



2019

Business review, January–September

FINAVIA

Finavia continued its steady growth in January–September 2019

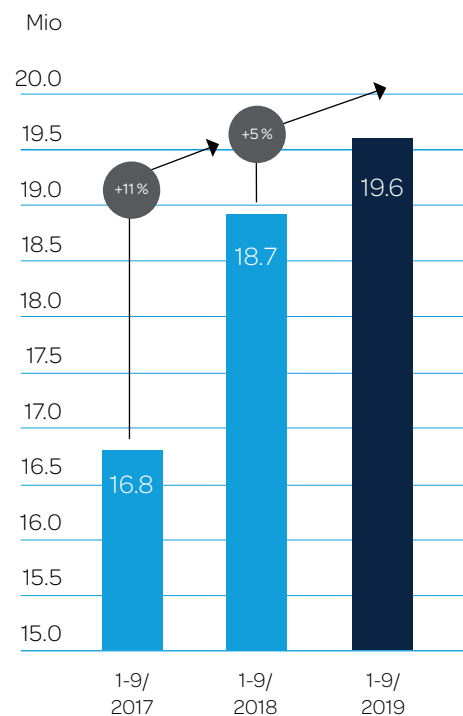
January–September 2019

- The total number of passengers was 19.6 (18.7) million, showing an increase of 5.0% from the corresponding period in 2018.
- Revenues totalled EUR 288.1 (275.9) million, up by 4.4%.
- Operating margin before extraordinary items¹⁾ was EUR 110.6 (106.0) million, improving by 4.3%.
- Operating profit before extraordinary items¹⁾ stood at EUR 44.4 (51.8) million, down by 14.2% due to higher depreciation.
- Cash flow-based investments totalled EUR 216.9 (159.8) million.
- Interest-bearing liabilities at the end of the review period were EUR 491.5 (327.2) million.
- During the review period, Finavia withdrew new long-term loans worth EUR 180 million.

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

¹⁾ 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.

Passenger volumes in commercial air traffic at Finavia's airports



Group's key figures

	1-9/2019	1-9/2018	Change, %	2018
Total number of passengers, million	19.6	18.7	+5.0%	25.0
Revenues, EUR million	288.1	275.9	+4.4%	377.3
Operating margin (EUR million)	107.2	114.0	-6.0%	143.1
Operating margin, %	37.2	41.3	-	37.9
Operating margin before extraordinary items ¹⁾ , EUR million	110.6	106.0	+4.3%	136.9
Operating margin before extraordinary items ¹⁾ , %	38.4	38.4	-	36.3
Operating profit, EUR million	41.0	59.3	-31.0%	66.8
Operating profit, %	14.2	21.5	-	17.7
Operating profit before extraordinary items ¹⁾ , EUR million	44.4	51.8	-14.2%	61.4
Operating profit before extraordinary items ¹⁾ , %	15.4	18.8	-	16.3
Profit for the period, EUR million	32.5	43.5	-25.3%	45.3
Return on equity, %	6.5	9.0	-	7.0
Return on investment, %	5.1	8.4	-	6.9
Equity ratio, %	51.9	59.5	-	58.7
Cash flow-based investments, EUR million	216.9	159.8	+35.7%	239.5
Net debt	426.9	237.6	+79.7%	300.3
Balance sheet total, EUR million	1,300.3	1,116.0	+16.5%	1,133.3
Average number of employees (person-years)	2,228	2,123	+5.0%	2,186

CEO Kimmo Mäki:

Passenger volumes in commercial air traffic at Finavia's airports increased in January–September by 5.0% (11.0%). The total number of passengers was 19.6 (18.7) million.

The number of passengers at Helsinki Airport increased 5.5% in January–September. The overall number of passengers was 16.7 million. Considering similar airports in the other Nordic countries, the passenger volume decreased by 4.3% in Stockholm and by 0.1% in Copenhagen during the same period, while it increased by +0.6% in Oslo. July 2019 was the busiest month in the history of Helsinki Airport, serving 2.1 million passengers.

The position of Helsinki Airport as a hub between Europe and Asia improved even further. The volume of transfer passengers on international flights increased by 15.6%.

The positive development of Helsinki Airport was influenced by Finnair's route openings and increases in frequencies as well as the arrival of new Chinese companies in the Finnish market in the first half of the year. Sichuan Airlines started operating from Chengdu to Helsinki Airport in September. This was the third Chinese airline this year.

In January–September, a total of 3.0 million passengers travelled via regional airports, showing an increase of 2.4%. The number of passengers at airports in Lapland increased by 4.5% to 1.0 million.

