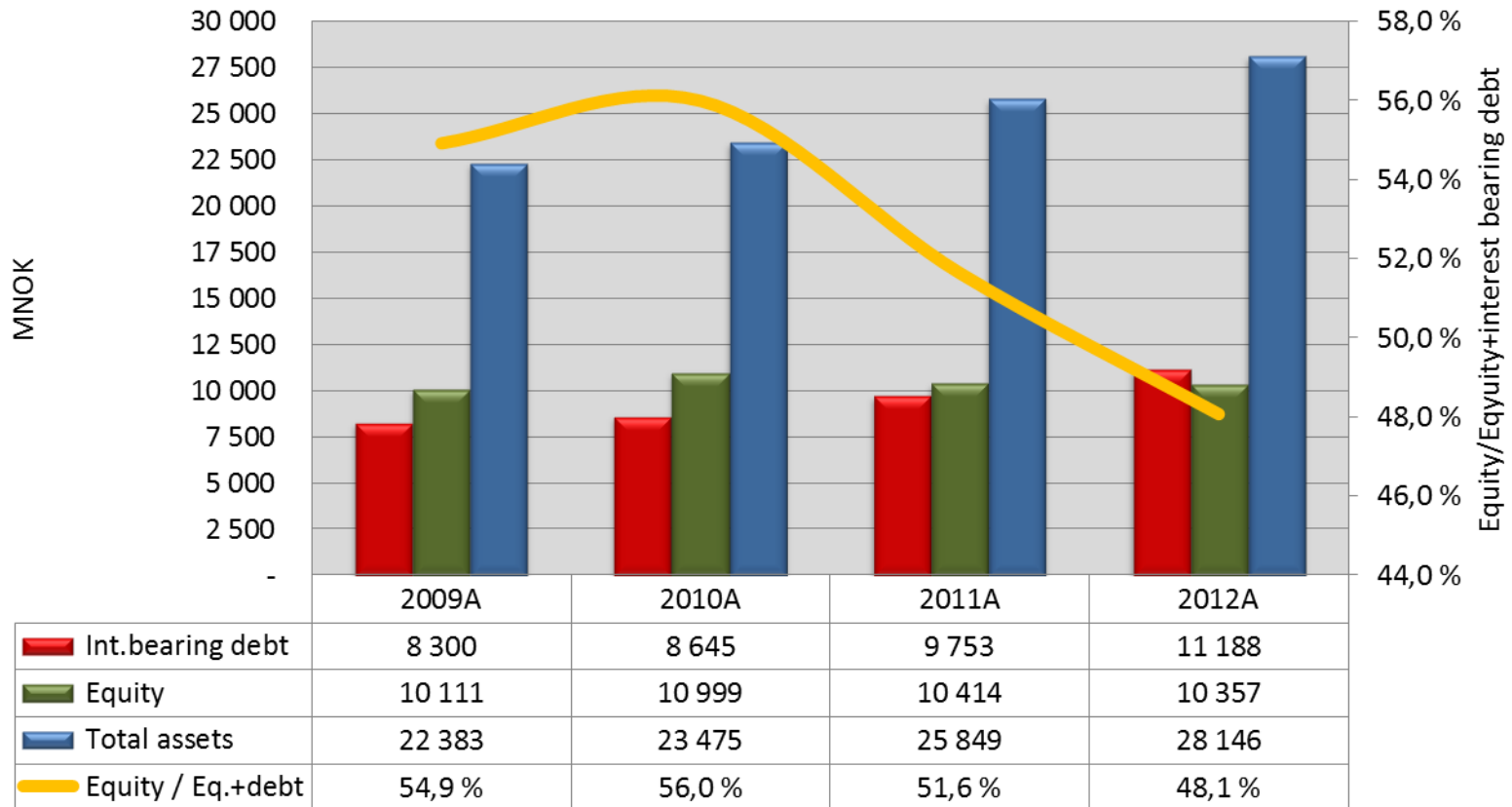
Average annual growth 2009 – 2012:

