
2016

# Financial statements

FINAVIA

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Revenue MEUR

380.9

The total number of passengers

20.8

million

Investments MEUR

182.8

2,394

Group's fte

# Report of the Board of Directors 2016

## Operating environment

Air traffic in the EU area increased in 2016 by a record 5.1 per cent. The growth stems from the improved overall economic situation and the low price of oil. Airlines' investments in larger planes have also increased passenger volumes. At the same time, the amount of cargo has grown.

The total passenger volume at Finavia's airports in 2016 increased to 20.8 million passengers (20.1 million). The passenger volume grew by 3.5 per cent from the previous year.

The total passenger volume at Helsinki Airport reached a new record in 2016, with 17.2 million passengers visiting the airport (16.4). The growth amounted to 4.7 per cent. The annual growth of international traffic at Helsinki Airport was 4.9 per cent, and domestic traffic increased by 3.4 per cent. The total number of transit passengers at Helsinki Airport grew 0.7 per cent to 2.7 million (2.6). The growth of international transit traffic has been curbed by the reduced attraction of major European destinations due to, for instance, increased international security threats. The disruption in the growth in transit traffic is considered to be temporary. Finland's attractiveness as a travel destination has increased, as more and more passengers coming from Asia stop in Finland.

The total passenger volume of Finavia's airports excluding Helsinki Airport was 3.6 million, which was 1.6 per cent less than last year. Domestic travel increased by 3.2 per cent. The strongest growth in domestic travel comes from passengers in transit from international routes to Lapland. Rovaniemi airport reached a new passenger record. Direct international traffic declined by 13.6 per cent, mainly due to the decrease in low-cost airlines' offering at Tampere.

The number of landings at all Finavia's airports decreased by 2.0 per cent from the previous year. The growth in passenger volumes despite the decline in the volume of operations shows that air traffic is continuously increasing its efficiency with higher occupancy rates and larger planes.

In 2016, the number of overflights controlled by Finavia grew by 12.6 per cent from the previous year. The number of overflights saw strong growth in the last quarter in particular. This was influenced by the continued good development of flights between the Middle East and North America, as well as the revived traffic between Europe and Asia due to the adoption of free routing airspace. Between 2002 and 2016, overflights have increased by an average of 7.3 per cent a year. A significant part (34 per cent) of overflights controlled by Finavia comprises of traffic between Asia and Europe, but the share of overflights represented by traffic between the Middle East and North America has increased to as much as 20 per cent.

## Revenues and result

In 2016, the revenues of Finavia Group grew by 7.9 per cent from the previous year to EUR 380.9 million (353.1 in 2015). In addition to the growth in air traffic, the revenues were increased by the success of commercial services at Helsinki Airport as well as the business growth of subsidiaries Airpro and LAK.

Revenues from air traffic, or aero revenues, grew by 4.6 per cent to EUR 223.6 million (213.8). At the beginning of 2016, Finavia increased airport fees and air navigation fees by 1.9 per cent from the previous year due to the increased cost level, owing in particular to the increased need to invest in security technology in order to comply with regulatory requirements.

The Group's revenues from other operations besides air traffic increased in 2016 by 12.9 per cent to EUR 157.3 million (139.3). These revenues made up 41.3 per cent of the total revenues (39.4). These other operations include, among others, commercial services at airport terminals, parking services, ground handling, security, cabin and customer services provided by Airpro and rental income from real estate.

The Group's operating profit, excluding non-recurring items, was EUR 55.1 million (55.7), which is 14.5 per cent of the revenues (15.8). Depreciations excluding non-recurring items increased to EUR 59.7 million (49.1) due to the investment programme.

The result for the reporting period was EUR 28.3 million (40.0). The result included EUR 1.9 million of non-recurring profits stemming from property sales (14.4). Non-recurring expenses amounted to EUR 14.6 million in total (13.7). This included write-downs relating to the corporatisation of the air navigation business and the Helsinki Airport development programme, impacts from new and cancelled environmental provisions and profit and bonus provisions. Financing expenses amounted to EUR 9.7 million (6.5).

**Group's key indicators**

| | 2016 | 2015 |
|---|---|---|
| Revenues, MEUR | 380.9 | 353.1 |
| Operating profit excluding non-recurring items, MEUR | 55.1 | 55.7 |
| Operating profit excluding non-recurring items, % | 14.5 | 15.8 |
| Operating margin excluding non-recurring items, MEUR | 114.8 | 104.8 |
| Result for the financial period, MEUR* | 28.3 | 40.0 |
| Cash flow from business operations, MEUR** | 97.7 | 75.1 |
| Investments, MEUR*** | 182.8 | 169.6 |
| Return on equity, %* | 4.8 | 7.1 |
| Return on investments, %* | 5.0 | 7.0 |
| Equity ratio, %* | 58.9 | 60.5 |
| Net gearing, %* | 38.8 | 24.8 |
| Total passenger volume, millions of passengers | 20.8 | 20.1 |
| Personnel average, full time equivalent | 2,394 | 2,317 |

* Reference data for 2015 presented in accordance with the statement issued in December 2016 by the Accounting Board to companies reporting according to Finnish accounting practices concerning the way in which derivatives are entered into the books.
** Cash flow from business operations does not include the cash flow effect from the closing of non-hedging structured interest derivatives in 2015. The effect is presented in the financing cash flow.
*** Includes the acquisition of the shares of KOY Lentäjäntie 1 on 1 December 2015.

## Business development

The Group provides air traffic services and has three Business Areas. These are Helsinki Airport, Air Navigation Services and Airport Network.

Finavia's air traffic services are also supplemented by its subsidiaries Airpro and Lentoasemakiinteistöt.

**Revenues by Business Area**

| MEUR | 2016 | 2015 | Change % |
|---|---|---|---|
| Helsinki Airport | 210.0 | 195.2 | 7.6 |
| Airport Network | 44.5 | 43.9 | 1.2 |
| Air navigation business | 67.5 | 66.7 | 1.2 |
| Airpro business | 63.9 | 55.4 | 15.3 |
| Real estate business | 23.3 | 17.3 | 34.2 |
| Eliminations | -28.2 | -25.4 | 11.1 |
| **Group total** | **380.9** | **353.1** | **7.9** |

**Helsinki Airport** is responsible for providing airport services (not including air navigation) for airlines and passengers at the Helsinki Airport. In 2016, revenues grew by 7.6 per cent due to positive passenger development and the good development in the sales of commercial services. In 2016, the total passenger volume of the airport reached a record high – 17.2 million passengers (16.4). The total growth in passenger volume was 4.7 per cent. In 2016, international travel increased by 4.9 per cent and transit travel in total by 0.7 per cent. The passenger volume of domestic travel increased by 3.4 per cent compared to the previous year.

Helsinki Airport offers 17 direct flight routes to Asia. One of the focus areas at Helsinki Airport has been the efforts made in serving Chinese passengers. Finavia serves its customers in Chinese in its digital channels, and in June 2016, a Chinese-language guide service was launched to serve Chinese passengers.

According to a report published in September by ACI Europe, the worldwide professional association of airport operators, Helsinki Airport is Europe's 12th most significant transit traffic airport. The significance of Helsinki Airport as a hub for international transit traffic is greater than that of any other Nordic airport.

The EUR 900 million development programme of Helsinki Airport, scheduled to be finished in 2020, continued as planned.

The development programme enables the development and expansion of the airport to accommodate a capacity of 20 million annual passengers by the end of 2020.

**The Airport Network business** is responsible for providing airport services (not including air navigation) for airlines and passengers at regional airports. In 2016, the network included a total of 21 regional airports owned by Finavia.

The revenues of the Airport Network increased by 1.2 per cent. In 2016, the combined passenger volume of the network airports was 3.6 million. Domestic traffic grew by 3.2 per cent in the network. International traffic declined by 13.6 per cent due to decreased international traffic at Tampere airport. At airports in Lapland, the number of direct international routes increased. As for other network airports, there were no significant changes in international traffic.

There were still substantial differences in the development of passenger volumes between the airports. The reasons for this include changes in the competitive situation between different forms of transport as well as differences in the economic situation and appeal of regions. In Lapland, tourism has increased significantly. Rovaniemi reached its all-time passenger record in 2016. Passenger volume development was positive also at airports in Oulu and Vaasa.

Finavia continued its network airport investment programme, which began in 2014 and aims to improve the infrastructure and service level of key regional airports in the network. The focus has been on the airports in Lapland, where passenger volumes have seen positive development. Investments in service level development are reflected in improved customer satisfaction.

On 1 January 2016, the business operations of the Lappeenranta airport were transferred to Lappeenrannan Lentoasema Oy.

On 31 December 2016, Finavia ceased to operate the Helsinki-Malmi airport and offer air navigation services at the airport, as was decided in an extraordinary general meeting held on 14 January 2015.

**The Air navigation business** is responsible for controlling Finland's airspace and produces the flight route and air traffic control services needed by air traffic. The revenues of the air navigation business are generated mostly by flight route charges and the air navigation charges of airports.

In 2016, the revenues from the air navigation business increased by 1.2 per cent compared to the previous year. The revenue growth was caused by increased traffic volumes in both the flight route service and the air navigation service. In the flight route service, the traffic volume of overflights grew by 0.2 per cent and that of international traffic by 2.3 per cent from the previous year. However, the traffic volume of domestic traffic declined by 0.8 per cent. The development in October-December 2016 was more positive than earlier in the year.

The pricing of the air navigation business is to a great extent based on EU legislation. The EU confirms service rates and sets efficiency targets for service providers. In 2016, Finavia continued to improve the efficiency of its air navigation business.

The air navigation business is actively seeking international cooperation opportunities in, for instance, training and airspace control. A preliminary survey has been conducted with the Estonian air navigation service provider EANS to increase cooperation. The FINEST survey is based on the policy by the Finnish and Estonian states that aims to improve the efficiency and safety of airspace control in the area. Based on the preliminary survey, it was decided that the first stage of the FINEST project, which includes the definition of the cooperation model, is to be initiated.

Finavia is currently examining the possibility to corporatise the air navigation business and divest it from Finavia Group in accordance with the proposal of the Ministry of Transport and Communications, which was supported by the Government's Ministerial Committee on Economic Policy in December 2016. According to the proposal, Finavia Corporation's air navigation operations will be separated into its own special assignment company during the spring of 2017.

