



2019

Business review, January–December

FINAVIA

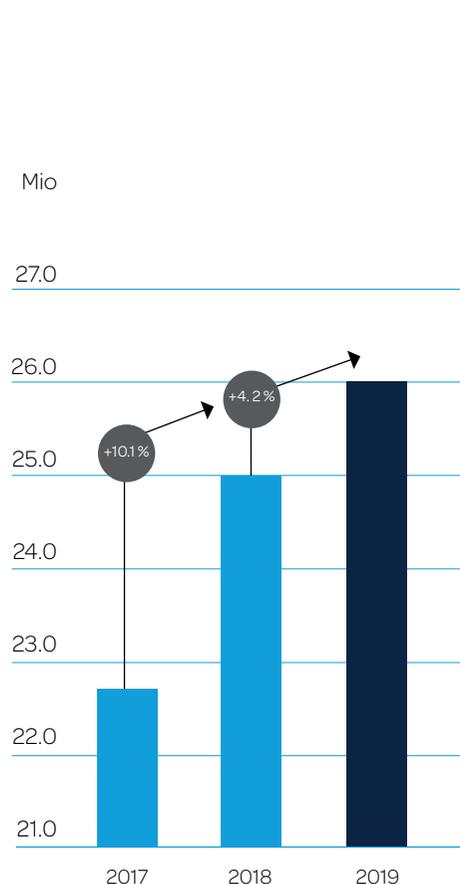
Finavia continued its moderate growth in January–December 2019

January–December 2019

- The total number of passengers was 26.0 (25.0) million, showing an increase of +4.2% from January–December 2018.
- Revenues totalled EUR 389.2 (377.3) million, up by +3.2%.
- Operating margin before extraordinary items was EUR 141.1 (136.9) million, improving by +3.1%.
- Operating profit before extraordinary items¹⁾ stood at EUR 50.7 (61.4) million, down by 17.5%, due to higher depreciation.
- Cash flow-based investments totalled EUR 306.1 (239.5) million.
- Interest-bearing liabilities at the end of the review period were EUR 517.4 (323.1) million.
- During the review period, Finavia withdrew new long-term loans worth EUR 210 million.

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

Passenger volumes in commercial air traffic at Finavia's airports



Group's key figures

	2019	2018	Change, %
Total number of passengers, million	26.0	25.0	4.2
Revenues, EUR million	389.2	377.3	3.2
Operating margin (EUR millions)	134.6	143.1	-5.9
Operating margin, %	34.6	37.9	
Operating margin before extraordinary items ¹⁾ , EUR million	141.1	136.9	3.1
Operating margin before extraordinary items ¹⁾ , %	36.3	36.3	
Operating profit, EUR million	44.0	66.8	-34.1
Operating profit, %	11.3	17.7	
Operating profit without extraordinary items ¹⁾ , EUR million	50.7	61.4	-17.5
Operating profit without extraordinary items ¹⁾ , %	13.0	16.3	
Profit for the period, EUR million	34.3	45.3	-24.3
Return on equity, %	5.1	7.0	
Return on capital invested ²⁾ , %	4.4	6.7	
Equity ratio, %	50.1	58.7	
Cash flow-based investments, EUR million	306.1	239.5	27.8
Net debt	489.8	300.3	63.1
Balance sheet total, EUR million	1360.1	1133.3	20.0
Average number of employees (person-years)	2241	2186	2.5

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.

²⁾ The interest expenses and other financial expenses are taken into account in the formula for calculating the return on investment, while earlier the financial income and expenses were taken into account. The return on investment for the comparison year was updated to correspond to the formula used for 2019.

CEO Kimmo Mäki:

In 2019, the passenger volumes in commercial air traffic at Finavia's airports increased by 4.2%. The total number of passengers was 26.0 (25.0) million.

The number of passengers at Helsinki Airport increased by 4.9%. The total number of passengers was 21.9 million. Of comparable airports in other Nordic countries, the passenger volume decreased by 4.3% in Stockholm and by 0.3% in Copenhagen, while it increased by 0.3% 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 +16.7%.