- Airline revenue 7,3 %
- Non-airline revenue 10,2 %



# Group balance sheet 2009 – 2012

Increase in interest bearing debt in 2012: NOK 1,4 bn



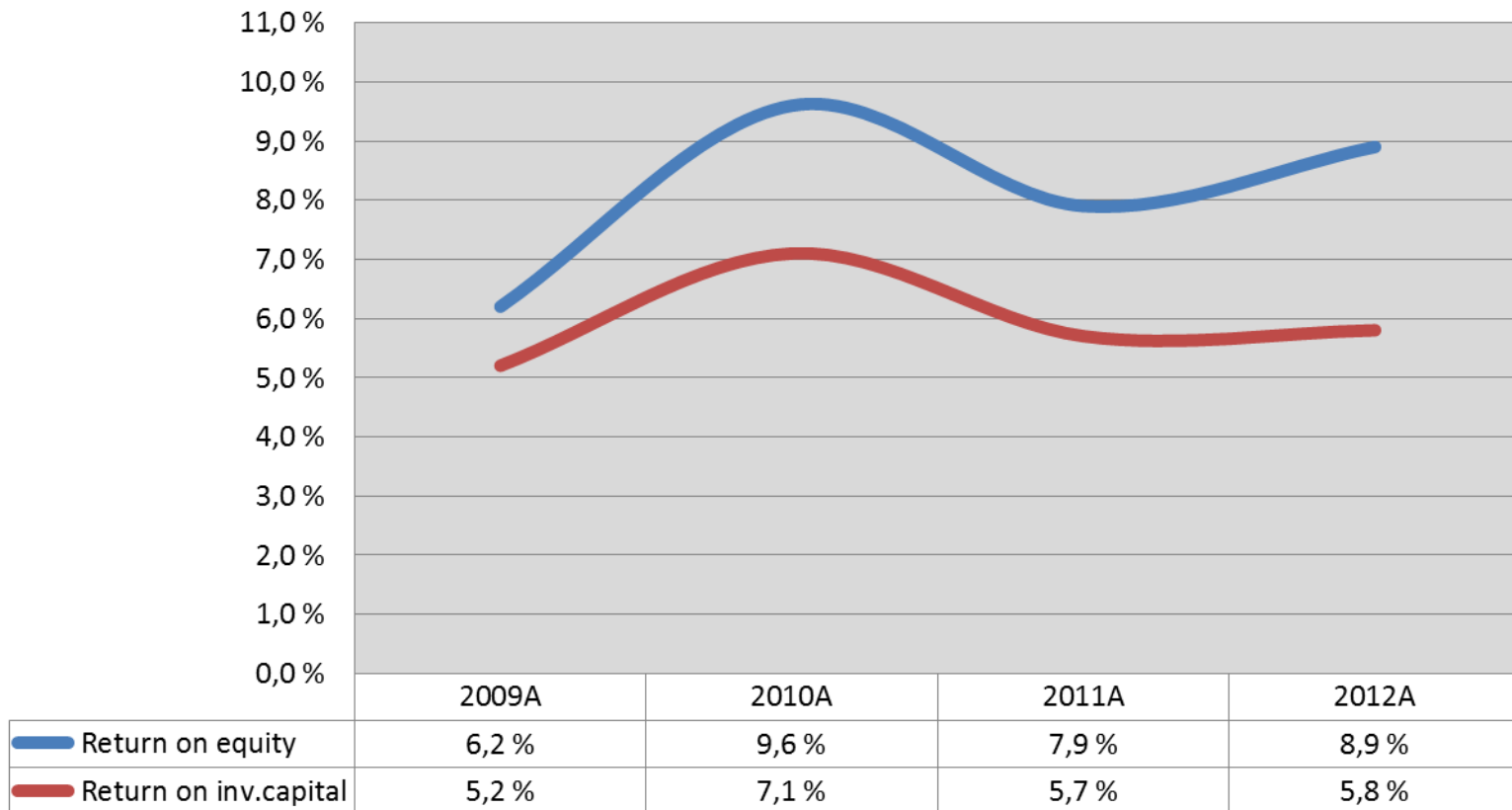
# Cash flow 2009 – 2012

NOK 4,0 bn invested in operating assets in 2012

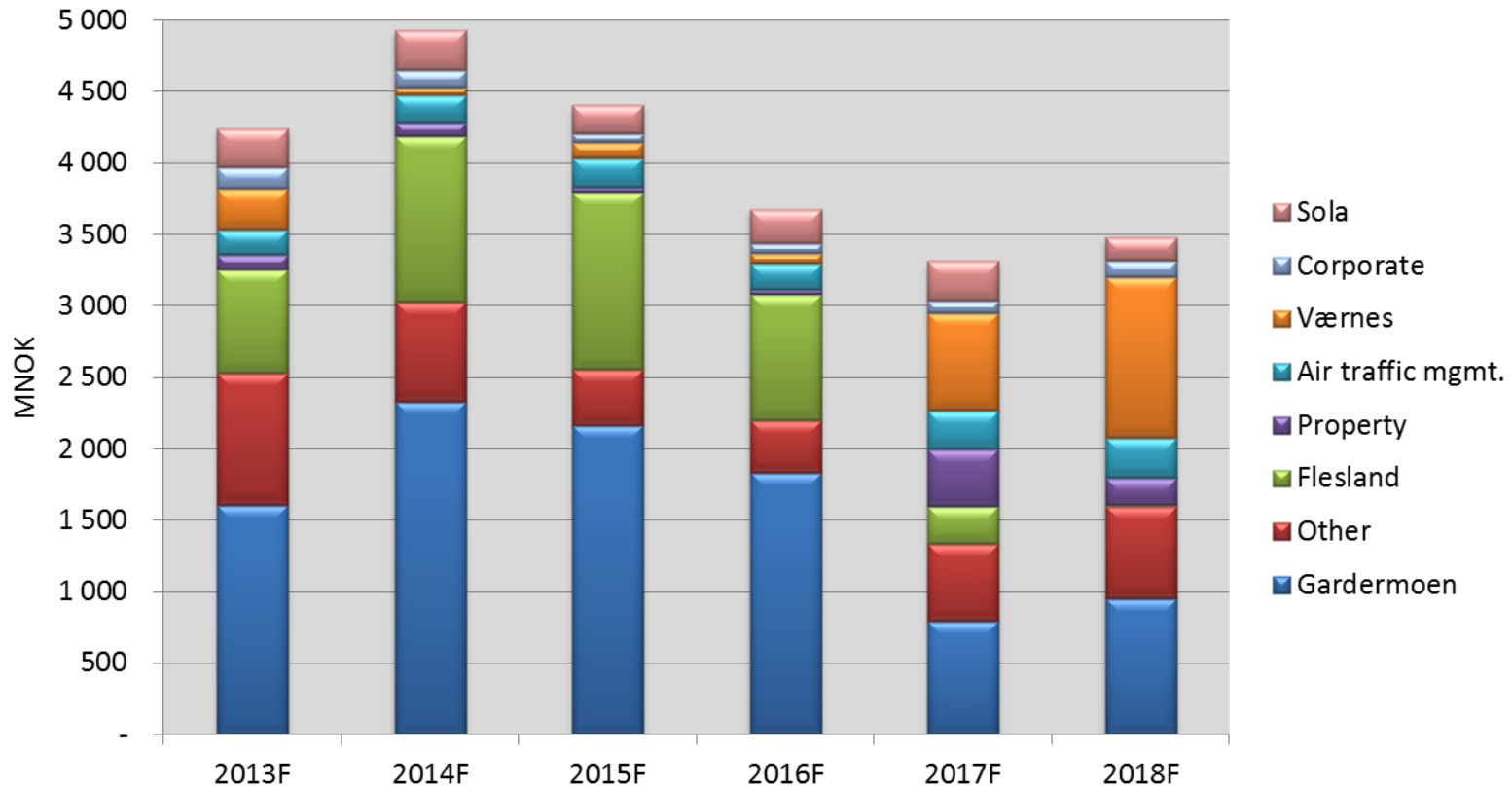