Finavia's subsidiary Airpro complements the company's service offering by providing ground and passenger services for airlines and airports. The revenues of the business grew by 15.3 per cent compared to the previous year. The revenue growth stemmed from efforts made in ground forwarding and security control services. The revenues were increased significantly as the agreement to provide ground services to the airline company Norwegian expanded to Helsinki.

Lentoasemakiinteistöt administers and develops real estate properties in the immediate vicinity of airports and leases them to companies. Its revenues grew by 34.2 per cent, mainly due to rental income from properties bought in December 2015. There were no significant changes in the operations and the number of real estate properties of the business in 2016. Focus in the development of the real estate business has been on Aviapolis Station.

## Balance sheet

The consolidated balance sheet total was EUR 1,000.9 million (941.1). The equity ratio stood at 58.9 per cent (60.5). The amount of fixed assets increased to EUR 893.8 million (776.8) due to the ongoing development and investment programme.

Interest-bearing loans amounted to EUR 265.5 million at the end of the year (240.8). The amount of liabilities increased to EUR 391.2 million (350.5). Net gearing stood at 38.8 per cent (24.8). Statutory provisions totalled EUR 21.0 million (22.2) and were related to the implementation of projects required by stricter environmental requirements for airports.

In accordance with the statement issued in December 2016 by the Accounting Board to companies reporting according to Finnish accounting practices, concerning the way in which derivatives are recognised, the method for recognising hedging derivatives has been changed. The fair value of derivatives is presented in the short and long-term accruals or accrual liabilities in the balance sheet and in the fair value reserve in equity.

## Cash flow and financial position

The cash flow from business operations was EUR 97.7 million (75.1), which includes EUR 0.5 million of payments for the Ring Rail Line (7.0). The cash flow from investments was EUR 180.2 million (163.0). Amortisations of long-term loans amounted to EUR 19.2 million (18.4).

Finavia's portion in the financing of the Ring Rail Line was EUR 67.5 million in total. By the end of 2016, Finavia had paid its entire financing portion of the Ring Rail Line.

Finavia's financial position is strong, supporting the ongoing development investments of the business. On 31 December 2016, the Group's cash and cash equivalents totalled EUR 37.3 million (99.7). In 2015, the amount of cash and cash equivalents was increased due to a capital injection provided by the State for the Helsinki Airport development programme.

At the end of 2016, Finavia had a total of EUR 370 million of unutilised long-term credit arrangements for financing the expansion of Helsinki Airport. The loan arrangements include covenants related to indebtedness and change of control. Finavia also has a EUR 250 million commercial paper programme, of which EUR 34.0 million was in use at the end of 2016.

At the end of 2016, the Group had hedged 73.0 per cent of the interest rate risk for interest-bearing liabilities with variable interest rates. The average rate of the Group's interest-bearing loans was 1.86 per cent in 2016 and the average interest determination period for its liability and leasing portfolio and hedges was 5.7 years. The impact of interest rate swaps has been taken into account in the average rate calculation. Some of the parent company's long-term liabilities have state guarantees and the company pays guarantee commissions for them.

The Group's leasing liabilities decreased to EUR 32.2 million (37.8).

## Investments

In 2016, The Group's investments totalled EUR 182.8 million (169.9).

At Helsinki Airport, the most significant projects related to the implementation of the development programme. The expansion of the parking facility became operational in August 2016, bringing almost 3,000 new parking spaces to the airport. At the beginning of 2016, the construction of the southern wing of the terminal and the expansion of the apron level commenced. The first new gate areas for arrivals and departures, relating to the terminal expansion, became operational in June 2016. In July, construction of the west wing began with the central square.

In 2016, the focus in the airport network was in the development of Lapland's airports. The largest individual project in the network was the renovation of the traffic area at Rovaniemi airport.

The most significant investments in the air navigation business in 2016 concerned the update of the TopSky radar display system, the replacement of the ILS/DME navigation equipment in Kokkola, the renovation of the temporary premises of Helsinki Airport and the replacement of the ATIS/VOLMET system of Helsinki Airport.

In recent years, significant investments have been made in the airport network. As a consequence, the quality of Finland's airport network was ranked fifth highest in the world and the highest by far in the Nordic countries by the World Economic Forum's (WEF) Competitiveness report for 2016–2017.

## Shares and share capital

All shares of Finavia Corporation are owned by the state of Finland. The Ministry of Transport and Communications is responsible for ownership steering. The company's share capital consists of 7,400,000 shares of equal value. The amount of share capital is EUR 185.0 million. The company does not have any treasury shares. The company has not issued any shares, options or other rights entitling to shares. The company's Board of Directors has no valid authorisation to issue shares or option rights.

## Ordinary General Meeting 2016

Finavia Corporation's Ordinary General Meeting of Shareholders was held on 31 May 2016 in Helsinki. The General Meeting adopted the 2015 financial statements and discharged the Board of Directors and the CEO from liability.

The General Meeting accepted the Board's proposal on the distribution of dividends. A total of EUR 4.6 million was paid in dividends. In addition, the General Meeting decided that the parts of the weather observation equipment and software completed in 2015, owned by Finavia, will be transferred to the State of Finland as repayment of capital and placed under the control of the Ministry of Traffic and Communications, at the fair value recognised in the financial statements on 31 December 2015, i.e. EUR 1.9 million.

## Personnel

At the end of the year, the Group had 2,995 employees (2,963). The number of permanent employees was 2,371 (2,322). In terms of full time equivalent, the average number of employees during the financial period was 2,394 (2,317). The Group has no employees abroad. The parent company had 1,570 employees at the end of the year (1,605). In terms of person-years, the average number of the parent company's employees during the financial period was 1,405 (1,406).

In the development of the competences of Finavia's personnel, the focus areas continued to be maintenance of regulatory competence, service competence and managerial work. To maintain the fitness of fire and rescue personnel, personal targeted coaching was continued, as a result of which 95 per cent of the personnel passed the fitness tests. Another focus area for projects concerning well-being at work was improving the coping at work of people performing shift work.

In January 2016, a personnel survey was conducted in the Group. The results of the survey showed that personnel satisfaction at Finavia has improved, with the overall results rising to the average level of Finnish companies.

## Business-related risks

Finavia's risks are categorised into strategic, operational, compliance and financial risks.

**Strategic risks**: During 2016, no substantial changes occurred in the Group's risk scenario. The main risks threatening the implementation of the company's strategy are related to general developments in the air traffic industry. The predictability of the industry is weakened by its strong dependence on fluctuations in the world economy, the changing internal structure of air traffic, and statutory regulation of the industry. Other risks related to the operational environment include risks related to the air traffic and overflight rights and the regulation of airport fees. The fluctuations in the demand for air traffic and the changing service requirements of airline customers dictate that the Group has to be flexible in its capacity management and service production. The business is very capital-intensive and local. The cost structure is of a fixed nature.

The development programme at Helsinki Airport continued during the financial period. The programme is the cornerstone of implementing Finavia's strategy, and its success is of primary importance in securing Finavia's competitiveness. The risk management of the development programme is a significant part of the Group's overall risk management. The changes produced and required by the development programme in the operation of the infrastructure and processes have been classified as a significant strategic risk package.

The Single European Sky (SES) programme is in progress within the EU for the purpose of developing the use of airspace in the member states. The long-term perspective of European development involves the development of the internal market and opening services up to competition. In this respect, Finavia's key risks are related to the restructuring of air navigation markets, changes taking place in the production of services, and decreasing possibilities to influence the determination of terms and conditions of services. The risk is managed by active participation in NEFAB cooperation and other European development work and by ensuring that Finavia's services remain cost-effective and competitive.

**Operational risks**: The cash flow of Finavia Group is fully dependent on the smooth functioning of air traffic. In managing operational business risks, the focus is on measures related to ensuring the smoothness of the air traffic service chain. The air traffic service chain is created as a result of the cooperation of many organisations and actors. As an airport operator, Finavia's role is to ensure that each actor has optimal possibilities to fulfil its respective responsibilities in the service chain. The actors operating at the airports have regular meetings aimed at improving processes and their interfaces.

The risks related to service production are increasingly dependent on the functionality of IT systems and their compatibility with the Group's own operating models and IT systems, as well as with those of its partners. The risk is managed by paying attention to the IT system architecture, data security, documentation and interfaces and by ensuring that operating models are also convergent.

**Compliance risks**: Finavia's business is founded on two licences: the air navigation services licence and the airport operator licence. The implementation of the operational and structural requirements related to these licences is supervised by both national and EU authorities. The regulation related to the licences is continuously increasing and changing. Finavia has to react to such changes by developing its competence, supplementing the physical infrastructure and training its personnel. The maintenance of compliance is implemented by credible, reliable and cost-effective security solutions. Internal control is an important part of the maintenance of compliance, required by the EU regulation.

The operation of Finavia's airports requires an environmental permit, which is granted to airports by the Regional State Administrative Agency. As a whole, the operations at Finavia's airports comply with the requirements of the Environmental Protection Act. The legislation requires an environmental permit even if the activities have been in the same place for a long time and are well-established. Some of Finavia's airports have received the permit decision, while others have the permit still pending in accordance with the schedule determined by the Centres for Economic Development, Transport and the Environment. The permits are granted separately for each airport, and it is not possible to predict with certainty, which requirements will be included in a particular airport's environmental permit. Based on permit decisions already made, the company has made preparations to clean firefighting exercise areas at airports, improve the protection of fuel tanks and filling areas, and enhance the efficiency of rain and effluent water systems. The company has made statutory provisions for these environmental investments in 2010–2016. The work will be completed in the next few years.

The situations regarded as a risks include those in which a permit decision fails to take into account the particular characteristics of air traffic and imposes unreasonable costs on the airport operator. The risks also include permit processes resulting in the loss of revenues due to unnecessarily strict noise control and traffic restrictions, considering the circumstances. From the point of view of securing the operating prerequisites of airports, it is important that functions sensitive to noise are not planned in aircraft noise areas or in their immediate vicinity.

**Financial risks**: The Group produces services for air traffic, and its cash flow is to a large extent dependent on one field of business. Any disturbances in the business or interruptions to service can drain the cash flow rapidly, as happened with the Icelandic ash plume in spring 2010. Risks related to cash flow are managed by ensuring sufficient liquidity and a liquidity reserve.

The airport and air navigation service fees charged from airlines are regulated and structurally inflexible. The timelines related to the pricing process are rather long. Therefore, there is a risk that Finavia incurs front-end costs long before the fees charged from the airlines are confirmed. The risk is managed by having regular consultations with customers and by developing the company's long-term pricing strategy.

