2017

FINANCIAL STATEMENTS

FINAVIA

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Report of the board of directors 2017

Operating environment

During 2017, air traffic grew globally faster than expected. The role of connections between the Far East and Europe became increasingly important.

Air traffic increased by 7.7 per cent in the EU area and by 8.5 per cent in the entire European area in 2017. The growth stems from the improved overall economic situation and increased demand for transit travel. The security situation has improved in several countries compared to previous years, which has increased willingness to travel to these destinations. Growth of low-cost carriers and investments by airlines in larger aircraft have also increased passenger volumes.

The volume of cargo in the European region grew by 8.5 per cent, and the number of operations grew by 3.8 per cent.

Helsinki Airport's competitors Copenhagen, Oslo and Stockholm are seeking a stronger market share in transit traffic between Europe and Asia.

Air traffic in Europe has increased by 30 per cent in total during the last five years. Rapidly growing passenger volumes require the building of additional capacity. Several European airports are currently carrying out significant investment programmes.

The purpose of Finavia's EUR 900 million development programme of Helsinki Airport is to improve the airport's ability to match international competition and the growth of passenger volumes. The airport will be ready to serve 30 million annual passengers in 2030. In addition to smooth travel, passengers expect airports to provide unique services and experiences. Providing a unique customer experience is a key factor that guides Finavia's business development and investments.

Regulation of airports and air traffic affects the development of the operating environment and competition. Regulation concerns, for example, aviation security, environmental issues and service pricing. Stricter regulation will require investments from airport operators in, for example, new technology and changes in processes and operating models.

The European Commission requires the harmonisation of airport traffic fees between domestic and international traffic. This resulted in changes to passenger fees during 2017, increasing domestic traffic prices and reducing international traffic prices. Finavia increased its prices by a total of 1.2 per cent during 2017, roughly corresponding to the inflation forecast.

Despite the price increases, Finavia's airport fees remained low in comparison to other European airports. The harmonisation of international and domestic traffic fees in accordance with the harmonised pricing required by the European Commission will continue in 2018.

At the end of 2017, European airports started to comply with the aviation regulations issued by the European Aviation Safety Agency (EASA). The objective of the extensive European Union aviation regulations is to ensure that all European airports have the same level of air traffic safety. All of Finavia's airports have been certified to meet the requirements of EASA regulations between 2012–2017.

Traffic development

The total number of passengers travelling through Finavia's airports during 2017 was 22.7 million passengers (20.8). International traffic grew in particular, by 11.7 per cent. Its growth was supported by the opening of new routes, and increased frequencies and aircraft sizes. Growth was also affected by Finland's attractiveness as a tourist destination. An increased number of passengers from Asia chose Finland as a travel destination last year. Especially the volume of Chinese passengers continued to increase.

The total passenger volume of Helsinki Airport reached a new record of 18.9 million passengers (17.2), which was 9.9 per cent higher than in the previous year. International travel grew by 11.4 per cent, while domestic travel passenger volumes grew by 1.9 per cent from the previous year. Transit travel developed very favourably and grew by 15 per cent to a total of 3.1 million (2.7).

The total passenger volume of Finavia's airports excluding Helsinki Airport was 3.8 million, which was 5.7 per cent more than in the previous year. Domestic travel increased by 2.2 per cent and international travel by 16 per cent. The strongest growth in domestic travel resulted from the increase of international passengers through Lapland's airports. International travel reached new records at Rovaniemi (579,000 passengers), Kittilä (325,000 passengers) and Ivalo (211,000 passengers). A renovation of traffic areas was carried out at Oulu Airport during the summer, reducing the passenger volume from the previous year.

The demand for domestic air traffic continued to decrease at certain airports due to migration into large cities as well as the increased competitiveness of bus and rail traffic. Good flight connections are based on adequate demand that stems from tourism and business life needs. Low-demand routes are not profitable for airlines.

Finavia made significant investments in route development and marketing. A total of 31 new flight connections to Europe, the United States and Asia were opened during 2017. Additional flights were added to several existing routes. There are 145 direct flight destinations from Helsinki Airport, including 20 non-stop routes to Asia and 7 non-stop routes to America.

The number of landings at all Finavia's airports grew by 5.3 per cent compared to the previous year. The volume of cargo grew by 6.1 per cent in total.

Revenues and result

In 2017, the revenues of Finavia Group decreased by 1.9 per cent from the previous year to EUR 373.6 million (380.9) due to the corporatisation of the air navigation business into a separate company ANS Finland Oy as of 1 April 2017. Comparable revenues grew by 10.3 per cent to EUR 373.6 million (338.6). In addition to growth in air traffic, 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, decreased by 12.3 per cent to EUR 195.1 million (222.4) due to the corporatisation of air navigation business. Comparable aero revenues grew by 9.2 per cent. At the beginning of 2017, Finavia began to harmonise passenger fees between airports, resulting in airport fees increasing from the previous year by 1.2 per cent.

The Group's revenues from other operations besides air traffic increased in 2017 by 12.6 per cent to EUR 178.5 million (158.5). These revenues made up 47.8 per cent of the total revenues (41.6). These operations included, for example, 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 60.0 million (55.1), which is 16.1 per cent of revenues (14.5). Write-downs increased to EUR 67.6 million (59.7) due to the Helsinki Airport investment programme.

The result for the reporting period was EUR 37.7 million (28.3). The result included EUR 4.9 million of non-recurring profits stemming from property sales (1.9). Non-recurring expenses amounted to EUR 10.6 million in total (14.6). This included write-downs relating to the Helsinki Airport development programme, impacts from new and cancelled environmental provisions, and profit and bonus provisions. Financing expenses amounted to EUR 6.8 million (9.7).

Group key indicators

	2017	2016	2015
Revenues, MEUR	373.6	380.9	353.1
Operating profit excluding non-recurring items, MEUR	60.0	55.1	55.7
Operating profit excluding non-recurring items, %	16.1	14.5	15.8
Operating margin excluding non-recurring items, MEUR	127.6	114.8	104.8
Result for the financial period, MEUR*	37.7	28.3	40.0
Cash flow from business operations, MEUR	105.7	97.7	75.1
Investments, MEUR	181.8	182.8	169.6
Return on equity, %*	6.2	4.8	7.1
Return on investments, %*	6.1	5.0	7.0
Equity ratio, %*	58.4	58.9	60.5
Net gearing, %*	47.2	38.8	24.8
Total passenger volume, millions of passengers	22.7	20.8	20.1
Personnel average, full time equivalent	2,172	2,394	2,317
Remuneration, MEUR	99.9	122.2	118.1

* Reference data for 2016 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.

Business development and changes to Group structure

The Group provides air traffic services to airlines and passengers. The Group has two Business Areas: Helsinki Airport and Airport Network. The air navigation business was corporatised into a separate company, Air Navigation Services Finland, on 1 April 2017.

Finavia's air traffic services were also supplemented by its subsidiaries Airpro and Lentoasemakiinteistöt. The corporation did not have any research and development expenses.