# Return on invested capital 2009 – 2012

Group cost of capital after tax (WACC) is estimated to 6,1 percent



# Forecasted capital expenditure 2013 - 2018

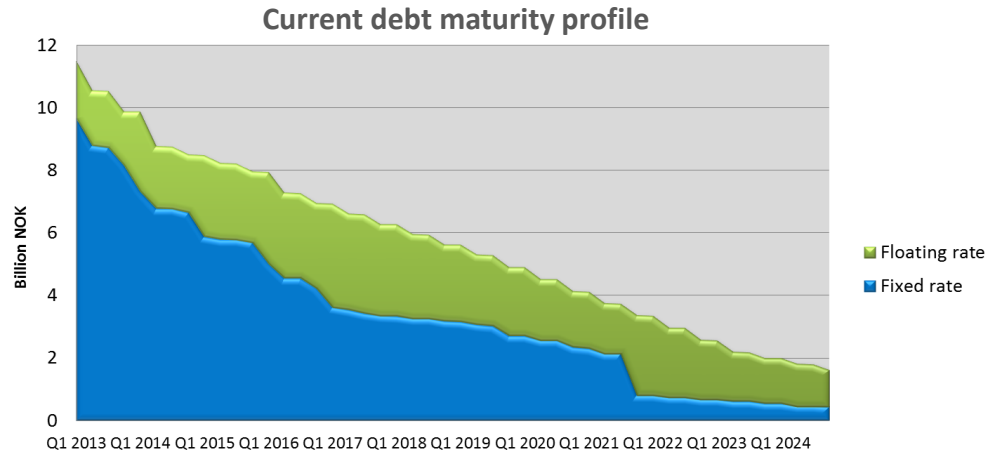


Includes non-approved projects relating to core business (including Flesland terminal expansion)