The production of airport services is a very capital-intensive business, and regulatory requirements further increase the need for investments.

Finavia has invested in reliable reporting with material content, which is a requirement for identifying and assessing financial risks. Sufficient internal control measures and harmonised procedures allow Finavia to manage the risks related to reporting processes and ensure the reliability of financial reports.

The key financial risks of Finavia Group are related to the interest expenses of the Group. Other financial risks include fluctuations in the price of electricity and bitumen, changes in exchange rates, liquidity and refinancing risks and credit risks.

The key task of financial activities is the effective management of Finavia's funding, liquidity and market risks. In addition, the task of Finavia's financial activities is to produce the financial services needed by the businesses and subsidiaries in accordance with the approved financing policy and in a cost-effective manner. The financing policy determines the principles for currency and interest rate risk management in the Group. Likewise, the financing policy determines the principles for commodity and energy price risk management.

## Environmental impacts

The maintenance of airports and air traffic cause environmental impacts, especially from anti-skid treatments, the de-icing and anti-icing treatments of aircraft, and from the movements of aircraft on the ground and in the air. Finavia instructs the other actors at airports to secure the service level and for safety and environmental reasons.

Finavia primarily uses mechanical methods in the anti-skid treatment of runways, and, when required by weather conditions, it also uses readily biodegradable formiate or acetate-based agents. Ground handling companies use propylene glycol for the de-icing and anti-icing treatment of aircraft, which causes environmental loading on the waterways by increasing oxygen consumption. Airplanes cause emissions and noise during take-offs and landings and when taxiing on the ground.

The maintenance of airports is subject to a permit in accordance with the Environmental Protection Act (86/2000, revised 527/2014). Airports have been gradually granted permits retrospectively as existing operations, and environmental permits have been issued for 18 airports maintained by Finavia. At the end of 2016, the permit applications for Kokkola-Pietarsaari and Kajaani Airports, and the applications to review the permit provisions for Utti and Maarinahamina, were being processed by the permit authorities. With regard to Tampere-Pirkkala Airport, there have been no changes in the airport's operations that would require a revision of the permit provisions. As for Helsinki-Malmi Airport, the need to review the permit provisions lapsed at the end of 2016 when it comes to Finavia, as the Group ceased its operations at the airport. In December 2016, the Supreme Administrative Court gave its ruling regarding the appeals on the Turku Airport environmental permit. In February 2016, the Vaasa Administrative Court gave its ruling regarding complaints filed against the environmental permit concerning the changed operations at Jyväskylä Airport.

The permit decision for Helsinki Airport (August 2011) required that night traffic operating restrictions be assessed by the Finnish Transport Safety Agency Trafi in accordance with the Aviation Act. Trafi issued its decision on 21 October 2015, and did not set any operational restrictions. The decision was appealed to the Helsinki Administrative Court, which dismissed the appeals in December 2016, but the matter has been appealed further to the Supreme Administrative Court. In June 2016, the EU regulation concerning noise control at large airports came into force. For its implementation, government decree 401/2016 for a balanced approach to airport noise control was issued. Based on the decree, the Ministry of Transport and Communications set up a working group comprising of representatives of different authorities, Finavia and airlines, to disseminate information concerning noise mitigation activities between different actors.

Airport operations make up five per cent of the carbon dioxide emissions of the entire air traffic system. Finavia is improving the energy-efficiency of its operations and reducing its carbon dioxide emissions. As an example of this, Helsinki Airport and Lapland Airports have achieved level two in the carbon dioxide reduction programme of Airports Council International (ACI). Finavia decided on actions to enable Helsinki Airport to reach level 3+ in the programme. This means that the emissions remaining after the reduction activities are compensated by acquiring emission reduction units from projects carried out in developing countries.

As a provider of air navigation services, Finavia also improves the environmental efficiency of air traffic. The Free Route Airspace (FRA), adopted in Finland in 2015, has provided flexibility and efficiency in air space use, as the air space utilisation rate has been on a good level. FRA shortens the distance to be flown and reduces emissions.

Finavia continued its work to minimise the environmental impact of de-icing operations by instructing the companies performing the treatment and by increasing the effectiveness of the recovery of liquids containing propylene glycol. At Rovaniemi Airport, the usability of a vacuum truck for glycol recovery was tested in the conditions in Lapland. Based on the results, it was decided that a vacuum truck would not be acquired for Rovaniemi Airport for the time being. Instead, separate sewerage of rain and effluent waters at two aprons was implemented in connection with the renovation, enabling the recovery of water that contains glycol through the sewerage system in the future.

The Southern Finland Regional State Administrative Agency gave its decision regarding the need to renovate the Kylmäoja ditch, which serves as one of the discharge channels for rain and effluent waters at Helsinki Airport. The decision has been appealed to the Vaasa Administrative Court. The report regarding the renovation needs of other discharge channels was completed in early 2016 and supplemented in August 2016. To manage the increasing amounts of rain and effluent water and flooding detriments caused by the expansion of traffic areas relating to the Helsinki Airport development programme, two flood control pools were constructed in the upper reaches of Veromiehenkylä brook.

Finavia monitors the quality of surface water and groundwater at its airports. Jyväskylä Airport continued the experiment in the use of a new anti-icing agent started in 2014, due to which its environmental impact will be closely monitored in accordance with the programme approved by the Central Finland Centre for Economic Development, Transport and the Environment.

## Strategic direction

Finavia's aim is to be a profitable, respected and well-managed service company that ranks among the best international actors in all its operations and creates prerequisites for safe and competitive air traffic in Finland.

In 2016, Finavia focused on improving the efficiency and service level of the entire Group as part of implementing its strategy. The efficiency of operations improved, and passenger satisfaction at airports increased. Finavia is investing in digital services to improve customer service and improve efficiency. Services will be developed based on the needs of airport customers, which will improve profits. The reforms implemented in passenger services enable future growth.

The Group's strategic goal is to strengthen the market share of Helsinki Airport in traffic between Europe and Asia. Another goal is to increase the number of direct connections to Europe. The demand for Finavia's services is materially dependent on the market development of air traffic and Finavia's ability to implement its strategy. The success of Finavia's sales and marketing activities is essential to this.

The Helsinki Airport development programme aims to increase the capacity of the airport so that in 2020, it can serve 20 million passengers a year instead of the current 17 million.

Finavia has been given the strategic task of developing and maintaining a uniform airport network for regular scheduled traffic. Finland's airports are rather different from each other in terms of passenger volumes and the needs of airlines and passengers. In Finland, there is ample airport capacity in the provinces, but low demand hinders traffic development.

The key strategic objective of air navigation services is to improve its cost efficiency and profitability. It is strategically important to Finavia's Air Navigation Services that the operating models and cost-efficiency of air navigation services are developed so that the services are competitive if they are opened to competition at a later stage.

## Outlook for 2017

The positive traffic development is expected to continue in 2017. In addition to overall economic development, factors impacting traffic development include potential security threats in popular destinations as well as a possible increase in oil price.

Finavia is prepared for continued fluctuations of supply and demand for air traffic at its airports in 2017. Airlines react to demand fluctuations by quickly adjusting their capacity and by aiming for maximum occupancy rates.

The company anticipates that growth will continue in international traffic in 2017 and will slightly exceed the growth in the previous year. In 2017, the passenger volume in domestic traffic is expected to remain at the previous year's level. Major changes are anticipated in passenger volumes of individual airports.

The development programme of Helsinki Airport will proceed according to the general plan completed in 2014. In 2017, the development programme will focus on projects related to increasing the capacity for transit traffic and renewing the services provided to passengers. The basic upgrading investments into the network will continue during 2017.

The company estimates that with the current company structure, the comparable revenues for 2017 will be slightly higher than in 2016. However, if the corporatisation of the air navigation business comes to pass, the impact on revenues will be considerable. Operating result excluding non-recurring items is estimated to fall somewhat short of the 2016 level mainly due to the increased depreciation resulting from investments.

## Events after the financial period

Finavia's subsidiary, Lentoasemakiinteistöt Oyj was divided on 1 January 2017 into two companies: LAK Real Estate Oyj and Lentoasemakiinteistöt Oy. In the division, real estate properties considered strategic to the airport's operations and ill-suited to the business of LAK Real Estate were transferred to the new Lentoasemakiinteistöt Oy. The division will clarify the role of LAK Real Estate, which will continue the business of Lentoasemakiinteistöt, as a real estate company.

On 12 January 2017, The Ministry of Transport and Communications informed that the ownership steering of Finavia shall be transferred on 1 April 2017 to the ownership steering department of the Prime Minister's Office. The transfer follows from the decision in principle concerning ownership policy made by the Finnish Government in May 2016.

The Helsinki-Malmi Airport was transferred under the control of the city of Helsinki on 1 January 2017.

Finavia continues the preparations for incorporation of the air navigation business and its separation from the Finavia Group.

## The Board of Directors' proposal regarding the application of profits

The parent company's distributable funds on the balance sheet date of 31 December 2016 stood at EUR 316,547,949.42, of which profit for the period was EUR 28,268,540.67.

The Board of Directors proposes to the Annual General Meeting of shareholders that no dividends be paid and the profit for the period, EUR 28,268,540.67 is transferred to retained earnings.

Corporate Governance statement and remuneration statement will be published separately from the report of the Board of Directors on the company's web site www.finavia.fi.