Revenues by Business Area

MEUR	2017	2016	Change %
Helsinki Airport	236.4	210.0	12.6
Airport Network	57.2	44.5	28.7
Air navigation business	17.3	67.5	-74.4
Airpro business	68.9	63.9	7.9
Real estate business	23.6	23.3	1.6
Eliminations	-29.9	-28.2	6.3
Group total	**373.6**	**380.9**	**-1.9**

Helsinki Airport is responsible for providing airport services for airlines and passengers at Helsinki Airport. In 2017, revenues grew by 12.6 per cent due to positive development in passenger traffic and sales of commercial services.

The EUR 900 million investment programme for Helsinki Airport spanning until the beginning of the 2020s continued according to plan. The new South Pier for passengers and air traffic became operational in July 2017. The 7,850 m^2 extension serves non-Schengen traffic, including passengers travelling to Asia and North America.

In October, Finavia carried out a large marketing campaign at Helsinki Airport targeted at the Chinese market, which received extensive international visibility and attention. One of Finavia's key focus areas at Helsinki Airport was investing in serving Chinese passengers.

According to the international Airport Quality Service study, customer satisfaction at Helsinki Airport has improved further and remained at the excellent level of 4.13/5. The result of previous year was 4.07/5.

The Airport Network business is responsible for providing services for airlines and passengers at regional airports. In 2017, the network included 18 commercial traffic airports and two airports for military and general aviation.

The revenues of the Airport Network increased by 28.7 per cent. There were still substantial differences in the development of passenger volumes between the airports due to traffic development.

The average customer satisfaction of network airports remained at the excellent level of the previous year, 4.29/5. Investments in improving service level and customer experience are reflected in significantly improved customer satisfaction at certain network airports.

The Air Navigation business was part of Finavia Corporation until 31 March 2017. Air navigation business was corporatised into a wholly state-owned special assignment company, Air Navigation Services Finland Oy (ANS Finland), on 1 April 2017. The company is responsible for air traffic control in Finnish airspace and for providing flight route and air navigation services required by air traffic. Finavia purchases the services it needs from ANS Finland.

Finavia's subsidiary **Airpro** provides ground and passenger services for airlines and airports. The revenues of the business grew by 7.9 per cent compared to the previous year. The revenue growth included all Airpro's four business operations.

Lentoasemakiinteistöt, which is responsible for developing and leasing real estate properties in the immediate vicinity of airports, was divided into Lentoasemakiinteistöt Oy and LAK Real Estate Oyj at the beginning of 2017. On 19 December 2017, LAK Real Estate Oyj was divided into LAK Real Estate Oyj, KOy Aviatontti I, KOy Aviatontti II, KOy Aviatontti III and KOy Aviatontti IV. Growth in the combined revenues of the companies was approximately 3 per cent, which resulted mainly from an improvement in the utilisation rate of the companies' premises. No significant changes took place in real estate operations or the number of premises during 2017. The focus area in real estate development was the Aviapolis station.

Balance sheet

The consolidated balance sheet total was EUR 1,074.5 million (1,000.9). The equity ratio was 58.4 per cent (58.9). The amount of fixed assets increased to EUR 995.8 million (893.8) due to the ongoing development and investment programme.

Interest-bearing loans amounted to EUR 310.3 million at the end of the year (265.5). The amount of liabilities increased to EUR 428.0 million (391.2). Net gearing stood at 47.2 per cent (38.8). Statutory provisions totalled EUR 20.2 million (21.0) and were related to the implementation of projects necessitated by stricter environmental requirements for airports.

Cash flow and financial position

The cash flow from business operations was EUR 105.7 million (97.7). The cash flow from investments was EUR 173.2 million (180.2). Amortisations of long-term loans amounted to EUR 25.2 million (19.2).

Finavia has a strong financing position that supports future business development investments. On 31 December 2017, the Group's cash and cash equivalents totalled EUR 14.6 million (37.3).

At the end of 2017, Finavia had a total of EUR 320 million of unutilised long-term credit arrangements for funding the expansion of Helsinki Airport. The loan arrangements include covenants related to indebtedness and change of control. Finavia also has an EUR 250 million short-term commercial paper programme, of which EUR 54.0 million was in use at the end of 2017.

At the end of 2017, the Group had hedged 56.1 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 1.58 per cent in 2017 and the interest rate linkage period for its liability and leasing portfolio and hedges was 4.7 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 27.0 million (32.2) at the end of the year.

Investments

In 2017, The Group's investments totalled EUR 181.8 million (182.8).

At Helsinki Airport, the most significant projects were related to the expansion of the airport. The new non-Schengen extension, the South Pier, and the expansion of the apron level became operational in July 2017. Construction of the central square, Plaza, and the West Pier are in progress. In addition, the expansion of Terminal 1 is in progress. The plans for the new entrance, ground transport management and expanded gate area of Terminal 2 were announced in June 2017.

The investment expenses of other airports were mostly related to renovation projects and improving service levels. The largest individual project in the Airport Network business was the renovation of Oulu traffic areas, which enabled Oulu Airport to receive also wide-body aircraft.

In recent years, Finavia has made significant investments in its airports. The quality of Finland's airport network was ranked fifth highest in the world and by far the highest in the Nordic countries in the World Economic Forum's (WEF) Global Competitiveness Report 2017–2018. The study assesses the extensiveness and condition of the infrastructure offered by airports to air traffic. On a scale of 1–7, Finland's airports scored 6.3.

Shares and share capital

All shares in Finavia Corporation are owned by the State of Finland. The Ownership Steering Department in the Prime Minister's Office has been responsible for ownership steering as of 1 April 2017. The Ministry of Transport and Communications was responsible for ownership steering until 31 March 2017. The company's share capital consists of 7,400,000 shares of equal value. The total share capital is EUR 185.0 million. The company does not have any treasury shares. The company has not issued any new shares, options or other rights entitling to shares. The company's Board of Directors has no valid authorisation to issue shares or option rights.

Annual General Meeting 2017

Finavia Corporation's Annual General Meeting of Shareholders was held on 17 March 2017 in Helsinki. The General Meeting adopted the 2016 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 8,303,352.80 was paid in dividends. In addition, the General Meeting decided that the dividends will be paid as distribution in kind by transferring the entire share capital of ANS Finland to the shareholder.

Personnel

At the end of the year, the Group had 2,696 employees (2,995). The number of full-time employees was 1,962 (2,371). In terms of person-years, the average number of employees during the financial period was 2,172 (2,394). The Group had no employees outside of Finland.

The parent company had 1,176 employees at the end of the year (1,570). In terms of person-years, the average number of the parent company's employees during the financial period was 1,107 (1,405). The decrease in the parent company's number of employees was influenced by the corporatisation of ANS Finland on 1 April 2017, which resulted in approximately 400 persons being transferred out of Finavia.

The focus in Finavia's human resources development continued to be on improving the quality of managerial work and leadership, change management, and customer experience training. To improve the customer experience of Asian passengers, Finavia and Beijing Capital International Airport launched a staff exchange programme in 2016. During 2017, 21 employees from Beijing Capital International Airport worked as exchange employees at Finavia's airports.

In January 2017, an employee satisfaction survey was conducted in the Group. The results of the survey showed that satisfaction at Finavia had improved, with the overall results rising to the average level of Finnish companies. Based on the survey results, internal communication between units was chosen as a development focus area for 2017.

Business-related risks

Finavia aims for proactive risk management in its operations. The company seeks to identify risk factors that could potentially affect Finavia's business operations or the financial position. Risks are categorised into strategic, operational, compliance and financial risks.