Finnair's new routes and flights, as well as the entry of three new Chinese airlines into the Finnish market, contributed to the positive development of Helsinki Airport.

In 2019, a total of 4.2 million passengers travelled via regional network airports, an increase of +0.6%. The new connections opened during the year from network airports, among others from Turku Airport, enhanced regional accessibility.

The number of passengers at airports in Lapland increased by +1.5% to 1.5 million. Following the bankruptcy of British travel agent Thomas Cook, the number of Christmas charter flights was smaller than the year before. However, scheduled flights supported the growth of Lapland airports.

Towards the end of the year, the general outlook of the global and Finnish economy continued to weaken, and the public debate on the impact of air traffic on climate change continued. In 2019, the factors accelerating 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. The revenues of 2019 increased by 3.2% to EUR 389.2 million (377.3).

Profitability remained good in 2019. Operating margin before extraordinary items improved by 3.1% to EUR 141.1 (136.9) million, although significant start-ups related to the development programmes of Helsinki Airport and Finavia's airports in Lapland, with investments in customer experience during construction projects, increased operating expenses.

Operating profit before extraordinary items stood at EUR 50.7

(61.4) million, down by 17.5%, due to an increase in depreciation as a result of significant investment.

All in all, the company had good success in its strategic choices and goals set until 2020. 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 goals, and e.g. all Finavia airports became carbon neutral one year ahead of schedule.

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

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.

Finavia started updating its strategy for the next strategy period.

Helsinki Airport development programme and investments in network airports

Finavia's investment of more than EUR 1.2 billion in Helsinki Airport and airports in Lapland proceeded as planned.

Most of the expansion work to increase Helsinki Airport's transit capacity was completed during the year. All in all, 49,178 square metres of new premises were commissioned, including Aukio (a plaza serving passengers), the west pier and the new sections of the border check and baggage handling areas, as well as the extension of Terminal 1. With them, 10 long-distance departure gates and seven short-distance departure gates were opened, as well as several new restaurants, shops and lounges.

The expansion of Terminal 2 started early in the year, with major rearrangements in parking and public transport areas. The construction of the new main entrance and new departure and arrival halls started at the beginning of August. Construction of the new P1/P2 parking facility proceeded well, and it will open in 2020.

The expansion of gates 37–39 is also under construction. It will bring more capacity and flexibility to non-Schengen and Schengen flights in 2021.

The development programme for Lapland's airports was completed with the opening of the terminal extensions at Rovaniemi and Ivalo Airports in November 2019. The taxiway extension was opened in Kittilä in September.

Financial position

Cash flow from operations in 2019 stood at EUR 125.7 (99.3) million. Cash flow after investments was EUR -178.4 (-99.6) million. Cash flow-based investments totalled EUR 306.1 (239.5) million.

Finavia's liquidity was good, with cash at bank and in hand being EUR 27.5 (22.8) million at the end of the review period. Finavia Group's interest-bearing liabilities were EUR 517.4 (323.1) million and interest-bearing net liabilities EUR 489.8 (300.3) million at the end of the review period.

In 2019, Finavia took out new long-term loans worth EUR 210 million. At the end of December, Finavia had EUR 215 million in unused long-term credit facilities 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 December.

Outlook for 2020

The forecasts indicate that the growth of the global economy will slow in 2020. This is also reflected in air travel, and the growth of passenger volumes is expected to slow due to the uncertainty of the operating environment. The duration of the coronavirus epidemic which emerged early in 2020 and its impacts, particularly on the travel of Chinese passengers, are difficult to estimate at this stage.

Finavia expects its revenues for 2020 to increase slightly from 2019 on the basis of the current view of the development of traffic. The operating result excluding extraordinary items is estimated to fall clearly short of the 2019 level. This is mainly due to increased depreciation resulting from investments.

The business review is unaudited.

Finavia Corporation

For further information, please contact CEO Kimmo Mäki, tel. +358 20 708 2000 or CFO Niclas Köhler, tel. +358 40 342 4420.

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	Interest-bearing debts - Cash and cash equivalents

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