Vantaa 9 March 2017

Finavia Corporation
Board of Directors

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# Income statement 1 Jan–31 Dec 2016

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Revenue | 380,886 | 353,085 | 327,274 | 311,350 |
| Other operating income | 3,666 | 16,188 | 3,570 | 10,867 |
| Materials and services | | | | |
| Materials and supplies | | | | |
| Purchases during the financial period | 27,769 | 25,813 | 24,962 | 24,196 |
| Changes in inventories, increase (-)/ decrease (+) | 444 | 52 | 445 | 91 |
| External services | 48,579 | 40,080 | 64,942 | 58,043 |
| | 76,792 | 65,946 | 90,348 | 82,330 |
| Staff expenses | | | | |
| Salaries and bonuses | 122,195 | 118,051 | 85,265 | 84,564 |
| Indirect staff expenses | | | | |
| Pension expenses | 21,736 | 21,004 | 14,944 | 14,908 |
| Other indirect staff expenses | 7,344 | 6,388 | 4,948 | 4,526 |
| | 151,275 | 145,443 | 105,157 | 103,997 |
| Depreciation, amortisation and impairment | | | | |
| According to plan | | | | |
| Buildings and structures | 23,528 | 18,025 | 18,254 | 14,860 |
| Machinery and equipment | 19,799 | 17,135 | 18,448 | 16,175 |
| Other tangible assets | 16,079 | 15,050 | 16,054 | 15,035 |
| Intellectual property rights | 1,006 | 805 | 916 | 785 |
| Other non-current expenditure | 398 | 314 | 11 | 11 |
| | 60,811 | 51,329 | 53,682 | 46,865 |
| Impairment of non-current assets | 4,037 | 0 | 4 037 | 0 |
| | 64,848 | 51,329 | 57,719 | 46,865 |

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Other operating expenses | 49,321 | 50,220 | 44,909 | 45,689 |
| Operating profit | 42,317 | 56,337 | 32,710 | 43,337 |
| Financial income and expenses | | | | |
| Share of associated company profits (losses) | 0 | 11 | | |
| Income from other non-current investments | 50 | 63 | | |
| Other interest and financial income | 158 | 232 | 313 | 281 |
| Change in market value of derivatives | -722 | 27,558 | -493 | 27,558 |
| Interest expenses and other financial expenses | -9,161 | -34,316 | -8,232 | -33,423 |
| | -9,675 | -6,453 | -8,412 | -5,584 |
| Profit before appropriations and taxes | 32,642 | 49,884 | 24,297 | 37,753 |
| Year-end allocations | | | | |
| Change in depreciation difference | | | -3,029 | -5,931 |
| Income taxes | | | | |
| Taxes for the financial period and previous financial periods | -3,491 | -1,976 | | |
| Taxes for the financial period | | | -2,186 | 0 |
| Taxes for previous financial periods | | | 3 | -43 |
| Deferred taxes | -883 | -7,928 | | |
| | -4,374 | -9,904 | -2,183 | -43 |
| Profit for the financial period | 28,269 | 39,979 | 19,085 | 31,779 |

# Balance sheet 31 Dec 2016

## ASSETS

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| Intellectual property rights | 4,417 | 2,559 | 4,059 | 2,143 |
| Other non-current expenditure | 2,518 | 2,916 | 176 | 186 |
| | 6,934 | 5,475 | 4,235 | 2,329 |
| Tangible assets | | | | |
| Land and water areas | 50,528 | 49,500 | 43,150 | 43,622 |
| Buildings and structures | 395,594 | 350,074 | 259,422 | 209,565 |
| Machinery and equipment | 119,259 | 108,997 | 109,573 | 102,074 |
| Other tangible assets | 225,915 | 190,216 | 225,187 | 189,578 |
| Advanced payments and work in progress | 95,255 | 72,172 | 93,363 | 70,752 |
| | 886,552 | 770,959 | 730,695 | 615,591 |
| Investments | | | | |
| Holdings in associated companies | 8 | 8 | | |
| Holdings in Group companies | | | 9,323 | 9,323 |
| Other investments | 341 | 341 | | |
| Other shares | | | 332 | 332 |
| | 349 | 349 | 9,655 | 9,655 |
| **Total non-current assets** | 893,835 | 776,783 | 744,585 | 627,575 |

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Inventories | | | | |
| Materials and supplies | 2,045 | 2,485 | 1,793 | 2,283 |
| Finished goods | 27 | 24 | 27 | 24 |
| | 2,073 | 2,509 | 1,821 | 2,307 |
| Non-current receivables | | | | |
| Accruals | 84 | 7 | 84 | 7 |
| Receivables from Group companies | | | 15,020 | 15,790 |
| Deferred tax assets | 10,985 | 10,748 | | |
| | 11,069 | 10,756 | 15,104 | 15,797 |
| Current receivables | | | | |
| Accounts receivable | 38,631 | 32,377 | 30,808 | 25,316 |
| Receivables from Group companies | | | 37,169 | 37,126 |
| Other receivables | 9,397 | 7,305 | 9,384 | 7,293 |
| Accruals | 8,576 | 11,664 | 7,850 | 11,050 |
| | 56,604 | 51,345 | 85,212 | 80,786 |
| Financial securities | | | | |
| Other securities | - | 3,000 | 0 | 3,000 |
| Cash and cash equivalents | 37,309 | 96,726 | 26,464 | 88,784 |
| **Total current assets** | 107,055 | 164,336 | 128,600 | 190,674 |
| **Total assets** | 1,000,890 | 941,119 | 873,185 | 818,250 |

## EQUITY AND LIABILITIES

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 185,000 | 185,000 | 185,000 | 185,000 |
| Other reserves | | | | |
| Invested unrestricted equity reserve | 286,635 | 288,503 | 286,635 | 288,503 |
| Fair value reserve | -29,443 | -27,950 | -29,375 | -27,100 |
| Retained earnings | 118,232 | 82,856 | 40,202 | 13,026 |
| Profit for the period | 28,269 | 39,979 | 19,085 | 31,779 |
| | **588,694** | **568,388** | **501,548** | **491,208** |
| **Cumulative appropriations** | | | | |
| Depreciation difference | | | 49,320 | 46,290 |
| **Statutory provisions** | | | | |
| Other statutory provisions | 20,997 | 22,227 | 20,997 | 22,227 |

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Non-current | | | | |
| Loans from financial institutions | 206,341 | 221,535 | 150,530 | 157,943 |
| Accrued liabilities | 35,829 | 27,616 | 33,629 | 26,766 |
| Deferred tax liability | 13,338 | 12,219 | | |
| | **255,508** | **261,370** | **184,159** | **184,709** |
| Current | | | | |
| Loans from financial institutions | 59,194 | 19,236 | 51,413 | 14,766 |
| Advance payments received | 1,170 | 1,297 | 419 | 487 |
| Liabilities to Group companies | | | 3,221 | 2,305 |
| Accounts payable | 32,399 | 24,017 | 29,819 | 21,800 |
| Other liabilities | 7,957 | 8,594 | 6,114 | 6,103 |
| Accrued liabilities | 34,972 | 35,990 | 26,176 | 28,355 |
| | **135,692** | **89,134** | **117,161** | **73,815** |
| **Total liabilities** | **1,000,890** | **941,119** | **873,185** | **818,250** |

# Cash flow statement

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Cash flow from business operations** | | | | |
| Payments received from sales | 377,728 | 351,128 | 323,590 | 313,274 |
| Payments from operating costs | -271,966 | -268,198 | -236,689 | -242,143 |
| Cash flow from business operations before financial items and taxes | 105,763 | 82,929 | 86,901 | 71,130 |
| Interest and financial expenses paid | -8,539 | -5,426 | -7,558 | -4,477 |
| Interest received from business operations | 154 | 232 | 311 | 274 |
| Dividends received | 50 | 63 | 0 | 0 |
| Other financial items from business operations | -606 | -491 | -605 | -491 |
| Direct taxes paid | 831 | -2,161 | 2,776 | -1,199 |
| **Cash flow from business operations** | **97,653** | **75,146** | **81,825** | **65,237** |
| **Cash flow from investments** | | | | |
| Investments in tangible and intangible assets | -182,241 | -150,869 | -175,147 | -122,735 |
| Income from disposal of tangible and intangible assets | 2,602 | 6,573 | 2,552 | 1,334 |
| Subsidiary shares acquired | -592 | -18,730 | 0 | 0 |
| Investments in other investments | 0 | 0 | 0 | 0 |
| Income from disposal of other investments | 0 | 0 | 0 | 0 |
| **Cash flow from investments** | **-180,232** | **-163,026** | **-172,595** | **-121,402** |

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Financing cash flow** | | | | |
| Increase in equity subject to a charge | 0 | 170,000 | 0 | 170,000 |
| Loans granted to subsidiaries | | | 0 | -36,000 |
| Repayments of loan receivables | | | 770 | 770 |
| Withdrawals of short-term loans | 34,000 | | 34,048 | 0 |
| Withdrawals of long-term loans | 10,000 | 0 | 10,000 | 0 |
| Repayments of long-term loans | -19,236 | -18,445 | -14,766 | -14,766 |
| Termination costs of non-hedging interest rate derivatives | 0 | -28,266 | 0 | -28,266 |
| Dividends paid | -4,603 | -753 | -4,603 | -753 |
| Group contributions received and paid | | | 0 | 0 |
| **Financing cash flow** | **20,161** | **122,537** | **25,449** | **90,986** |
| **Change in cash and cash equivalents** | -62,417 | 34,657 | -65,320 | 34,821 |
| Cash and cash equivalents 1 January | 99,726 | 63,965 | 91,784 | 56,963 |
| Cash and cash equivalents of purchased and merged companies | 0 | 1,105 | 0 | 0 |
| Cash and cash equivalents of sold subsidiaries | 0 | 0 | 0 | 0 |
| Cash and cash equivalents 31 December | 37,309 | 99,726 | 26,464 | 91,784 |
| Cash and cash equivalents from mergers and acquisitions | | | | |

# Notes to the financial statements

## 1. Consolidated accounting principles

Finavia Corporation is a Finnish public limited liability company whose registered office is located in Vantaa. The State of Finland owns the entire capital stock. In addition to Vantaa, there are business operations in 21 airports around Finland.

Finavia Group delivers air traffic services and has four Business Areas: Helsinki Airport, Air Navigation Services, Airport Network and the subsidiaries Airpro and Lentoasemakiinteistöt Oyj, which is engaged in real estate business.

The financial statements have been prepared in accordance with the Finnish accounting standards (FAS).

All Group companies are included in the consolidated financial statements. Associate company Taxi Point Oy was disregarded due to its negligible impact on Group equity. More detailed information on Group companies is available in Notes 12 to the balance sheet.

The Group's internal business transactions, receivables, liabilities and unrealised margins, as well as internal distribution of profit have been eliminated. Cross-ownership of shares has been eliminated using the acquisition cost method. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the time when the Group gained control.

### Income recognition principles

The revenues of the Finavia Group are mainly made up of services sold to air traffic, rental income from real estate and parking income. Income arisen from services is allocated to the month when the service was rendered and rental income is allocated over the rental period. Services sold are also invoiced at least on a monthly basis. There is no customer financing.

### Transactions denominated in foreign currencies

The invoicing of the Finavia Group is always conducted denominated in euros. Purchases denominated in foreign currencies are recorded at the exchange rate of the transaction date (entry of the purchase invoice in the system) and the exchange rate gain or loss arisen in connection with the payment is treated as an adjustment item of purchases.

Larger currency purchases have been hedged by forward exchange contracts. The exchange rate gains or losses from currency hedging have been recorded in the same way as the underlying purchase.

