



2017

YEAR 2017

FINAVIA

Contents

3

Key figures

7

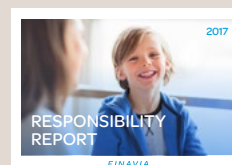
CEO's review

Finavia on its way to becoming a world-class player 7
Let's keep up the good work! 9



Year 2017

The brochure contains an overview of Finavia's business operations in 2017, sets out the company's goals and achievements, and presents the CEO's review.



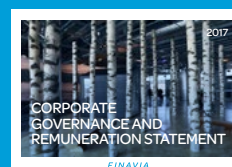
Responsibility report

The report covers the priorities of Finavia's responsibility work, its aims and the results already achieved.



12

Operating environment
and megatrends



Corporate governance and remuneration statement

The publication contains a description of Finavia's governance and steering system, as well as the salary and compensation report.

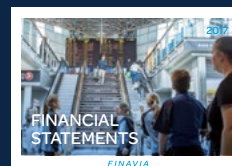


16

Strategy

19

Value creation



Financial statements

The financial statements contain the Board of Directors' report and the main details of Finavia's finances.



3

KEY FIGURES

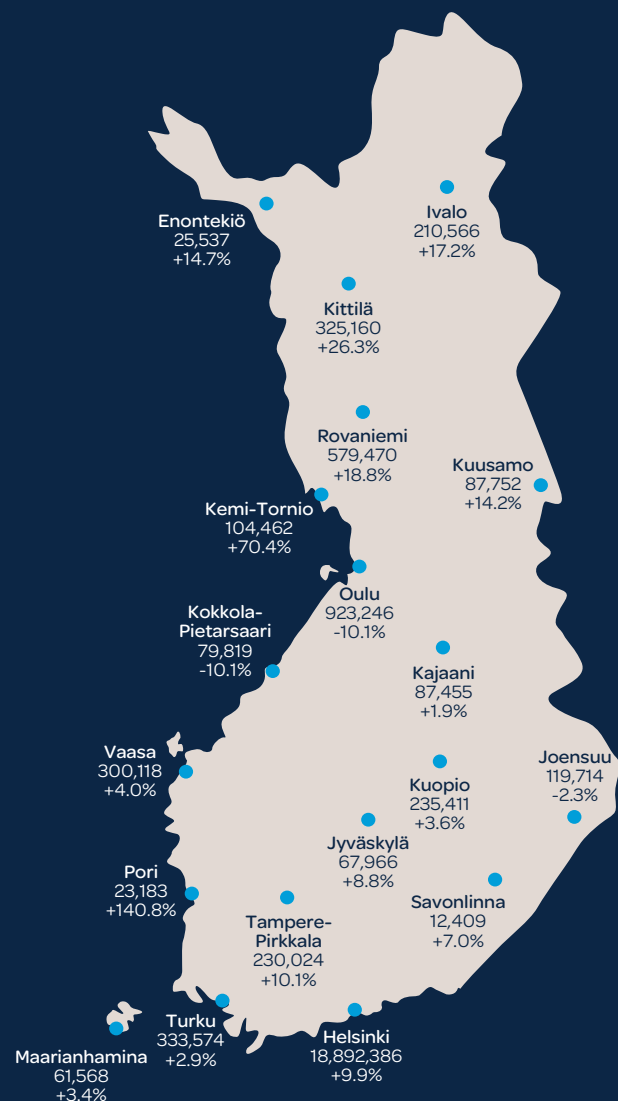
Key figures

Group's key indicators

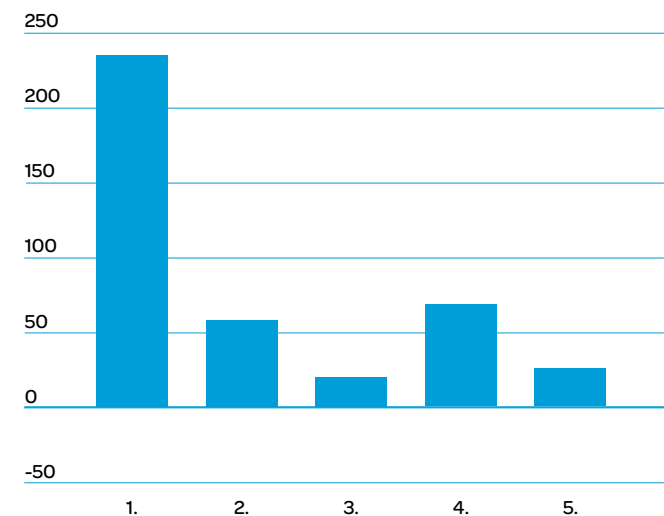
	2017	2016	2015
Revenues, MEUR	373.6	380.9	353.1
Operating profit excluding non-recurring items, MEUR	60.0	55.1	55.7
Operating profit excluding non-recurring items, %	16.1	14.5	15.8
Operating margin excluding non-recurring items, MEUR	127.6	114.8	104.8
Result for the financial period, MEUR*	37.7	28.3	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.

