

A photograph of an airport lounge with rows of dark blue leather seating on a polished grey tile floor. Large floor-to-ceiling windows offer a view of an airplane on the tarmac under a cloudy sky. The year '2020' is printed in white in the upper right corner.

2020

Business Review, January–September

FINAVIA

The business environment remained very weak

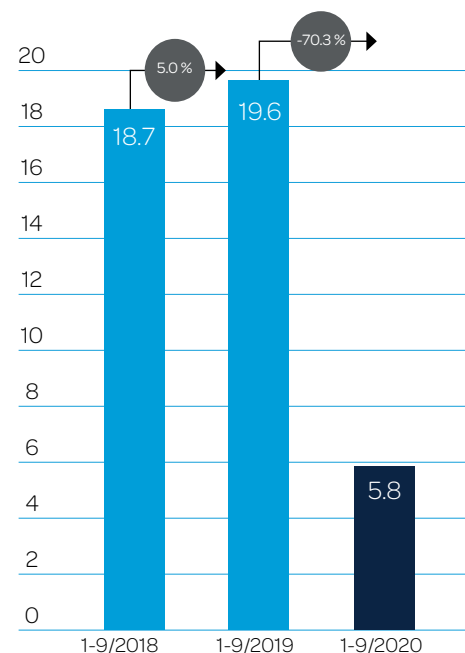
January–September 2020

- The total number of passengers was 5.8 million (19.6), showing a decrease of -70.3% compared to January–September 2019. In Q3, the decline in the number of passengers was -88.3%.
- Revenues totalled EUR 125.8 (288.1) million, a decrease of -56.4%.
- The operating margin before extraordinary items¹⁾ was EUR -10.1 (110.6) million, a decrease of -109.1%.
- The operating profit before extraordinary items¹⁾ was EUR -84.9 (44.4) million, a decrease of -291.2%.
- Cash flow-based investments totalled EUR 203.0 (216.9) million.
- Interest-bearing liabilities at the end of the review period amounted to EUR 702.8 (491.5) million.
- During the review period, Finavia took out EUR 155 million in new long-term loans, and EUR 40 million of the commercial paper programme was in use.

Unless otherwise stated, the figures in brackets are from the reference period, i.e. the same period in the previous year.

Passenger volumes for commercial traffic at Finavia's airports

Milj.



The Group's key figures

	1-9/2020	1-9/2019	Muutos-%
Total number of passengers, million	5.8	19.6	-70.3 %
Revenues, EUR million ¹⁾	125.8	288.1	-56.4 %
Operating margin, EUR million	-10.0	107.2	-109.3 %
Operating margin, %	-7.9	37.2	
Operating margin before extraordinary items ²⁾ , EUR million	-10.1	110.6	-109.1 %
Operating margin before extraordinary items ²⁾ , %	-8.0	38.4	
Operating profit, EUR million	-84.8	41.0	-307.1 %
Operating profit, %	-67.5	14.2	
Operating profit without extraordinary items ²⁾ , EUR million	-84.9	44.4	-291.2 %
Operating profit without extraordinary items ²⁾ , %	-67.5	15.4	
Profit for the period, EUR million	-93.4	32.5	-387.3 %
Return on equity, %	-19.9 %	6.5 %	
Return on investment ³⁾ , %	-9.6 %	5.1 %	
Equity ratio, %	41.2 %	51.9 %	
Cash flow-based investments, EUR million	202.98	216.85	-6.4 %
Net debt	683.5	426.9	60.1 %
Balance sheet total, EUR million	1423.4	1300.3	9.5 %
Average personnel, person-years	1478	2228	-33.7 %

¹⁾ Air transport supervision fees have been exceptionally recognised in other operating expenses instead of revenue in 2020. Air transport supervision fees are a pass-through item that creates a timing difference recognised through profit or loss. This arises from the fact that the amount charged to Finavia is based on the previous year's passenger volumes, while the amount charged to airlines is based on the current year's passenger volumes.

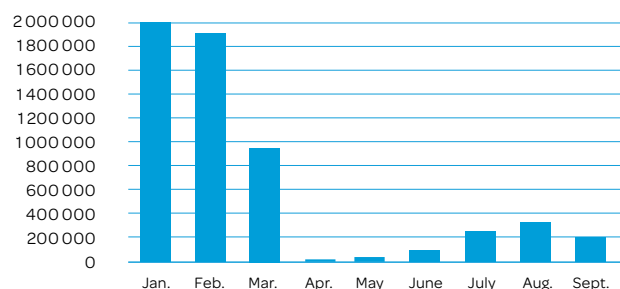
²⁾ Extraordinary items comprise write-downs from the Helsinki Airport development programme, the effects of new and reversed additional environmental provisions as well as profit and performance bonuses.

³⁾ The formula used to calculate return on investment takes into account interest expenses and other financing costs, whereas financial income and financial expenses were taken into account previously. The return on investment shown for the comparison year has been updated to correspond to the calculation formula used in 2020.

CEO Kimmo Mäki:

The restrictions caused by the COVID-19 pandemic have complicated the operating conditions of the aviation industry since March. The pandemic has had a significant impact on Finavia's business. The sharp decline in air traffic quietened Finavia's airports as governments introduced travel restrictions and airlines cancelled a large proportion of their flights. According to Airports Council International (ACI), global passenger volumes declined by -68% in January–September compared to the previous year.