### Valuation principles used in preparing the financial statements

Non-current assets have been capitalised at direct acquisition cost. Subsidies received are recorded as a deduction of the acquisition cost. Planned depreciations are calculated within the Group according to a uniform set of principles on the basis of the economic life of each asset. Depreciation is started from the month the asset was taken into use.

The acquisition cost of inventories is determined using the weighted average cost method.

The securities included in the financial assets are recognised at acquisition cost or market price, if it is lower. The Group's derivatives include forward exchange contracts, electricity forward contracts and interest rate swaps.

The Finnish Accounting Board issued a new requirement relating to accounting for financial derivatives in December 2016 (1963/2016). Due to this, the Group changed the accounting of hedging derivatives: the derivatives are recognised at fair value in the current or non-current accrued income or expenses and the fair value reserve in equity. A similar change has also been made in the comparison figures of the parent company and the Group for 2015. The ineffective portion of hedges is recognised in the income statement under financial items.

Below a summary of changes in comparative information:

| Balance sheet 2015 | Group | | Finavia Corporation | |
|---|---|---|---|---|
| EUR 1,000 | Initial balance | Restated figures | Initial balance | Restated figures |
| Assets | | | | |
| Receivables | | | | |
| Non-current | | | | |
| Accruals | | 7 | | 7 |
| Deferred tax assets | 5,156 | 10,748 | | |
| | | | | |
| Current | | | | |
| Accruals | 11,661 | 11,664 | 11,048 | 11,050 |
| | | | | |
| **Total assets** | **935,517** | **941,119** | **818,240** | **818,250** |
| Assets | | | | |
| Equity | | | | |
| Fair value reserve | | -27,950 | | -27,100 |
| Profits of previous years | 76,511 | 82,856 | 13,026 | 13,026 |
| Profit for the period | 40,735 | 39,979 | 31,779 | 31,779 |
| | | | | |
| Non-current liabilities | | | | |
| Accrued liabilities | | 27,616 | | 26,766 |
| Deferred tax liability | 12,217 | 12,219 | | |
| | | | | |
| Current liabilities | | | | |
| Accrued liabilities | 35,646 | 35,990 | 28,011 | 28,355 |
| | | | | |
| Total assets | 935,517 | 941,119 | 818,240 | 818,250 |

A summary of the Group's financial derivatives, their market value and hedge accounting is presented in Notes 25.

### Provisions

The airport and air navigation service business is associated with authority regulations, of which especially regulations related to safety and the environmental permits of airports require "measures by the company. Mandatory provisions have been recorded for these measures."

### Costs of liabilities

Costs arising from liabilities are expensed in the period in which they arise. The interest rate expenses and income of interest rate derivatives are allocated to the interest rate expenses of loans.

### Income taxes

Finavia's share (EUR 67.5 million) of the construction costs of the Ring Rail Line may be deducted in income taxation as straight-line depreciation over a 10-year period effective from the payment year. The payment shares of the Ring Rail Line have been paid in the years 2010–2016. The payment shares have been recognised as costs in the income statement in 2009 and 2011.

The deferred tax liability calculated on appropriations (depreciation difference) has been shown as a separate item. A deferred tax receivable or liability has been calculated on the statutory provisions and the recognised market value of derivatives. The deferred taxes are only presented on the Group's balance sheet and the income statement.

The Group companies have no business operations or payable taxes in locations other than Finland.

## Notes to the income statement

### 2. Revenue by Business Area

| MEUR | Group 2016 | Group 2015 | Change, % |
|---|---|---|---|
| Helsinki Airport | 210.0 | 195.2 | 7.6 |
| Air Navigation Services | 67.5 | 66.7 | 1.2 |
| Airport Network | 44.5 | 43.9 | 1.2 |
| Airpro | 63.9 | 55.4 | 15.3 |
| Real estate operations | 23.3 | 17.3 | 34.2 |
| Eliminations | -28.2 | -25.4 | 11.1 |
| **Group total** | **380.9** | 353.1 | 7.9 |

### 3. Other operating income

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Profit from the sale of land areas and properties | 1,876 | 14,558 | 1,876 | 9,743 |
| Profits from the sale of other capital assets | 66 | 50 | 47 | 35 |
| Income from forests and land areas | 717 | 785 | 717 | 785 |
| Other earnings | 1,007 | 795 | 930 | 304 |
| | **3,666** | **16,188** | **3,570** | **10,867** |

Profits from the sale of land areas and properties in 2015 mainly originate from the sale of the properties of the Malmi airport (EUR 9.6 million).

### 4. Salaries and bonuses of the management

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| CEO and deputy CEO | 774 | 756 | 420 | 420 |
| Members of the Board of Directors | 142 | 177 | 142 | 177 |

### 5. Personnel employed by Finavia Group

| | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Average number of employees (person-years) | 2,394 | 2,317 | 1,405 | 1,406 |
| Employees at the end of the year | 2,995 | 2,963 | 1,570 | 1,605 |
| Permanent | 2,371 | 2,322 | 1,314 | 1,344 |
| Temporary | 624 | 644 | 256 | 261 |

Temporary personnel also includes individuals asked to work when needed, both in the parent company and the Group.

### 6. Auditor's fees

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Ernst & Young Oy | | | | |
| Audit fees | 89 | 59 | 71 | 52 |
| Certificates and statements of opinion | 3 | 4 | 3 | 4 |
| Tax advice | 9 | 4 | 9 | 4 |
| Other services | 32 | 18 | 30 | 18 |

### 7. Change of statutory provisions in the income statement

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Personnel expenses | 0 | -355 | 0 | -355 |
| Other operating expenses | -1,545 | -4,991 | -1,545 | -4,991 |

The largest items included in the statutory provisions consist of the provisions related to the airports' environmental permits. In 2016, the change in the provision amounted to EUR -1.4 million (-5). The work input in statutory provisions during the year amounts to EUR 2.5 million. The expenses have been entered directly (against a reservation) on the balance account, which means that the change in the reservation in this respect does not show in the balance sheet.

## 8. Financial income and expenses

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Share of associated companies' profit | | 11 | | |
| Dividend income | | | | |
| Dividend income from associated companies | 50 | 62 | | |
| Other interest and financial income | | | | |
| From Group companies | | | 194 | 133 |
| From others | 158 | 232 | 118 | 148 |
| Change in market value of derivatives | -493 | 27,558 | -493 | 27,558 |
| Interest expenses and other financial expenses | | | | |
| To others | -9,161 | -34,316 | -8,232 | -33,423 |
| **Financial income and expenses, total** | **-9,445** | **-6,453** | **-8,412** | **-5,584** |

Interest expenses include termination costs of non-hedging interest rate derivatives in the amount of EUR 28,266,000 in 2015. The last non-hedging interest rate derivatives (swaptions) matured in 2016.

## 9. Income taxes

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Income tax on business activities | -3,547 | -1,857 | -2,186 | 0 |
| Income tax from previous financial periods | 57 | -119 | 3 | -43 |
| Change in the imputed tax receivable | 237 | -6,183 | | |
| Change in the imputed tax liability | -1,120 | -1,746 | | |
| **Total income tax** | **-4,374** | **-9,904** | **-2,183** | **-43** |

A deferred tax receivable or liability has been recorded for the statutory provisions and the market valuations of electricity and interest rate derivatives. A deferred tax liability has arisen from appropriations.

# Notes to the balance sheet

## 10. Intangible and tangible assets, and depreciation and amortisation expense

| The economic lifetimes are as follows | Years | |
|---|---|---|
| Intangible assets | | |
| Intellectual property rights | 5 | Straight-line depreciation |
| Other non-current expenditure | 5–20 | Straight-line depreciation |
| | | |
| Tangible assets | | |
| Buildings | 20–40 | Straight-line depreciation |
| Short-term structures and constructions | 5–20 | Straight-line depreciation |
| Machinery and equipment | 3–20 | Straight-line depreciation |
| Ground structures | 10–40 | Straight-line depreciation |

Land and water areas are not depreciated.

In connection with the development programme of Helsinki Airport, an additional depreciation of EUR 1,106,662.40 has been made in 2016. In 2015, additional depreciations were made totalling EUR 2,253,153.25, the largest items being the write-downs related to the renovation of runway 1 (Helsinki Airport) totalling EUR 978,193.44.

In connection with the corporatisation of air navigation business, write-downs were made against assets in the 2016 financial statements totalling EUR 4,037,155.44.

Koyj Lentäjäntie 1 changed from an associated company to a subsidiary when Lentoasemakiinteistöt Oyj purchased the remainder of the company's shares from Finnair and Finnair's Pension Foundation in November 2015. The transaction generated goodwill of EUR 14,856,364.51, which has been allocated to buildings and will be amortised over 19 years. Goodwill amounting to EUR 1,448,639.61 has been allocated to buildings already in 2011, and will be amortised over 28 years. The amortisation period is the same as the remaining depreciation period of the building of the merged real estate company Koyj Lentäjäntie 3.