Additional flights by Finnair and Norwegian to Helsinki accelerated growth at airports in Lapland. Two new destinations were opened from Turku Airport: Wizz Air's new routes to London and Skopje. Budapest Aircraft Service started flights from Pori to Helsinki.

Thomas Cook, a British global travel group, was declared bankrupt in September. Its impact on tourist flights to Lapland can be assessed during the last quarter of the year. Tjäreborg, a Finnish travel agency and tour operator that was part of Thomas Cook, continued to operate normally.

The outlook for the global and Finnish economy continued to weaken. In addition, public debate over the impact of air traffic on climate change continued. Factors that speed up the growth of air travel, such as increased travel to and from Asia, combined with people's thirst for experiences, remained strong.

The increase in Finavia's revenues reflects the increase in passenger volumes. In January–September, revenues increased by 4.4% (0.3%) to EUR 288.1 (275.9) million.

Profitability remained high in January–September. Operating margin before extraordinary items improved by 4.3% to EUR 110.6 (106.0) million, even though significant start-ups related

to the development programmes of Helsinki Airport and Finavia's airports in Lapland, together with investments in the continuous development of customer experiences during construction projects, increased operating expenses.

Operating profit before extraordinary items stood at EUR 44.4 (51.8) million, down by 14.2% due to an increase in depreciation as a result of significant investments.

The strategic choices made have steered the company towards its goals. Finavia's development programmes at Helsinki Airport and at airports in Lapland proceeded as planned, and revenues from commercial services were at a good level. Finavia actively promoted its responsibility objectives, and all Finavia airports became carbon-neutral one year ahead of schedule.

Despite massive construction projects, Finavia was able to maintain customer experiences at a high level. As an indication of a job well done, the Airports Council International (ACI) awarded Helsinki Airport in its own size class for the best passenger experience in Europe.

The Finnish Lapland Tourist Board gave the award for the best travel achievement of the year in Lapland to Finavia in recognition of improved accessibility and the development of traveller services, such as the expansions of Rovaniemi, Kittilä and Ivalo Airports.

During the rest of the year, challenges in the operating environment are expected to continue due to the UK's possible withdrawal from the EU and slower economic growth. However, passenger volumes at Finavia's airports are expected to increase steadily. Finavia focuses on maintaining its high customer satisfaction, increasing its cost-efficiency and reducing the environmental impact of airport activities.

Helsinki Airport development programme and investments in regional airports

Finavia's investments of over EUR 1.2 billion in Helsinki Airport and and Lapland Airports proceeded, as planned during January–September.

A significant part of the expansions aimed to increase Helsinki Airport's transit capacity were completed. During the first half of the year, Aukio, a plaza that serves passengers in the non-Schengen area, the expansion of terminal 1, the first expansion of the West Pier and the expansion of border controls were opened, providing 43,750 square metres of new space. In addition, five long-haul departure gates and seven short-distance departure gates were opened, along with several new restaurants, shops and lounges.

The second part of the West Pier and the expansion of the baggage handling centre will be opened before the end of the year. The expansion of gates 37–39 is under construction. It will bring more capacity and flexibility to non-Schengen and Schengen flights in 2021.

The expansion of terminal 2 started in January–June with major rearrangements in parking and public transport areas and with the construction of the P1/P2 parking facility to open in 2020. The construction of the new main entrance and new departure and arrival halls started at the beginning of August.

The development programme for Lapland Airports will be completed by the end of 2019. The taxiway extension was opened in Kittilä in September. The terminal expansions of Rovaniemi and Ivalo Airports will be opened in November.

Financial position

Cash flow from operations in January–September stood at EUR 101.2 (84.0) million. Cash flow after investments was EUR -115.4 (-38.3) million. Cash flow-based investments totalled EUR 216.9 (159.8) million.

Finavia's liquidity was good, with cash at bank and in hand being EUR 64.7 (89.7) million at the end of the review period. Finavia Group's interest-bearing liabilities were EUR 491.5 (327.2) million and interest-bearing net liabilities EUR 426.9 (237.6) million at the end of the review period.

In January–September, Finavia withdrew new long-term loans worth EUR 180.0 million. At the end of September, Finavia had EUR 95 million in unused long-term credit facilities taken out to finance the Helsinki Airport expansion. In addition, Finavia has a EUR 250 million short-term commercial paper programme, which remained unused at the end of September.

Outlook for the remainder of the year

Finavia expects its revenues for 2019 to increase slightly from 2018. In addition, it expects its operating profit before extraordinary items to fall clearly behind the 2018 level due to higher depreciation.

The business review is unaudited.

Finavia Corporation

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Calculation of key figures

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

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