During 2017, no substantial changes occurred in the Group's risk scenarios.

Strategic risks

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 regulation of airport fees. 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 cost structure is of a fixed nature, as the business is very capital-intensive and local.

The changes produced and required by the Helsinki Airport development programme in the operation of the infrastructure and processes have been classified as a significant strategic risk package.

Operational risks

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.

In 2017, the actors operating at the airports had regular meetings aimed at improving processes and their interfaces. Due to the air navigation business being transferred to a new company, Finavia took measures to ensure that employees have adequate competence in purchasing air services related to air navigation.

The risks related to service production are increasingly dependent on the functionality of IT systems and their compatibility with the Group's own 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.

Compliance risks

After the separation of the air navigation business, the core of Finavia's business is founded on the airport operator licence. Compliance with the operational and structural requirements related to the licence is supervised by both national and EU authorities. Rregulation related to licences is continuously increasing and changing. Finavia is reacting to such changes by developing its competencies, supplementing the physical infrastructure and training its personnel.

The operation of Finavia's airports is subject to licence and requires an environmental permit, which is granted to airports by the Regional State Administrative Agency. The situations regarded as 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, for example, unnecessarily strict noise control and traffic restrictions. 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.

The operations at Finavia's airports comply with the requirements of the Environmental Protection Act.

Financial risks

The Group produces services for air traffic, and its cash flow is to a large extent dependent on one industry. Any disturbances in the industry or interruptions to service can drain cash flow rapidly. Risks related to cash flow are managed by ensuring sufficient liquidity and a liquidity reserve.

The landing and passenger 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 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.

Environmental impacts

The maintenance of airports is subject to a permit in accordance with the Environmental Protection Act (527/2014). The maintenance of airports and air traffic cause environmental impacts, especially from anti-skid treatments, the de-icing and anti-icing treatment of aircraft, and from the movement of aircraft on the ground and in the air. Environmental permits have been issued to 18 airports maintained by Finavia.

Thanks to its accelerated climate programme, Helsinki Airport was granted the international Airport Carbon Accreditation (ACA) certificate and became a carbon neutral airport in August 2017. Finavia invested in energy efficiency in particular, by purchasing wind power from the electricity market, investing in a solar power plant, increasing LED lighting for smaller energy consumption and by replacing the fuel of airport vehicles with renewable diesel.

Finavia is committed to improving the energy efficiency of its operations and to reducing its emissions at its other airports as well. The company is involved in the Airport Carbon Accreditation (ACA) carbon dioxide reduction programme of Airports Council International (ACI). The next target is to achieve carbon neutrality at Enontekiö, Ivalo, Kemi-Tornio, Kittilä, Kuusamo and Rovaniemi Airports.

The EU directive became a regulation (598/2014) and the Government Decree 401/2016 on airport noise control at Helsinki Airport was issued. In 2017, 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 control activities at Helsinki Airport.

Outlook for 2018

The positive traffic development is expected to continue in 2018. The company forecasts that growth in passenger volumes will continue especially in international traffic. Factors impacting traffic development include changes in the overall economic situation, decisions by airlines to cut routes, as well as the potential increase in oil price.

Finavia is prepared for continued fluctuations of supply and demand for air traffic at its airports in 2018. Airlines react to demand fluctuations by quickly adjusting their capacity and by aiming for maximum occupancy rates.

The Helsinki Airport development programme will proceed according to the general plan. In 2018, the development programme will focus on construction 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 2018. The basic renovation of traffic areas at Tampere-Pirkkala Airport will be carried out in the summer.

The company estimates that with the current company structure, the comparable revenues for 2018 will be slightly lower than in the previous year due to the corporatisation of the air navigation business and LAK Real Estate Oy becoming an associated company. Operating result excluding non-recurring items is estimated to fall somewhat short of the 2017 level mainly due to the increased depreciation resulting from investments.

Events after the financial period

On 31 January 2018, Finavia, a fund managed by NREP Oy and Pontos Oy agreed on an ownership and financing arrangement. After the arrangement, the owners of LAK Real Estate Oy are Finavia, the fund managed by NREP Oy and Pontos' subsidiary Pontos Aero Oy. Finavia's ownership amounts to 49 per cent. The ownership arrangement supports the position of the entire Helsinki Airport area as a hub for European air traffic, as well as the development of the Aviapolis area. The objective of the arrangement is the joint development of the area into an attractive business and housing district.

On 7 February 2018, Finavia's subsidiaries Airpro Oy and RTG Ground Handling Oy agreed on a transaction involving the transfer of personnel at Helsinki Airport and Oulu Airport.

The Board of Directors' proposal on the distribution of profits

The parent company's distributable funds on the balance sheet date of 31 December 2017 stood at EUR 362,004,108.05, of which profit for the period was EUR 45,609,088.35.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.08 per share be paid, corresponding to EUR 7,992,000.00.

A report on the governance and steering system and the salary and compensation report will be published separately from the report of the Board of Directors on the company's website www.finavia.fi/en.

Vantaa, 28 February 2018

Finavia Corporation
Board of Directors

For more information, please contact CEO Kimmo Mäki, tel +358 20 708 2000 or CFO Niclas Köhler, tel. +358 20 708 2160.

6 Income statement

Income statement 1 Jan – 31 Dec 2017

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Revenues	373,586	380,886	315,792	327,274
Other operating income	8,082	3,666	3,661	3,570
Materials and services				
Materials and supplies				
Purchases during the financial period	29,808	27,769	26,495	24,962
Changes in inventories; increase (-) /decrease (+)	-312	444	145	445
External services	57,748	48,579	75,982	64,942
	87,244	76,792	102,622	90,348
Staff expenses				
Salaries and bonuses	99,858	122,195	59,600	85,265
Indirect staff expenses				
Pension expenses	17,245	21,736	10,036	14,944
Other indirect staff expenses	4,639	7,344	2,677	4,948
	121,743	151,275	72,314	105,157
Depreciation, amortisation and impairment				
According to plan				
Buildings and structures	26,305	23,528	21,032	18,254
Machinery and equipment	20,115	19,799	18,555	18,448
Other tangible assets	20,359	16,079	20,332	16,054
Intellectual property rights	1,434	1,006	1,330	916
Other non-current expenditure	591	398	166	11
Impairment of non-current assets	0	4,037	0	4,037
	68,804	64,848	61,414	57,719

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Other operating expenses	49,474	49,321	44,238	44,909
Operating profit	54,403	42,317	38,865	32,710
Financial income and expenses				
Income from other non-current investments	50	50	25,963	0
Other interest and financial income	133	158	285	313
Change in market value of derivatives	-1,012	-722	-1,216	-493
Interest expenses and other financial expenses	-5,972	-9,161	-5,617	-8,232
	-6,801	-9,675	19,414	-8,412
Profit before appropriations and taxes	47,602	32,642	58,280	24,297
Year-end allocations				
Change in depreciation difference			-9,077	-3,029
Income taxes				
Taxes for the financial period and previous financial periods	-6,131	-3,491	-3,593	-2,183
Deferred taxes	-3,776	-883	0	0
Profit for the financial period	37,695	28,269	45,609	19,085