**Subsidies received for investments**

A subsidy of EUR 1,029,246 was received from the EU for the investment projects of the air navigation services. In addition, EUR 260,000 has been received for planning the Helsinki Airport travel centre. The development of Terminal 2 of Tampere-Pirkkala Airport received a subsidy of EUR 903,175 from the Ministry of Transport and Communication and similarly a subsidy of EUR 903,175 from the municipalities and cities in the area in 2014 and 2015.

| Changes in balance sheet items EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Intellectual property rights** | | | | |
| Acquisition cost 1 January | 13,873 | 13,600 | 13,381 | 13,495 |
| + Increases | 0 | 0 | 0 | 0 |
| + Transfers between items | 2,871 | 851 | 2,839 | 464 |
| - Deductions during the financial period | -1,058 | -578 | -1,058 | -578 |
| **Acquisition cost 31 December** | **15,686** | **13,873** | **15,162** | **13,381** |
| Accumulated depreciation and amortisation according to plan 1 January | -11,315 | -11,088 | -11,238 | -11,032 |
| Accrued depreciation and amortisation for deductions | 1,051 | 578 | 1,051 | 578 |
| Depreciation and amortisation for the financial period | -1,006 | -805 | -916 | -785 |
| Accrued depreciation and amortisation according to plan 31 December | -11,270 | -11,315 | -11,103 | -11,238 |
| **Book value 31 December** | **4,417** | **2,559** | **4,059** | **2,143** |
| **Other non-current expenditure** | | | | |
| Acquisition cost 1 January | 3,889 | 4,134 | 216 | 380 |
| + Transfers between items | 0 | 295 | 0 | 0 |
| - Deductions during the financial period | 0 | -539 | 0 | -164 |
| **Acquisition cost 31 December** | **3,889** | **3,889** | **216** | **216** |
| Accrued depreciation and amortisation 1 January | -973 | -823 | -30 | -182 |
| Accrued depreciation and amortisation for deductions | 0 | 164 | 0 | 164 |
| Depreciation and amortisation for the financial period | -398 | -314 | -11 | -11 |
| Accrued depreciation and amortisation according to plan 31 December | -1,372 | -973 | -41 | -30 |

| Changes in balance sheet items EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| **Book value 31 December** | **2,518** | **2,916** | **176** | **186** |
| **Land and water areas** | | | | |
| Acquisition cost 1 January | 45,577 | 43,555 | 42,860 | 43,131 |
| + Increases during the financial period | 1,635 | 3,517 | 135 | 37 |
| - Deductions during the financial period | -607 | -1,494 | -607 | -308 |
| **Acquisition cost 31 December** | **46,605** | **45,577** | **42,388** | **42,860** |
| **Utility charges for real estates** | | | | |
| Acquisition cost 1 January | 3,922 | 3,199 | 762 | 762 |
| + Increases during the financial period | 0 | 723 | 0 | 0 |
| - Deductions during the financial period | 0 | 0 | 0 | 0 |
| **Acquisition cost 31 December** | **3,922** | **3,922** | **762** | **762** |
| **Land and water areas (total)** | **50,528** | **49,500** | **43,150** | **43,622** |
| **Buildings and structures** | | | | |
| Acquisition cost 1 January | 720,931 | 642,196 | 552,490 | 531,135 |
| + Increases during the financial period | 0 | 57,113 | 0 | 0 |
| + Transfers between items | 69,048 | 23,286 | 68,112 | 22,688 |
| - Deductions during the financial period | -4,241 | -1,664 | -4,241 | -1,333 |
| **Acquisition cost 31 December** | **785,737** | **720,931** | **616,360** | **552,490** |
| Accumulated depreciation and amortisation according to plan 1 January | -370,856 | -354,167 | -342,925 | -329,397 |
| Accrued depreciation and amortisation for deductions | 4,241 | 1,335 | 4,241 | 1,333 |
| Depreciation and amortisation for the financial period | -23,528 | -18,025 | -18,254 | -14,860 |
| Accrued depreciation and amortisation according to plan 31 December | -390,143 | -370,856 | -356,938 | -342,925 |

| Changes in balance sheet items<br>EUR 1,000 | Group<br>2016 | Group<br>2015 | Finavia Corporation<br>2016 | Finavia Corporation<br>2015 |
|---|---|---|---|---|
| **Book value 31 December** | **395,594** | **350,074** | **259,422** | **209,565** |
| | | | | |
| **Machinery and equipment** | | | | |
| Acquisition cost 1 January | 447,128 | 428,226 | 433,176 | 417,519 |
| + Increases during the financial period | 0 | 513 | 0 | 0 |
| + Transfers between items | 34,168 | 29,309 | 30,022 | 26,374 |
| - Deductions during the financial period | -35,532 | -10,920 | -35,437 | -10,717 |
| **Acquisition cost 31 December** | **445,764** | **447,128** | **427,762** | **433,176** |
| | | | | |
| Accrued depreciation and amortisation 1 January | -338,131 | -331,809 | -331,102 | -325,563 |
| Accrued depreciation and amortisation for deductions | 35,462 | 10,814 | 35,398 | 10,636 |
| Depreciation and amortisation for the financial period | -23,836 | -17,135 | -22,485 | -16,175 |
| Accrued depreciation and amortisation according to plan 31 December | -326,505 | -338,131 | -318,189 | -331,102 |
| **Book value 31 December** | **119,259** | **108,997** | **109,573** | **102,074** |
| | | | | |
| **Ground structures** | | | | |
| Acquisition cost 1 January | 517,381 | 488,032 | 516,656 | 487,538 |
| + Increases during the financial period | 0 | 231 | 0 | 0 |
| + Transfers between items | 51,936 | 29,305 | 51,820 | 29,305 |
| - Deductions during the financial period | -17,860 | -187 | -17,860 | -187 |
| **Acquisition cost 31 December** | **551,457** | **517,381** | **550,616** | **516,656** |
| | | | | |
| Accrued depreciation and amortisation 1 January | -327,165 | -312,302 | -327,078 | -312,230 |
| Accrued depreciation and amortisation for deductions | 17,702 | 187 | 17,702 | 187 |
| Depreciation and amortisation for the financial period | -16,079 | -15,050 | -16,054 | -15,035 |
| Accrued depreciation and amortisation according to plan 31 December | -325,542 | -327,165 | -325,429 | -327,078 |
| **Book value 31 December** | **225,915** | **190,216** | **225,187** | **189,578** |

| Changes in balance sheet items<br>EUR 1,000 | Group<br>2016 | Group<br>2015 | Finavia Corporation<br>2016 | Finavia Corporation<br>2015 |
|---|---|---|---|---|
| | | | | |
| **Advance payments and incomplete acquisitions** | | | | |
| Acquisition cost 1 January | 72,172 | 29,426 | 70,752 | 29,141 |
| + Increases during the financial period | 183,736 | 126,200 | 177,802 | 121,441 |
| - Deductions | -2,399 | -1,000 | -2,399 | -1,000 |
| - Transfers between items | -158,253 | -82,454 | -152,793 | -78,830 |
| **Acquisition cost 31 December** | **95,255** | **72,172** | **93,363** | **70,752** |
| | | | | |
| **Shares and holdings (subsidiaries and other shares)** | | | | |
| Acquisition cost 1 January | 349 | 1,183 | 9,655 | 9,655 |
| + Increases during the financial period | 0 | 0 | 0 | 0 |
| - Deductions during the financial period | 0 | -834 | 0 | 0 |
| **Acquisition cost 31 December** | **349** | **349** | **9,655** | **9,655** |
| | | | | |
| **Total** | | | | |
| Acquisition cost 1 January | 1,825,223 | 1,653,551 | 1,639,948 | 1,532,756 |
| + Increases during the financial period | 185,371 | 188,298 | 177,937 | 121,478 |
| Transfers between items | -231 | 592 | 0 | 0 |
| - Deductions during the financial period | -61,697 | -17,217 | -61,602 | -14,286 |
| **Acquisition cost 31 December** | **1,948,666** | **1,825,223** | **1,756,283** | **1,639,948** |
| | | | | |
| Accrued depreciation and amortisation 1 January | -1,048,440 | -1,010,189 | -1,012,372 | -978,405 |
| Accrued depreciation and amortisation for deductions | 58,457 | 13,078 | 58,393 | 12,898 |
| Depreciation and amortisation for the financial period | -64,848 | -51,329 | -57,719 | -46,865 |
| Accumulated depreciation and amortisation according to plan 31 December | -1,054,831 | -1,048,440 | -1,011,699 | -1,012,372 |
| **Book value 31 December** | **893,835** | **776,783** | **744,585** | **627,575** |

## 11. Other shares and holdings

| EUR 1,000 | Shares / Group companies | Shares / Associated companies | Other shares and holdings | Other investments |
|---|---|---|---|---|
| Group | | | | |
| Acquisition cost 1 January | | 8 | 341 | 0 |
| + Increases during the financial period | | 0 | 0 | 0 |
| - Transfers between items | | | | |
| - Deductions during the financial period | | 0 | 0 | 0 |
| **Acquisition cost 31 December** | **0** | **8** | **341** | **0** |
| | | | | |
| Parent company | | | | |
| Acquisition cost 1 January | 9,323 | | 332 | 0 |
| + Increases during the financial period | 0 | | 0 | 0 |
| - Deductions during the financial period | 0 | | 0 | 0 |
| **Acquisition cost 31 December** | **9,323** | **0** | **332** | **0** |

## 12. Group companies

| | Group's holding (%) | Parent company's holding (%) |
|---|---|---|
| Airpro Oy, Vantaa | 100.0 | 100.0 |
| RTG Ground Handling Oy, Vantaa | 100.0 | 0.0 |
| Lentoasemakiinteistöt Oyj, Vantaa | 100.0 | 100.0 |
| Kiinteistö Oyj Lentäjäntie 1, Vantaa | 100.0 | 0.0 |
| Skyhow Oy, Vantaa | 100.0 | 100.0 |
| Happy Landings Finland Oy, Vantaa | 100.0 | 100.0 |
| Safranum Oy, Vantaa | 100.0 | 0.0 |

| EUR | Balance sheet total | Equity 31 Dec 2016 | Revenues | Financial period profit/loss |
|---|---|---|---|---|
| Airpro Oy, Vantaa | 22,205,546,22 | 9,748,967,76 | 54,458,234,74 | 1,313,881,06 |
| RTG Ground Handling Oy | 2,978,187,41 | -3,821,383,22 | 11,121,609,67 | 16,037,57 |
| Lentoasemakiinteistöt Oyj, Vantaa | 148,345,754,66 | 35,179,050,09 | 22,903,075,17 | 4,342,466,63 |
| Kiinteistö Oy Lentäjäntie 1, Vantaa | 24,304,725,20 | 6,420,348,86 | 1,505,171,03 | 80,131,56 |
| Skyhow Oy, Vantaa | 48,709,23 | 48,709,23 | 0,00 | -98,66 |
| Happy Landings Finland Oy, Vantaa | 2,493,00 | 2,493,00 | | |
| Safranum Oy, Vantaa | 2,493,00 | 2,493,00 | | |

| Holdings in associated companies | Group's holding (%) | Parent company's holding (%) | Equity 31 Dec 2016 | Financial period profit/loss |
|---|---|---|---|---|
| Taxi Point Oy, Vantaa | 25,0 | 0,0 | 1,069,456,98 | 262,074,19 |

## 13. Non-current receivables

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Fair value of hedging derivatives | 84 | 7 | 84 | 7 |
| Contracts maturing in 2018 or later | | | | |

## 14. Deferred tax assets

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Non-current | | | | |
| For accrual differences and temporary differences | 10,985 | 10,748 | 0 | 0 |

A deferred tax asset has been recorded for the statutory provisions and the market valuation of derivatives.