FINAVIA'S AIRPORTS AND THEIR PASSENGER VOLUMES



Revenues by business



1. Helsinki Airport
EUR 236.4 million
(2016: 210.0)
+12.6%

2. Airport network
EUR 57.2 million
(2016: 44.5)
+28.7%

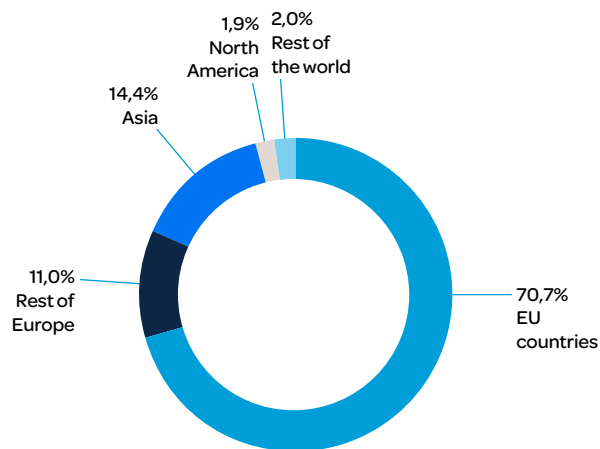
3. Air navigation services
EUR 17.3 million
(2016: 67.5)
-74.4%

4. Airpro business*
EUR 68.9 million
(2016: 63.9)
+7.9%

5. Real estate business*
EUR 23.6 million
(2016: 23.3)
+1.6%

* Finavia's subsidiaries

International traffic at Helsinki Airport,
% of all passengers



Total passenger volumes

22.7

million +9.2%

Helsinki Airport achieved carbon neutrality. We started using renewable diesel and solar power.

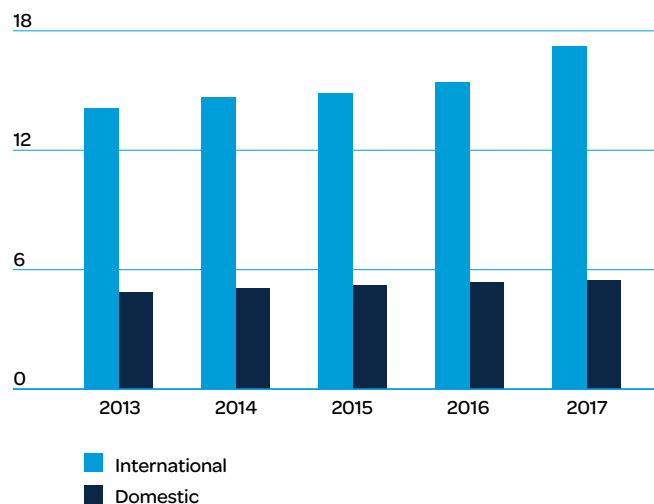
In 2017, customer satisfaction at Helsinki Airport was at a record high of 4.13 (4.07).

In 2017, customer satisfaction at regional airports remained also high and was 4.29 (4.29).

(on a scale of 1–5)