Balance sheet 31 Dec 2017

ASSETS

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Non-current assets				
Intangible assets				
Intellectual property rights	4,369	4,417	3,993	4,059
Other non-current expenditure	3,293	2,518	165	176
	7,662	**6,934**	**4,158**	**4,235**
Tangible assets				
Land and water areas	53,987	50,528	43,152	43,150
Buildings and structures	412,241	395,594	281,343	259,422
Machinery and equipment	123,378	119,259	113,747	109,573
Other tangible assets	286,181	225,915	285,481	225,187
Advanced payments and work in progress	111,970	95,255	102,163	93,363
	987,757	**886,552**	**825,886**	**730,695**
Investments				
Holdings in Group companies			9,320	9,323
Holdings in associated companies	8	8		
Other investments	341	341	332	332
	349	**349**	**9,653**	**9,655**
Total non-current assets	**995,768**	**893,835**	**839,696**	**744,585**

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Current assets				
Inventories				
Materials and supplies	2,262	2,045	1,676	1,793
Finished goods	123	27	0	27
	2,385	**2,073**	**1,676**	**1,821**
Non-current receivables				
Deferred tax assets	9,371	10,985		
Receivables from Group companies			4,200	15,020
Accrued income	105	84	105	84
Current receivables				
Accounts receivable	37,098	38,631	28,940	30,808
Receivables from Group companies			75,551	37,169
Other receivables	10,621	9,397	10,309	9,384
Accrued income	4,556	8,576	3,803	7,850
	61,751	**67,674**	**122,908**	**100,316**
Cash and cash equivalents	14,592	37,309	4,109	26,464
Total current assets	**78,727**	**107,055**	**128,692**	**128,600**
Total assets	**1,074,495**	**1,000,890**	**968,388**	**873,185**

EQUITY AND LIABILITIES

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Equity				
Share capital	185,000	185,000	185,000	185,000
Other reserves				
Invested unrestricted equity reserve	286,635	286,635	286,635	286,635
Fair value reserve	-21,224	-29,443	-21,224	-29,375
Retained earnings	138,197	118,232	50,984	40,202
Profit for the period	37,695	28,269	45,609	19,085
	626,303	**588,694**	**547,004**	**501,548**
Cumulative appropriations				
Depreciation difference			58,397	49,320
Statutory provisions				
Other statutory provisions	20,236	20,997	20,236	20,997

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Liabilities				
Non-current				
Loans from financial institutions	183,118	206,341	183,118	150,530
Accrued liabilities	28,437	35,829	25,237	33,629
Deferred tax liability	15,501	13,338		
	227,056	**255,508**	**208,355**	**184,159**
Current				
Loans from financial institutions	127,214	59,194	71,403	51,413
Advance payments received	1,228	1,170	291	419
Accounts payable	42,617	32,399	38,881	29,819
Liabilities to Group companies			3,300	3,221
Other liabilities	5,663	7,957	4,362	6,114
Accrued liabilities	24,178	34,972	16,160	26,176
	200,900	**135,692**	**134,397**	**117,161**
Total liabilities	**1,074,495**	**1,000,890**	**968,388**	**873,185**

Cash flow statement

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Cash flow from business operations				
Payments received from sales	374,399	377,728	316,394	323,590
Payments from operating costs	-255,509	-271,966	-216,893	-236,689
Cash flow from business operations before financial items and taxes	118,891	105,763	99,500	86,901
Interest and financial expenses paid	-5,201	-8,539	-4,569	-7,558
Interest received from business operations	137	154	277	311
Dividends received	50	50	1,567	0
Other financial items from business operations	-979	-606	-974	-605
Direct taxes paid	-7,180	831	-4,406	2,776
Cash flow from business operations	**105,716**	**97,653**	**91,396**	**81,825**
Cash flow from investments				
Investments in tangible and intangible assets	-181,812	-182,241	-167,881	-175,147
Income from disposal of tangible and intangible assets	8,586	2,602	4,636	2,552
Income from disposal of other investments	-3	-592	-3	0
Cash flow from investments	**-173,230**	**-180,232**	**-163,248**	**-172,595**

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Financing cash flow				
Loans granted to subsidiaries			-3,850	0
Repayments of loan receivables	-3,850	0	770	770
Withdrawals of short-term loans	19,990	34,000	19,990	34,048
Withdrawals of long-term loans	50,000	10,000	50,000	10,000
Repayments of long-term loans	-21,344	-19,236	-17,413	-14,766
Profit crediting / return of capital paid	0	-4,603	0	-4,603
Financing cash flow	**44,797**	**20,161**	**49,498**	**25,449**
Change in cash and cash equivalents	-22,717	-62,417	-22,355	-65,320
Cash and cash equivalents 1 January	37,309	99,726	26,464	91,784
Cash and cash equivalents of purchased and merged companies	0	0	0	0
Cash and cash equivalents of sold subsidiaries	0	0	0	0
Cash and cash equivalents 31 December	14,592	37,309	4,109	26,464
Cash and cash equivalents from mergers and acquisitions	0	0	0	0

Notes to the income statement

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 20 airports around Finland.

Finavia Group delivers air traffic services and its Business Areas include: Helsinki Airport, Airport Network, affiliated group Airpro and subsidiaries engaged in real estate business.

The air navigation services department was corporatised into a separate company, Air Navigation Services Finland Oy, (ANS Finland Oy in short), as of 1 April 2017. The State of Finland owns the entire capital stock. The new company sells air navigation services to Finavia Corporation, among others. Due to the corporatisation, Finavia Corporation's revenue decreased by approx. EUR 50 million. Approximately 400 employees will be transferred to the new company, which will be reflected in the change in staff expenses and balance provisions.

Starting 1 April 2017, the incorporation resulted in the removal of the following balances from Finavia Corporation's balance of account (in thousands of euros):

EUR 1,000	Assets	Liabilities
Non-current assets	18,713	
Short-term receivables		
Accounts receivables	5,414	
Other receivables	51	
Accruals	3,460	
Cash and cash equivalents	-3,929	
Equity		
Retained earnings*		8,300
Statutory provisions		1,100
Short-term liabilities		
Account payables		591
Advance payments		2,057
Accrued liabilities		11,661
	23,709	23,709

*Dividend in kind to owner

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.

Changes to Group structure

On 19 December 2017, LAK Real Estate Oyj (business ID 2778437-8) was divided into five new companies:

- LAK Real Estate Oy (new business ID 2852087-6)
- Koy Aviatontti I
- Koy Aviatontti II
- Koy Aviatontti III
- Koy Aviatontti IV

The division is related to the expansion of the ownership base of LAK Real Estate Oyj. Finavia, a fund managed by NREP Oy and Pontos Oy agreed on an ownership and financing arrangement. After the arrangement concluded on 31 January 2018, Finavia owns 49 per cent of LAK Real Estate Oy, while NREP owns 31 per cent and Pontos Aero Oy 20 per cent.

At the same time, changes were also made to the financing of subsidiaries, resulting in the external loans of subgroup LAK being recorded as short-term liabilities. The subgroup includes LAK Real Estate Oy and Koy Lentäjäntie 1 in the financial statement.

Two inactive group companies, Safranum Oy and Happy Landings Finland Oy, have been dissolved during 2017.