## 15. Receivables from Group subsidiaries

| EUR 1,000 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|
| Accounts receivable | 381 | 334 |
| Loan receivables | | |
| Non-current | 15,020 | 15,790 |
| Current | 36,770 | 36,770 |
| Prepaid expenses and accrued income | 18 | 22 |
| **At the end of the financial period** | **52,189** | **52,916** |

The loan receivables include a subordinated loan of EUR 4.2 million to the Group's subsidiary RTG Ground Handling Oy. Interest for the loan is charged at the 10-year euro swap rate which is revised on the day preceding the loan capital repayment. No margin is charged. The loan capital will not accrue interest for the financial periods for which the adopted financial statements do not show any distributable funds. In case of liquidation or bankruptcy of the company, the loan capital and interest may only be paid at a lower priority than that of other creditors. The loan capital may only be returned and interest paid to the extent that the sum total of the company's unrestricted equity and sum total of subordinated loans exceeds the loss shown on the balance sheet included in the company's financial statements adopted for the financial period, or in more recent financial statements. Neither Finavia nor the subsidiary issue any collateral guarantee for the loan capital or interest.

## 16. Material items contained in accrued receivables

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Rent receivables | 1,193 | 1,788 | 999 | 1,625 |
| Accrual of air navigation charges (Eurocontrol) | 3,627 | 3,323 | 3,627 | 3,323 |
| Receivables from occupational health care (KELA) | 656 | 675 | 316 | 319 |
| Pension payment receivables | 192 | 418 | 98 | 418 |
| Interest receivables | 4 | 0 | 4 | 0 |
| Tax asset (Corporate Tax Act) | 3 | 3,166 | 0 | 3,166 |
| Other | 2,901 | 2,294 | 2,806 | 2,199 |
| **At the end of the financial period** | **8,576** | **11,664** | **7,850** | **11,050** |

## 17. Additions and deductions from equity items

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Share capital | | | | |
| At the beginning of the financial period | 185,000 | 185,000 | 185,000 | 185,000 |
| **At the end of the financial period** | **185,000** | **185,000** | **185,000** | **185,000** |
| Other reserves | | | | |
| Invested unrestricted equity reserve | 288,503 | 290,608 | 288,503 | 290,608 |
| - Deductions | -1,868 | -2,105 | -1,868 | -2,105 |
| **At the end of the financial period** | **286,635** | **288,503** | **286,635** | **288,503** |
| Fair value reserve | -27,950 | -31,726 | -27,100 | -30,385 |
| - Changes | -1,492 | 3,776 | -2,274 | 3,285 |
| **At the end of the financial period** | **-29,443** | **-27,950** | **-29,375** | **-27,100** |
| Retained earnings | 122,835 | 77,263 | 44,805 | 13,779 |
| Deferred taxes adjusted from the items recorded in the fair value reserve | | 6,345 | | |
| Distribution of dividend | -4,603 | -753 | -4,603 | -753 |
| | **118,232** | **82,856** | **40,202** | **13,026** |
| Profit (+)/loss (-) for the financial period | 28,269 | 39,979 | 19,085 | 31,779 |
| **Total equity** | **588,694** | **568,388** | **501,548** | **491,208** |

In 2015–2016, the management of weather observation service systems and equipment was transferred to the Finnish Meteorological Institute. This reduced the invested unrestricted equity of Finavia Corporation by EUR 1,867,689.21 in 2016.

Based on the new decision of the Finnish Accounting Board (1963/2016), also the market valuation of hedging derivatives has been recorded in the accrued income or expenses and the fair value reserve in equity since 2016. Also the comparison figures for 2015 have been adjusted accordingly. The ineffective portion of hedges has been recorded in the income statement under financial items.

EUR 53,187,185.10 of the depreciation difference has been recognised in the Group's equity (EUR 48,867,417.27).

| EUR 1,000 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|
| Distributable unrestricted equity | | |
| Invested unrestricted equity reserve | 286,635 | 288,503 |
| Fair value reserve | -29,375 | -27,100 |
| Retained earnings | 59,287 | 44,805 |
| | 316,548 | 306,208 |

## 18. Provisions

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Statutory provisions | 20,997 | 22,227 | 20,997 | 22,227 |

The major items in statutory provisions on 31 December 2016:

An environmental provision of EUR 16.7 million (EUR 17.1 million) is associated with the pending environmental permit processes at different airports. A provision of EUR 3.1 million has been made for expanding the safety the safety zones of runways in compliance with EASA's new aviation regulations.

## 19. Non-current liabilities

Loans maturing after five years or more.

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Loans from financial institutions | 111,920 | 112,329 | 92,758 | 93,856 |

## 20. Material items included in accrued expenses

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Non-current | | | | |
| Negative fair value of hedging derivatives | 33,629 | 27,616 | 33,629 | 26,766 |

The Finnish Accounting Board issued a new decision relating to accounting for financial derivatives in December 2016 (1963/2016). Due to this, also hedging derivatives have been recognised at fair value in accrued expenses and the fair value reserve in equity. The derivatives are described in more detail in Note 25.

## 21. Deferred tax liability

| EUR 1,000 | Group 2016 | Group 2015 |
|---|---|---|
| For appropriations | 13,297 | 12,217 |
| For accrual differences and temporary differences | 42 | 2 |
| At the end of the financial period | 13,338 | 12,219 |

## 22. Advance payments received

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| | 1,170 | 1,297 | 419 | 487 |

## 23. Debt to other Group subsidiaries

| EUR 1,000 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|
| Accounts payable | 2,571 | 451 |
| Loans | 48 | 0 |
| Accrued liabilities | 602 | 1,854 |
| At the end of the financial period | 3,221 | 2,305 |

## 24. Material items included in accrued liabilities

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Current | | | | |
| Holiday bonuses with social security contributions | 22,276 | 22,200 | 17,635 | 17,816 |
| Periodic salaries with social security contributions | 5,016 | 3,776 | 3,043 | 2,656 |
| Interest payable | 804 | 789 | 434 | 365 |
| Negative market value of derivatives | 299 | 3,898 | 1 | 3,898 |
| The Ring Rail Line project | 0 | 419 | 0 | 419 |
| Tax liabilities | 2,729 | 1,062 | 1,793 | 0 |
| Other | 4,357 | 3,846 | 3,270 | 3,201 |
| **At the end of the financial period** | **35,480** | **35,990** | **26,176** | **28,355** |

## 25. Guarantees, pledges and liabilities

The numbers listed are in accordance with the remaining equity values.

| EUR 1,000 | Group 2016 | Group 2015 | Finavia Corporation 2016 | Finavia Corporation 2015 |
|---|---|---|---|---|
| Loans of subsidiaries for which a quarantee was given: | | | | |
| Loans from financial institutions | 61,750 | 66,014 | 61,750 | 66,014 |
| **Total guarantees given** | **61,750** | **66,014** | **61,750** | **66,014** |
| Other guarantees given for subsidiaries | | | | |
| Special guarantee given for leasing liabilities | 171 | 0 | 171 | 0 |
| | | | | |
| Other guarantee liabilities | 81 | 574 | 31 | 524 |
| | | | | |
| Leasing liabilities | | | | |
| To be paid during the 2017 financial period | 7,382 | 7,408 | 6,954 | 6,861 |
| To be paid later | 24,840 | 30,386 | 23,973 | 29,110 |

### Other liabilities

The Helsinki Airport development programme is associated with purchase commitments totalling EUR 12.8 million on 31 December 2016.

Finavia Corporation is obliged to revise the VAT deductions it has made for the real estate investments completed during 2008–2016 if the taxable use of the buildings decreases during the revision period of 10 years. The maximum amount of this liability is EUR 57,375,998.42 and the last revision will be conducted in 2025.

| Year | Real estate investments | VAT of the real estate investment | Revision liability 31 Dec 2016 | Annual amount subject to revision |
|---|---|---|---|---|
| 2008 | 30,026 | 6,600 | 660 | 660 |
| 2009 | 101,808 | 22,398 | 4,480 | 2,240 |
| 2010 | 40,008 | 9,202 | 2,761 | 920 |
| 2011 | 28,628 | 6,584 | 2,634 | 658 |
| 2012 | 23,658 | 5,441 | 2,721 | 544 |
| 2013 | 16,668 | 3,925 | 2,355 | 392 |
| 2014 | 37,361 | 8,967 | 6,277 | 897 |
| 2015 | 50,285 | 12,069 | 9,655 | 1,207 |
| 2016 | 119,608 | 28,706 | 25,835 | 2,871 |
| Yhteensä | | **103,891** | **57,376** | **10,389** |

### Interest rate risks

The objective of interest rate risk management is to minimise the impact of changes in interest rates on Finavia's value and financial result. Finavia uses both fixed and variable rate loans to finance its operations, and the changes in the interest rates of these loans create an interest rate risk affecting the financial result and cash flow. To manage the interest rate risk, Finavia uses interest rate derivatives. The key indicators for reviewing the the loan portfolio and the interest rate risks are the average interest rate of the loans, the degree of hedging and the interest rate linkage period. At the end of 2016, the average interest rate of Finavia's interest-bearing loans when taking hedging into account was 1.87 per cent and the length of interest rate linkage when taking hedging into account was 5.7 years. The impact of one percentage-point interest rate change to the yearly interest expense of the company's debt and leasing portfolio after hedging is EUR 415 thousand (0.16 per cent-points), assuming that the net debt remains unchanged. Interest rate hedges are denominated in euros and their average term to maturity is 7.7 years.

## Currency risks

The objective of Finavia's currency risk management is to keep the level of currency risk as low as possible. The most significant principles of currency risk management include ensuring that the business operations are aware of currency risks, ensuring that the initial positions are recognised and managing the open position with financial instruments, as needed. The payment transactions of the Finavia Group are mainly conducted in euros and the accounts of the companies are euro-denominated. In some situations, the prices or price components in procurement contracts may be denominated in currencies or tied to exchange rates other than euro. Currency forward contracts have been used to hedge against procurement contracts in foreign currencies. At the end of 2016, there were no open currency forward contracts.

## Electricity price risk

The objective of Finavia's electricity procurement is predictable price of electric energy and hedging against strong increases in prices. The predicted consumption of approximately the following three years is hedged against the electricity price risk at annually decreasing hedging level. The electricity contracts are denominated in euros and will mature in 2017–2019.

## Bitumen price risk

Finavia estimates the need to hedge against the price of bitumen, taking into consideration the need for bitumen during the year in question, the available hedging instruments and the costs of hedging. The price of bitumen may be hedged against using fixed-price purchase agreements or raw material derivatives. In 2016, Finavia did not have any derivatives related to the hedging of bitumen.