Passenger volumes at Finavia's airports

million



From Helsinki Airport

145

destinations

20

direct routes to Asia

INVESTMENTS

**EUR
181.1**
million total
investments
in 2017



Finavia's investments
accounted for

4%

of all fixed investments by
manufacturing industries
in 2017

**EUR
900**
million
towards the
development of
Helsinki Airport
in 2013–2020



14,000
full time equivalent

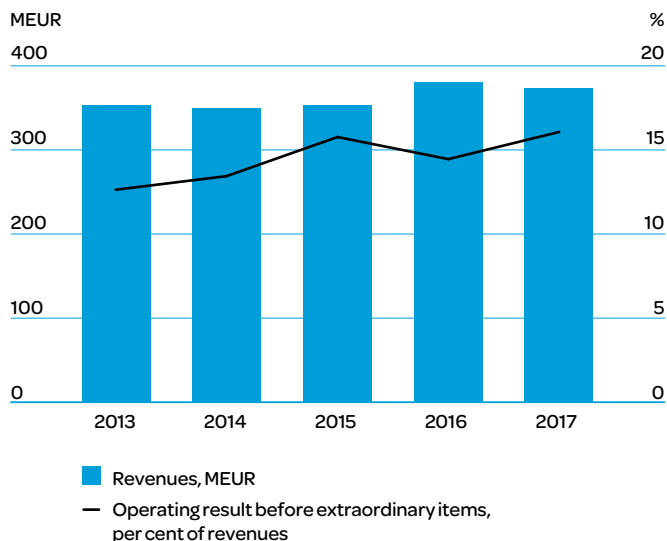
5,000
permanent jobs

Our environmental
investments totalled EUR

7.9 million

The most significant environmental investments were directed
at reducing the load on the aquatic environment from the de-icing
and anti-icing treatments at Helsinki Airport.

Revenues and operating result before extraordinary items,
per cent of revenues



The employment effect of
Helsinki Airport's development
programme has been

5,000
person-years thus far.



At the end of 2017,
Finavia Corporation had

1,181
employees (1,570).

Our employees are even happier
at work. The PeoplePower index
rose to a good level.

67.5
PeoplePower index (66.4).

7

CEO'S REVIEW

Finavia on its way to becoming a world-class player

Robust economic expansion in Finland and strong consumer confidence boosted Finavia's growth in 2017. During the year, a total of 22.7 million passengers went through our airports – a new record. The figure for Helsinki Airport was almost 19 million, which means that the 20 million mark will be passed in 2018, or two years earlier than targeted.

The airports in Lapland also posted impressive figures. In Kittilä, for example, a municipality of just 6,000 people, the total number of passengers using the local airport was over 300,000, setting another new record. This was made possible by the unprecedented growth in the number of tourists visiting Lapland. Finavia has cooperated with tourism companies to find operators bringing visitors to northern parts of Finland, which has contributed to the travel boom.

Stronger financial position, thanks to efficiency improvements

While the strong growth in air traffic is a source of satisfaction, it must also be mentioned that growth is also our biggest challenge. As our revenues increase at a rapid pace, we must also keep a

close eye on fixed costs. We were able to improve the efficiency of our operations and cope with higher traffic volumes by boosting profitability.

One of the top performers at Group level was the Finavia subsidiary Airpro, which posted excellent results. The company, which supplies airlines and airports with ground handling and passenger services, has worked hard to develop its operations in recent years, and the results are now plain for all to see.

Customer satisfaction at record levels

As our passenger numbers are booming, Helsinki Airport is undergoing an extensive development programme. The airport expansion work is still underway, and the toughest part still lies ahead. Nevertheless, 2017 saw the completion of a major project as the new southern wing was opened in July.

Despite the temporary arrangements resulting from the construction work, customer satisfaction among passengers and airlines was at a record high. There are unified standards for rating the world's airports, and we have been doing extremely well in international comparisons throughout the year. In fact, maintaining



a high level of customer satisfaction is of great importance to us. Over the long term, we have taken steps to ensure that we can offer a customer experience based on unified criteria and this work will involve all Finavia staff members.

Helsinki Airport became fully carbon neutral, which marked a new milestone in the field of environmental responsibility. We installed a solar power plant on the roof of the airport, replaced old lamps with LED technology, and began using renewable fuels in our vehicles. We are proud of this achievement. All Finavia airports will be carbon neutral by the year 2020. This means that we will be the only operator in the world with a carbon neutral airport network.

Personnel are the key resource to us and we are determined to ensure that each Finavia staff member can feel that they are important. We reward our staff members by making investments in a personnel fund, which is proportional to the company's performance. We also introduced projects to encourage our staff members to take care of their work capacity and wellbeing, and supported sports and cultural activities.

Achieving the status of a strategic company

In a major restructuring, the responsibility for air navigation services was transferred from Finavia to a new owner on 1 April 2017. On the same day, ownership steering of Finavia was transferred from the Ministry of Transport and Communications to the Prime Minister's Office, and we were granted the status of a strategic company. This is in accordance with our operational strategy. It allows us to focus on the development of the airport business and the business operations associated with it. We have started preparing a new strategy for Finavia, which is urgently needed. After all, our situation is now completely different than in 2012, when the previous strategy was drawn up.