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 service 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 Finnish Accounting Board issued a new requirement relating to accounting for financial derivatives in December 2016 (1963/2016). Finavia Corporation adheres to the fair value model (5:2a§) in the accounting of hedging derivatives. The group's derivatives include forward exchanges, electricity forward contracts and interest rate swap contracts. More detailed information on the Group's financial derivatives, their market value and hedge accounting is available in Notes 25.

Provisions

The airport business is associated with authority regulations of which especially regulations related to safety and the environmental permits of airports require measures by the company. Statutory 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.

The figures in the notes are in thousands of euros, unless otherwise stated.

Notes to the income statement

2. Revenues by Business Area

EUR million	Group 2017	Group 2016	change, %
Helsinki Airport	236.4	210.0	12.6
Air Navigation Services	17.3	67.5	-74.4
Airport Network	57.2	44.5	28.7
Airpro	68.9	63.9	7.9
Real estate operations	23.6	23.3	1.6
Eliminations	-29.8	-28.2	5.9
Group total	373.6	380.9	-1.9

Air Navigation Services is only included in Q1 figures of 2017.

3. Other operating income

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Profit from the sale of land areas and properties	4,939	1,876	603	1,876
Profits from the sale of other capital assets	14	66	14	47
Income from forests and land areas	834	717	834	717
Other earnings	2,295	1,007	2,210	930
	8,082	3,666	3,661	3,570

Growth in profits from other operating income is based on the support services sold to ANS Finland. ANS Finland will outsource the purchasing of support services outside Finavia Group gradually during 2018–2019.

4. Salaries and bonuses of the management

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
CEO and deputy CEO	770	774	436	420
Members of the Board of Directors	164	142	164	142

5. Personnel employed by Finavia Group

	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Average number of employees (person-years)	2,172	2,394	1,107	1,405
Employees at the end of the year	2,696	2,995	1,176	1,570
permanent	1,962	2,371	910	1,314
temporary	734	624	266	256

As a result of the corporatisation of the air navigation business, Finavia Group's personnel decreased by approximately 400 employees. 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 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Ernst & Young Oy				
Audit fees	99	89	78	71
Certificates and statements of opinion	1	3	1	3
Tax advice	26	9	26	9
Other services	41	32	40	30

7. Change of statutory provisions in the income statement

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Other operating expenses	-3,760	-1,545	-3,760	-1,545

The largest items included in the statutory provisions consist of the provisions related to the airports' environmental permits. In 2017, the change in the provision amounted to EUR -3.8 million (EUR -1.4 million in 2016). The work input in statutory provisions during the year amounts to EUR 3.4 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. Statutory provisions decreased by EUR 1.1 million due to the corporatisation of air navigation business.

8.Financial income and expenses

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Share of associated companies' profit				
Dividend income				
Dividend income from Group companies			25,963	
Dividend income from associated companies	50	50		
Other interest and financial income				
From Group companies			178	194
From others	133	158	107	118
Change in market value of derivatives	-1,012	-722	-1,216	-493
Interest expenses and other financial expenses				
To others	-5,972	-9,161	-5,618	-8,232
Financial income and expenses, total	-6,801	-9,675	19,414	-8,412

9. Income taxes

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Income tax on business activities	-6,208	-3,547	-3,587	-2,186
Income tax from previous financial periods	77	57	-6	3
Change in the imputed tax receivable	-1,614	237		
Change in the imputed tax liability	-2,162	-1,120		
Total income tax	-9,907	-4,374	-3,593	-2,183

A deferred tax receivable or liability has been recorded for the statutory provisions and the market valuations of electricity or 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.		

An additional depreciation of EUR 1,913,178.40 has been made in 2017, with the additional depreciation of EUR 616,434.87 in connection with the development programme of Helsinki Airport as the largest instalment. In 2016, an equivalent additional depreciation of EUR 1,106,662.40 was made (in connection to the development programme). In connection with the corporatisation of air navigation business, write-downs were made against equity 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

Energy subsidies totalling EUR 13,896,05 were received during 2017 (electric car charging points at different airports). A subsidy of EUR 1,029,246 was received from the EU for the investment projects of the air navigation services in 2016. In addition, EUR 260,000 has been received for planning the Helsinki Airport travel centre.

Changes in balance sheet items EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Intellectual property rights				
Acquisition cost 1 January	15,686	13,873	15,162	13,381
+ Increases	0	0	0	0
+ Transfers between items	1,387	2,871	1,263	2,839
- Deductions during the financial period	-2,605	-1,058	-2,605	-1,058
Acquisition cost 31 December	**14,469**	**15,686**	**13,821**	**15,162**
Accumulated depreciation and amortisation according to plan 1 January	-11,270	-11,315	-11,103	-11,238
Accrued depreciation and amortisation for deductions	2,605	1,051	2,605	1,051
Depreciation and amortisation for the financial period	-1,434	-1,006	-1,330	-916
- Accrued depreciation and amortisation according to plan 31 December	-10,099	-11,270	-9,828	-11,103
Book value 31 December	**4,369**	**4,417**	**3,993**	**4,059**
Other non-current expenditure				
Acquisition cost 1 January	3,889	3,889	216	216
+ Transfers between items	1,488	0	155	0
- Deductions during the financial period	-277	0	-155	0
Acquisition cost 31 December	**5,100**	**3,889**	**216**	**216**
Accrued depreciation and amortisation 1 January	-1,372	-973	-41	-30
Accrued depreciation and amortisation for deductions	155	0	155	0
Depreciation and amortisation for the financial period	-591	-398	-166	-11
- Accrued depreciation and amortisation according to plan 31 December	-1,808	-1,372	-51	-41
Book value 31 December	**3,293**	**2,518**	**165**	**176**

Changes in balance sheet items EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Land and water areas				
Acquisition cost 1 January	46,605	45,577	42,388	42,860
+ Increases during the financial period	3,536	1,635	15	135
- Deductions during the financial period	-76	-607	-12	-607
Acquisition cost 31 December	**50,065**	**46,605**	**42,391**	**42,388**
Utility charges for real estates				
Acquisition cost 1 January	3,922	3,922	762	762
+ Increases during the financial period	0	0	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)	**53,987**	**50,528**	**43,152**	**43,150**
Buildings and structures				
Acquisition cost 1 January	785,737	720,931	616,360	552,490
+ Increases during the financial period	0	0	0	0
+ Transfers between items	45,218	69,048	45,218	68,112
- Deductions during the financial period	-7,095	-4,241	-5,904	-4,241
Acquisition cost 31 December	**823,860**	**785,737**	**655,674**	**616,360**
Accumulated depreciation and amortisation according to plan 1 January	-390,143	-370,856	-356,938	-342,925
Accrued depreciation and amortisation for deductions	4,829	4,241	3,638	4,241
Depreciation and amortisation for the financial period	-26,305	-23,528	-21,032	-18,254
- Accrued depreciation and amortisation according to plan 31 December	-411,619	-390,143	-374,331	-356,938
Book value 31 December	**412,241**	**395,594**	**281,343**	**259,422**