Passenger volumes January–September 2020



The Finnish Government eased travel restrictions in June, which was reflected in a slight increase in air travel. The number of COVID-19 infections began to increase again in the late summer, and stricter travel restrictions were subsequently introduced on 24 August 2020. The new travel restrictions turned passenger volumes to a decline that was steeper in Finland than elsewhere in Europe. September was an especially weak month at Helsinki Airport, with passenger volumes down by -94% year-on-year. The average decline in passenger volumes at European airports was -73% in September.

In January–September 2020, the overall decline in passenger volumes at Finavia's airports was -70%. The number of passengers was 5.8 (19.6) million. At Helsinki Airport, the number of passengers during the review period totalled 4.6 million, which represents a year-on-year decrease of -72%. International transfer travel, which is important for Finavia, declined by -75% in January–September compared to the previous year. Amongst the other major Nordic airports, passenger volumes fell in January–September by -72% in Stockholm, -71% in Copenhagen and -60% in Oslo.

Altogether 1.2 million passengers travelled through the regional network airports during the review period, representing a decrease of -59.4%. The number of passengers at airports in Lapland, which play a central role in the Finnish travel sector, decreased by -57.5% in January–

September and amounted to 0.6 million. At Kittilä and Ivalo, the decline in passenger volumes levelled off slightly in September as domestic travel increased.

The decline in flights and passenger volumes continued to have a significant negative impact on Finavia's financial performance. Revenues for January–September 2020 decreased by -56.4% and amounted to EUR 125.8 (288.1) million. The operating margin before extraordinary items declined by -109.1% to EUR -10.1 (110.6) million. The operating profit before extraordinary items was EUR -84.9 (44.4) million.

In March, Finavia started an extensive adaptation programme to reduce costs and strengthen its financial position. Savings in investments, service and material purchasing and personnel expenses were achieved through the programme. Costs were also reduced through a contraction of airport services, opening hours and by temporarily closing terminal facilities and runways. Finavia also had to temporarily lay off all of its personnel either part-time or full-time.

To prevent the spread of the virus, Finavia has implemented enhanced cleaning and hygiene processes since the early stages of the pandemic and introduced changes in passenger processes. Finavia worked closely with the health authorities and other authorities and assisted passengers to ensure safe and smooth travel. In August, Finavia launched a project at Helsinki Airport aimed at preventing the spread of diseases by enhancing the cleaning of security trays by using UVC technology. The results of the project have been encouraging.

Finavia suspended the work initiated in the autumn 2019 to update its strategy and prepared a plan to see the company through the exceptionally difficult situation. Finavia decided to continue the investment programmes at Helsinki Airport and the airports in Lapland, as they are already close to completion. Continuing the programmes avoids additional costs that would arise from their suspension. The airport expansion projects address the needs of the coming decades and they will be necessary in the future.

The recovery of the aviation sector will require that the pandemic abates, travel restrictions are lifted and the supply and demand for flights recover. The recovery from the crisis is still difficult to estimate accurately. In addition to travel restrictions and the supply and demand for air traffic, global economic development and the general recovery of society will also affect how long the recovery of travel will take.

Helsinki Airport development programme and investments in regional airports

Finavia's investment programme at Helsinki Airport progressed as planned in January–September 2020. Construction work continued

on the new main entrance and the new arrival and departure halls. Construction was also under way on the extension of the area of gates 37–39, which will increase capacity and flexibility for non-Schengen and Schengen flights in 2021. The new parking hall that was under construction was completed in September, but its commissioning was postponed due to the low passenger volume.

Finavia's investment programme to develop the airports in Lapland was in its final stages. Work on improving the baggage handling and check-in services at Kittilä Airport continued, and the renovated facilities will be opened before the 2020–2021 winter season. The runway renovation at Jyväskylä Airport was completed in August.

Financial position

Cash flow from operations amounted to EUR 8.9 (101.2) million in January–September 2020. Cash flow after investments was EUR -193.7 (-115.4) million. Cash flow-based investments totalled EUR 203.0 (216.9) million.

At the end of the review period, Finavia's liquidity stood at EUR 19.3 (64.7) million. Finavia Group's interest-bearing liabilities were EUR 702.8 (491.5) million and interest-bearing net liabilities EUR 683.5 (426.9) million at the end of the period.

Finavia took out EUR 155 million in new long-term loans in January–September 2020. At the end of September, Finavia had EUR 150 million in unused long-term credit facilities to finance the Helsinki Airport expansion project. In addition, Finavia has a EUR 250 million commercial paper programme, of which EUR 210 million remained unused at the end of September, and a revolving credit facility of EUR 125 million. Of the revolving credit facility, EUR 70 million is currently in use.

Outlook for 2020

Finavia expects its revenues for 2020 to decrease considerably from 2019 on the basis of its current view of the development of traffic. The operating result excluding extraordinary items is estimated to fall significantly short of the 2019 level and turn negative by a clear margin. The final quarter of 2020 is expected to be as weak as the third quarter was.

The business review is unaudited.

Finavia Corporation

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Calculation of key figures

Return on investment, %
$$\frac{\text{Profit (loss) before year-end allocations and taxes + interest and other financial expenses}}{\text{Equity + interest-bearing financial liabilities, average of opening and closing balance}}$$

Return on equity, %
$$\frac{\text{Profit (loss) before year-end allocations and taxes – income taxes from operations}}{\text{Equity + minority interest, average of opening and closing balance}}$$

Equity ratio, %
$$\frac{\text{Equity + minority interest}}{\text{Balance sheet total – advance payments received}}$$

Interest-bearing net liabilities
$$\text{Interest-bearing debts – Cash and cash equivalents}$$

The term passenger refers to a commercial aviation passenger in this business review