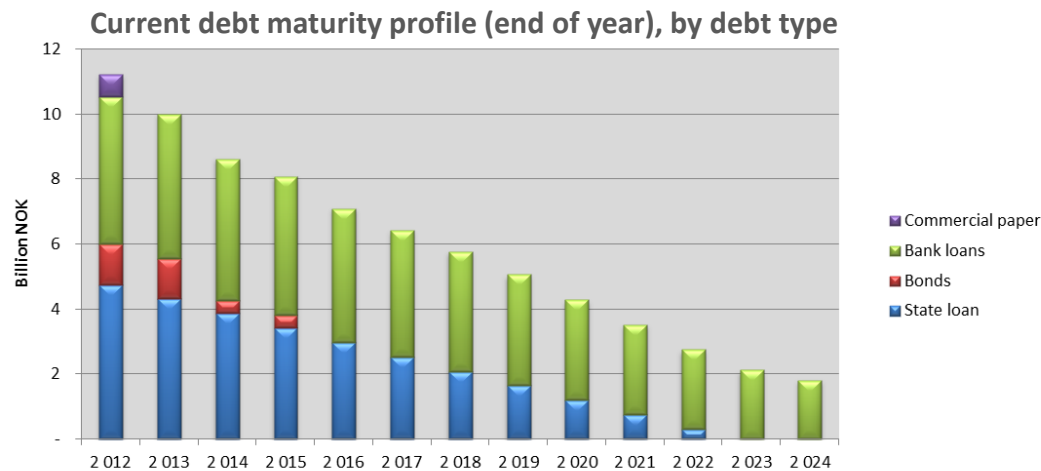
# Financial policy and strategy

- **Sourcing:**
  - Shall obtain access to markets other than Norway to ensure sufficient funding
  
- **Liquidity:**
  - Shall have sufficient liquidity reserves to fund investments for at least the next 6 months without raising new debt
  - Target is currently overfulfilled (>12 months)
  
- **Refinancing risk:**
  - Evenly distributed maturity profile, long term funding preferred
  
- **Interest rate risk:**
  - High share of fixed interest rates for current debt
  - New debt will be interest rate hedged until at least 70 % of expected debt in 2017 is hedged
  
- **Surplus liquidity management**
  - Low counter party risk preferred over high expected returns
  - Currently: bank deposits on favorable terms
  
- **Currency risk:**
  - Low. Revenues and purchases (up to 3 years) in foreign currency are hedged .

# Debt maturity profile



- Fixed rate portion includes fixed rate loans and loans with associated hedging instruments



- Bonds maturity:
  - June 2014: 850 MNOK
  - June 2016: 400 MNOK
- State loan:
  - 444 MNOK repaid yearly

# NOK 2,9 bn in undrawn credit facilities

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- Undrawn credit facilities and cash position per 31.12.2012
  - NOK 2,0 bn revolving credit facility (DNB and Danske Bank) maturing May 2017, yearly negotiation of extension
  - NOK 0,8 bn under main bank agreement with DNB
  - NOK 0,1 bn for OSL related to State loan
  - NOK 1,3 bn cash position

# Funding gap 2013-2017

- 2013-2017: approximately NOK 15 bn funding needed, assuming:
  - Re-financing of maturing debt NOK 4,8 bn (incl 0,7 bn commercial paper and 1,25 bn bonds)
  - Estimated dividends NOK 2,9 bn
  - Realisation of approved and non-approved projects relating to core business (including Flesland expansion)
  
- Funding need fairly evenly spread over the 5 years
  - 3-4 bn yearly for the first 4 years, less in 2017



# Funding strategy

- Long term funding (7-10+ years) preferred
  
- Potential funding markets
  - Norwegian bond market
  - Eurobonds
  - Nordic Investment Bank and European Investment Bank (directly related to Flesland expansion when approved)
  - US Private Placement
  - Other bond markets (Schuldschein, Swiss, others)
  - Capital injection from owner
  - Bank loans (mainly for project companies)
  - Drawdown on credit facilities
  - Commercial paper (with credit facilities as backstop)
  
- Need for official credit rating continuously evaluated
  
- EMTN program will be considered for quick international market access

# Avinor

## Corporate finance

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NO-2061 Gardermoen

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