Changes in balance sheet items EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Machinery and equipment				
Acquisition cost 1 January	445,764	447,128	427,762	433,176
+ Increases during the financial period	4	0	0	0
+ Transfers between items	39,436	34,168	37,925	30,022
- Deductions during the financial period	-87,408	-35,532	-86,771	-35,437
Acquisition cost 31 December	**397,796**	**445,764**	**378,915**	**427,762**
Accrued depreciation and amortisation 1 January	-326,505	-338,131	-318,189	-331,102
Accrued depreciation and amortisation for deductions	72,201	35,462	71,576	35,398
Depreciation and amortisation for the financial period	-20,115	-23,836	-18,555	-22,485
- Accrued depreciation and amortisation according to plan 31 December	-274,418	-326,505	-265,168	-318,189
Book value 31 December	**123,378**	**119,259**	**113,747**	**109,573**
Ground structures				
Acquisition cost 1 January	551,457	517,381	550,616	516,656
+ Increases during the financial period	0	0	0	0
+ Transfers between items	80,671	51,936	80,671	51,820
- Deductions during the financial period	-27,174	-17,860	-27,174	-17,860
Acquisition cost 31 December	**604,954**	**551,457**	**604,113**	**550,616**
Accrued depreciation and amortisation 1 January	-325,542	-327,165	-325,429	-327,078
Accrued depreciation and amortisation for deductions	27,129	17,702	27,129	17,702
Depreciation and amortisation for the financial period	-20,359	-16,079	-20,332	-16,054
- Accrued depreciation and amortisation according to plan 31 December	-318,773	-325,542	-318,632	-325,429
Book value 31 December	**286,181**	**225,915**	**285,481**	**225,187**

Changes in balance sheet items EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Advance payments and incomplete acquisitions				
Acquisition cost 1 January	95,255	72,172	93,363	70,752
+ Increases during the financial period	186,519	183,736	175,316	177,802
- Deductions	-1,373	-2,399	-1,283	-2,399
- Transfers between items	-168,432	-158,253	-165,232	-152,793
Acquisition cost 31 December	**111,970**	**95,255**	**102,163**	**93,363**
Shares and holdings (subsidiaries and other shares)				
Acquisition cost 1 January	349	349	9,655	9,655
+ Increases during the financial period	3	0	3	0
- Deductions during the financial period	-3	0	-6	0
Acquisition cost 31 December	**349**	**349**	**9,653**	**9,655**
Total				
Acquisition cost 1 January	1,948,666	1,825,223	1,756,283	1,639,948
+ Increases during the financial period	190,062	185,371	175,489	177,937
Transfers between items	-231	-231	-155	0
- Deductions during the financial period	-126,012	-61,697	-123,911	-61,602
Acquisition cost 31 December	**2,012,485**	**1,948,666**	**1,807,706**	**1,756,283**
Accrued depreciation and amortisation 1 January	-1,054,831	-1,048,440	-1,011,699	-1,012,372
Accrued depreciation and amortisation for deductions	106,918	58,457	105,102	58,393
Depreciation and amortisation for the financial period	-68,804	-64,848	-61,414	-57,719
- Accumulated depreciation and amortisation according to plan 31 December	-1,016,717	-1,054,831	-968,010	-1,011,699
Book value 31 December	**995,768**	**893,835**	**839,696**	**744,585**

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	0	8	341	0
+ Increases during the financial period	0	0	0	0
- Transfers between items	0	0	0	0
- Deductions during the financial period	0	0	0	0
Acquisition cost 31 December	0	8	341	0
Parent company				
Acquisition cost 1 January	9,323	0	332	0
+ Increases during the financial period	3	0	0	0
- Deductions during the financial period	-6	0	0	0
Acquisition cost 31 December	9,320	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 Oy, Vantaa	100.0	100.0
Skyhow Oy, Vantaa	100.0	100.0
LAK Real Estate Oyj, Vantaa	100.0	100.0
Kiinteistö Oy Lentäjäntie 1, Vantaa	100.0	0.0
Koy Aviatontti I	100.0	100.0
Koy Aviatontti II	100.0	100.0
Koy Aviatontti III	100.0	100.0
Koy Aviatontti IV	100.0	100.0

	Balance sheet total in euros	Equity 31 Dec 2017 in euros	Revenues in euros	Financial period profit/ loss in euros
Airpro Oy, Vantaa	25,995,274.75	12,534,735.17	59,143,729.05	2,785,767.41
RTG Ground Handling Oy	3,297,581.56	-3,795,804.05	11,511,457.22	25,579.17
Skyhow Oy, Vantaa	48,674.23	48,674.23	0.00	-35.00
Lentoasemakiinteistöt Oy, Vantaa	13,023,220.85	8,327,207.86	2,174,377.62	492,122.20
LAK Real Estate Oyj, Vantaa (divided on 19 Dec 2017)			20,609,490.58	7,235,011.05
LAK Real Estate Oy, Vantaa (starting 20 Dec 2017)	130,397,372.66	-766,210.86	734,473.18	162,549.26
Kiinteistö Oy Lentäjäntie 1, Vantaa	23,936,873.48	6,854,795.46	1,581,370.69	434,446.60
Koy Aviatontti I	546,498.82	546,498.82	0.00	0.00
Koy Aviatontti II	1,437,330.54	1,437,330.54	0.00	0.00
Koy Aviatontti III	1,334,018.31	1,334,018.31	0.00	0.00
Koy Aviatontti IV	6,295,090.04	6,295,090.04	0.00	0.00

Holdings in associated companies	Group's holding (%)	Parent company's holding (%)	Equity 31 Dec 2017 in euros	Financial period profit/ loss in euros
Taxi Point Oy, Vantaa	25.0	0.0	1,233,278.89	365,132.11

13. Non-current receivables

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Fair value of hedging electricity derivatives	105	84	105	84
Contracts maturing 2019 or later				

14. Deferred tax assets

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Non-current				
For accrual differences and temporary differences	9,371	10,985	0	0

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

15. Receivables from Group subsidiaries

EUR 1,000	Finavia Corporation 2017	Finavia Corporation 2016
Accounts receivables	431	381
Loan receivables		
Non-current	4,200	15,020
Current	75,066	36,770
Prepaid expenses and accrued income	54	18
At the end of the financial period	**79,751**	**52,189**

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 income

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Rent receivables	2,160	1,193	1,838	999
Accrual of air navigation charges (Eurocontrol)	0	3,627	0	3,627
Receivables from occupational health care (KELA)	485	656	247	316
Pension payment receivables	0	192	0	98
Other	1,911	2,908	1,718	2,810
At the end of the financial period	**4,556**	**8,576**	**3,803**	**7,850**

Navigation fees fall under the returns of air navigation business and are thus excluded from the returns and balance of Finavia Group on account of the corporatisation.

17. Additions and deductions from equity items

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
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**
Invested unrestricted equity reserve	286,635	288,503	286,635	288,503
- Deductions	0	-1,868	0	-1,868
At the end of the financial period	**286,635**	**286,635**	**286,635**	**286,635**
Fair value reserve	-29,443	-27,950	-29,375	-27,100
- Changes	8,218	-1,492	8,150	-2,274
At the end of the financial period	**-21,224**	**-29,443**	**-21,224**	**-29,375**
Retained earnings	146,501	122,835	59,287	44,805
Distribution of dividend	-8,303	-4,603	-8,303	-4,603
	138,198	118,232	50,984	40,202
Profit (+) / Loss (-) for the financial period	37,695	28,269	45,609	19,085
Total equity	**626,303**	**588,694**	**547,004**	**501,548**

In 2017, Finavia Corporation distributed dividends totalling EUR 8,303,352.80. The dividends were paid as distribution in kind by turning over the entire capital stock of ANS Finland Oy to the State of Finland. 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. Some of the derivatives obtained for hedging purposes have been excluded from hedging accounting. Changes in the market value of these derivatives have been recorded directly in the income statement under financial items.