## Derivative contracts

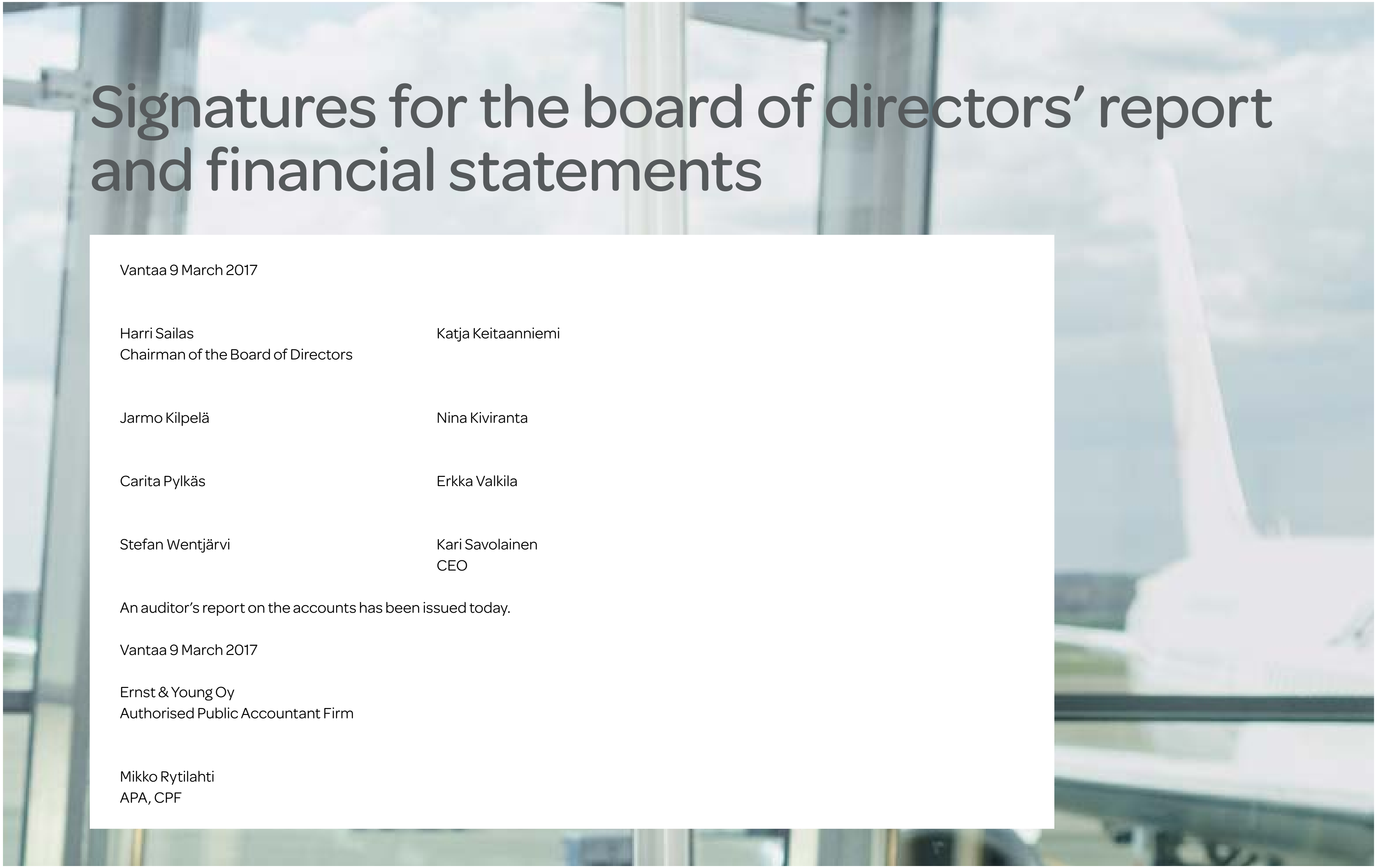
| | Group | | Finavia Corporation | |
|---|---|---|---|---|
| EUR 1 000 | Value of the underlying asset | Fair value | Value of the underlying asset | Fair value |
| Interest rate swaps | | | | |
| Hedge accounting | 188,810 | -31,342 | 188,810 | -31,342 |
| Other hedges | 46,500 | -2,584 | 20,000 | -2,287 |
| Electricity derivatives | | | | |
| Hedge accounting | 1,518 | 207 | 1,518 | 207 |
| Currency forward contracts | 0 | 0 | 0 | 0 |

## Derivative instruments and hedge accounting

All derivative contracts have been made according to the Finavia financing policy for hedging purposes. In 2016, hedge accounting was applied to all hedges in interest rate swap contracts, except for a closed interest rate swap position held by Finavia Corporation and the hedges held by Lentoasemakiinteistöt Oyj at the end of 2016, which matured in January 2017. Hedge accounting has been applied to derivative contracts related to hedging against electricity price risk.

Derivatives are measured at fair value, and gains and losses from the valuation are processed in accordance with the intended purpose of the derivative contract. Derivatives in hedge accounting are cash flow hedges, where the effective portion of the fair value change is recorded in the fair value reserve in equity when hedge accounting is applied. The ineffective portion is recorded in the income statement under financial items. The ineffective portion of hedges recorded in finacial items was EUR 157 thousand.

When hedge accounting is applied, the hedged risk and the hedging relationship are documented and verified according to the hedge accounting principles. For non-hedging derivatives, fair value changes are recorded in the income statement under financial items. The fair values of derivative contracts are based on discounted future cash flows at the time of the valuation as well as on the market valuations reported by the contractual parties.



# Signatures for the board of directors' report and financial statements

Vantaa 9 March 2017

Harri Sailas
Chairman of the Board of Directors

Katja Keitaanniemi

Jarmo Kilpelä

Nina Kiviranta

Carita Pylkäs

Erkka Valkila

Stefan Wentjärvi

Kari Savolainen
CEO

An auditor's report on the accounts has been issued today.

Vantaa 9 March 2017

Ernst & Young Oy
Authorised Public Accountant Firm

Mikko Rytilahti
APA, CPF


# Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Finavia Oyj

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Finavia Oyj (business identity code 2302570-2) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other reporting requirements

**Other information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

**Other opinions**

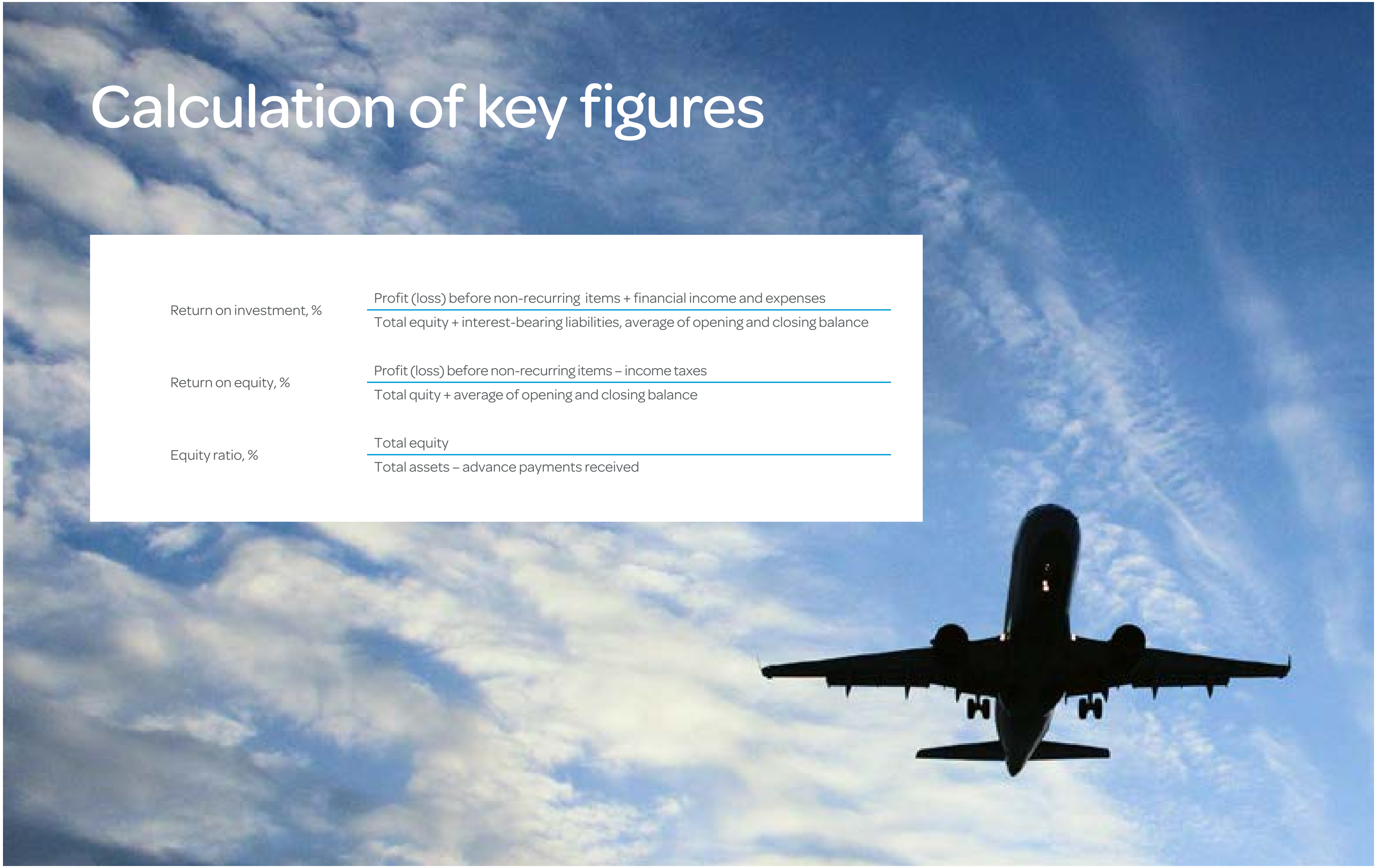
We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Vantaa 9 March 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

# Calculation of key figures



| | |
|---|---|
| Return on investment, % | $\dfrac{\text{Profit (loss) before non-recurring items + financial income and expenses}}{\text{Total equity + interest-bearing liabilities, average of opening and closing balance}}$ |
| Return on equity, % | $\dfrac{\text{Profit (loss) before non-recurring items – income taxes}}{\text{Total quity + average of opening and closing balance}}$ |
| Equity ratio, % | $\dfrac{\text{Total equity}}{\text{Total assets – advance payments received}}$ |