EUR 61,896,489.48 of the depreciation difference has been recognised in the Group's equity (EUR 53,187,185.10 in 2016).

EUR 1,000	Finavia Corporation 2017	Finavia Corporation 2016
Distributable unrestricted equity		
Invested unrestricted equity reserve	286,635	286,635
Fair value reserve	-21,224	-29,375
Retained earnings	96,593	59,287
	362,004	316,548

18. Provisions

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Statutory provisions	20,236	20,997	20,236	20,997

The major items in statutory provisions on 31 December 2017:

An environmental provision of EUR 17.2 million (EUR 16.7 million in 2016) is associated with the pending environmental permit processes at different airports. A provision of EUR 3.0 million has been made for expanding 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 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Loans from financial institutions	109,332	97,546	109,332	75,345

20. Material items included in accrued expenses

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Negative fair value of hedging derivatives	25,237	33,629	25,237	33,629
Provisions from arranging chargeable parking spots and constructing parking spots	3,200	2,000	0	0

The Finnish Accounting Board issued a new decision relating to accounting for financial derivatives in December 2016 (1963/2016). Consequently, also hedging derivatives have been recognised at fair value in the balance sheet. The derivatives are described in more detail in Note 25.

Real estate companies at the Aviapolis area have transferred the obligation of arranging and constructing parking space by agreements to LAK Real Estate Oyj. The paid compensation fees have been entered as accrued liabilities.

21. Deferred tax liability

EUR 1,000	Group 2017	Group 2016
For appropriations	15,474	13,297
For accrual differences and temporary differences	27	42
At the end of the financial period	15,501	13,338

22. Advance payments received

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
	1,228	1,170	291	419

23. Debt to other Group subsidiaries

EUR 1,000	Finavia Corporation 2017	Finavia Corporation 2016
Accounts payable	3,140	2,571
Loans	48	48
Accrued expenses	112	602
At the end of the financial period	3,300	3,221

24. Material items included in accrued expenses

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Current				
Holiday bonuses with social security contributions	14,632	22,276	9,527	17,635
Periodic salaries with social security contributions	4,728	5,016	2,473	3,043
Interest payable	585	804	497	434
Negative market value of derivatives	1,383	299	1,383	1
Tax liabilities	1,169	2,221	980	1,793
Other	1,681	4,356	1,300	3,270
At the end of the financial period	**24,178**	**34,972**	**16,160**	**26,176**

25. Guarantees, pledges and liabilities

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

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Loans of subsidiaries for which a pledge was given:				
Loans from financial institutions	54,175	61,750	54,175	61,750
Total guarantees given	**54,175**	**61,750**	**54,175**	**61,750**
Other guarantees given for subsidiaries				
Special guarantee given for leasing liabilities	134	171	134	171
Other guarantee liabilities	123	81	73	31

EUR 1,000	Group 2017	Group 2016	Finavia Corporation 2017	Finavia Corporation 2016
Leasing liabilities				
To be paid during the 2018 financial period	5,977	7,382	5,733	6,954
To be paid later	21,049	24,840	20,227	23,973

Other liabilities

Investment-related purchase commitments totalled EUR 82.5 million on 31 December 2017. The biggest item is the Helsinki Airport development programme associated with purchase commitments totalling EUR 75.9 million.

Finavia Corporation has made an option contract with LAK Real Estate Corporation on the resale of shares. Finavia Corporation is obligated to buy or determine a buyer for the shares in LAK Real Estate Corporation held by a fund managed by NREP Oy or Pontos Aero Oy. NREP and Pontos Aero Oy have an option, but no obligation, to sell all the shares in their control. Finavia's responsibility to buy the shares will be realised no earlier than five years from the moment of sale.

Finavia Corporation is obligated to revise the VAT deductions it has made for the real estate investments completed during 2009–2017 if the taxable use of the buildings decreases during the revision period of 10 years. The maximum amount of this liability is EUR 73,495,346.19 and the last revision will be conducted in 2026.

Year	Real estate investments	VAT of the real estate investment	Revision liability 31 Dec 2017	Annual amount subject to revision
2009	101,808	22,398	2,240	2,240
2010	40,008	9,202	1,840	920
2011	28,628	6,584	1,975	658
2012	23,658	5,441	2,176	544
2013	16,353	3,925	1,962	392
2014	37,361	8,967	5,380	897
2015	50,285	12,069	8,448	1,207
2016	119,608	28,706	22,965	2,871
2017	122,724	29,454	26,508	2,945
Total		**126,745**	**73,495**	**12,674**

Hedge instruments and hedge accounting

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.

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 2017, 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 electricity is hedged against the electricity price risk at an annually degreasing level for a time period of approximately three years. The electricity contracts are denominated in euros and will mature in 2018–2020.

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 2017, Finavia did not have any derivatives related to the hedging of bitumen.

Within Finavia Group, only Finavia Corporation had derivative contracts in the financial statement on 31 December 2017.

Derivative contracts

	Finavia Corporation		
	Nominal value €	Fair value € (contracts maturing within 5 years)	Fair value € (contracts maturing after 5 years)
Interest rate swaps			
Hedge accounting	67,000,000	0	-23,063,681
Other hedges	141,699,000	-1,421,551	-2,134,643
Electricity forward contracts			
Other hedges	504,163	132,231	0
Currency forward contracts	0		

Equity / Fair value reserve 31 January 2017	
Fair value of derivatives included in hedge accounting	-23,063,681.00
Market value of the sold interest swaption matured in 2016, which is carried forward to the time to maturity of the created swap. The swap in question is included in hedge accounting	1,839,474.53
	-21,224,206.47

Derivative instruments and hedge accounting

All derivative contracts have been made according to the Finavia financing policy for hedging purposes to hedge against the interest risk related to variable-interest loans or electricity price risk. Derivatives in hedge accounting are interest rate swap contracts where the effective portion of the fair value change is recorded in the fair value reserve in equity when hedge accounting is applied. In case of ineffective hedging, the ineffective portion is recorded in the income statement under financial items. There was no ineffective portion of hedges recorded in the financial statement on 31 December 2017. 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 the market valuations reported by the contractual parties.

Hedge accounting

Hedge type	Cash flow hedging. The risk and hedging ratio have been documented and authenticated according to hedge accounting principles. Interest flows of interest rate swap contracts are recognised in profit or loss under the same principles as the interest rate swaps of hedged loans.
Hedged item	At the moment of the financial statement on 31 December 2017, Finavia's entire loan capital corresponds to the nominal value of interest rate swap agreements amounting to EUR 67 million. The interest rates of variable rate loans are 3 and 6 month Euribor rates.
Hedging instruments	Interest rate swap contracts with a combined nominal value of EUR 67 million and fair value of EUR -23,063,681 at the time of the financial statement on 31 December 2017. With the interest rate swap contracts Finavia is entitled to 3 and 6 month Euribor rates and pays fixed interests.

26 Signatures for the board of directors’ report and financial statements

Vantaa, 28 February 2018

Harri Sailas
Chairman of the Board of Directors

Katja Keitaanniemi

Annaleena Kiikonen

Nina Kiviranta

Erkka Valkila

Stefan Wentjärvi

Kimmo Mäki
CEO

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

Vantaa, 8 March 2018

Ernst & Young Oy
Authorised Public
Accountant Firm

Mikko Rytilahti
APA, CPFA

27 Auditor's report

Auditor's report

To the General Meeting of Shareholders of Finavia Corporation

Audit of the financial statements

Opinion

We have audited the financial statements of Finavia Corporation (Business ID 2302570-2) for the financial period of 1 January – 31 December 2017. The financial statements include the consolidated balance sheet, parent company's balance sheet, consolidated income statement, parent company's income statement, consolidated cash flow statement, parent company's cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the financial performance and financial position of the group and the parent company in compliance with the regulations valid in Finland governing the preparation of financial statements, and meet the statutory requirements.

Basis for the opinion

We conducted our audit in accordance with Finnish good auditing practice. Our responsibilities under good auditing practice are further described in the section entitled The auditor's responsibilities when auditing financial statements. We are independent of the parent company and 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 the audit opinion.

Obligations of the Board of Directors and the CEO regarding financial statements

The Board of Directors and the CEO are responsible for the preparation of financial statements so that they give a fair and sufficient presentation in compliance with the regulations valid in Finland governing the preparation of financial statements and meet the statutory requirements. The Board of Directors and the CEO are also responsible for such internal control they deem necessary for being able to prepare financial statements free of material misstatements due to fraud or error.

When preparing the financial statements, the Board of Directors and the CEO are obliged to assess the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to the 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.

The auditor's responsibilities when auditing financial statements

Our objective is 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, whether individually or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of conducting an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we

- 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 controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of the Board of Directors' and the CEO'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 parent company or the group 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 management, control and performance of the group's audit. We are 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 CEO are responsible for other information. Other information includes the Board of Directors' report.

Our opinion on the financial statements does not cover other information.

Our responsibility is to read the other information in connection with the audit and, in doing so, consider whether this other information 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 Board of Directors' Report has been prepared in accordance with the applicable laws and regulations.

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

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.

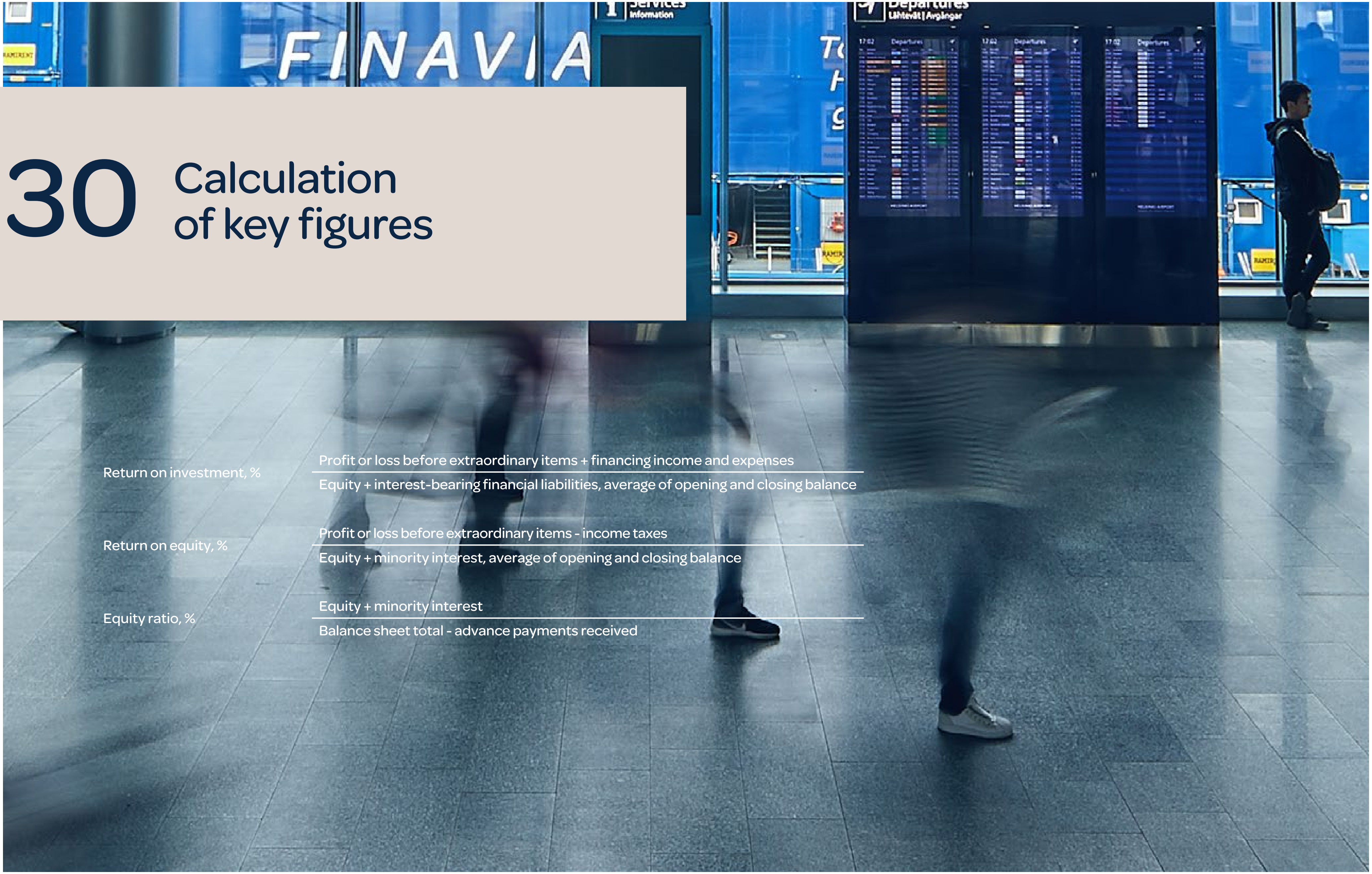
Other opinions

We are in favour of adopting the financial statements. The proposal of the Board of Directors regarding the application of profits shown on the balance sheet is compliant with the Finnish Limited Liability Companies Act (624/2006). We are in favour of discharging the members of the parent company's board and the CEO from liability for the financial period we have audited.

Vantaa, 8 March 2018

Ernst & Young Oy
Firm of APA Auditors

Mikko Rytilahti
APA, CPFA



30 Calculation of key figures

Return on investment, %

$$\frac{\text{Profit or loss before extraordinary items + financing income and expenses}}{\text{Equity + interest-bearing financial liabilities, average of opening and closing balance}}$$

Return on equity, %

$$\frac{\text{Profit or loss before extraordinary items - income taxes}}{\text{Equity + minority interest, average of opening and closing balance}}$$

Equity ratio, %

$$\frac{\text{Equity + minority interest}}{\text{Balance sheet total - advance payments received}}$$