Finavia is a partner in the development of the Aviapolis airport area and the areas adjacent to it. Our aim is to ensure that the area will serve the needs of Finland's air traffic and of the country as a whole. We have made ownership and funding arrangements with our partners to see to it that we can contribute to the development of Aviapolis in a way that serves the needs of Finland's air traffic and those of the Helsinki region.

To promote tourism, exports and the Finnish economy in general, it is important to connect Helsinki Airport with Finland's main railway network. Helsinki Airport is one of the few airports of this category that can't be reached by train from all parts of the country. The Ring Rail Line is important but it is only a local line with no direct connection to the national rail network. Train services could also replace some of the flight connections between Finnish regions and Helsinki Airport. For the environment, this would be a very good deed.

Finavia is doing important work. Our company makes a major contribution to the Finnish economy and other areas of Finnish society. The past six years at the helm of Finavia have been a rewarding experience, and my hope is that the company will continue on the same path.

Thank you for all these years, and I wish Finavia every success for the future!

Kari Savolainen

President and CEO until 31 December 2017

Let's keep up the good work!

I took over as Finavia's CEO on 1 January 2018. I am really looking forward to working in this fascinating field, which has the whole world as its operating environment. The number of air passengers is growing rapidly every year, which means that we are needed. At the same time, we must also keep in mind that competition in the sector is getting tougher.

Passengers are everything to Finavia. Regardless of whether we are dealing with arriving, departing or transfer passengers, it is important that each passenger has a smooth and unique customer experience at our airports. Finavia has a large number of major airlines as customers and it is important for us to contribute to their growth and help them to operate in a profitable manner. We must also provide a favourable operating environment for other companies with a presence in our airports.

To remain successful, we must better understand our customers. We must be able to use technology when developing our services and react quickly to the changing needs of our customers. We must also take care of the environment. It is also im-


portant that each of us can work in an efficient manner. By finding better ways of doing things, we can make our business operations more profitable and create a solid basis for future investments.

The atmosphere at Finavia is positive and forward-looking. Even though the prospects look very good, the goal of growth also brings responsibilities. As passenger numbers increase, we must continue to live up to our customers' expectations. We are well placed for continued success!

Kimmo Mäki

President and CEO on 1 January 2018





12

OPERATING ENVIRONMENT AND MEGATRENDS

Operating environment

The number of air passengers is growing sharply, which increases international competition at airports. Finavia responds to this competition by investing in customer experiences and in the development of Helsinki Airport.

In 2017, Finavia's airports welcomed 22.7 million passengers, showing an increase of 9.2 per cent from the year before. The number of passengers at Helsinki Airport increased to 18.9 million. In Europe, air traffic grew by 8.5 per cent, and it is expected to continue this growth.

Finavia's EUR 900 million investment programme at Helsinki Airport is a significant response to international competition and to the increasing number of passengers. In 2030, the airport is expected to serve up to 30 million passengers per year. Major investment programmes are also under way at many other European airports. Helsinki Airport's competitors, Copenhagen, Oslo and Stockholm, are seeking higher market shares in transit traffic between Europe and Asia.

Those who are able to provide passengers with smooth travel services and the best customer experiences can succeed in the competition between airports. Airports around the world are investing in their atmosphere, enhancing services and paying greater attention to individual experiences. The quality of services needs to be high, and travel must be carefree and smooth, even

during peak hours. A unique customer experience is a key factor that steers Finavia's business development and investments.

Airports also compete over new routes. Airlines appreciate efficient and punctual activities at airports and reasonable airport charges. Finavia's airports have thoroughly planned and controlled processes, as a result of which operations are efficient and punctual. What is more, Finavia's airport charges are fairly low compared with other European airports. Through its active sales and route development, Finavia has attracted new airlines to its airports.

Domestic air traffic needs to compete with other modes of transport. The appeal of Finland as a travel destination attracts international travellers, particularly to Lapland, and tourist volumes are constantly breaking new records in Finland. However, traffic volumes at certain airports have decreased as a result of the higher competitiveness of bus and rail traffic and internal migration. Finavia has an active role in the dialogue related to the development of travel chains that combine different modes of transport.

Regulations have a significant impact on air traffic

Regulations on airports and air traffic have an impact on the development of the operating environment and competition. Regulations concern, for example, aviation safety, environmental matters and the pricing of services. Stricter regulations demand that airport operators make investments in new technological systems and changes in processes and operating methods.

At the end of 2017, European airports started observing the aviation regulations issued by the European Aviation Safety Agency (EASA). The aim of the comprehensive aviation regulations of the EU is to standardise the level of safety at all European airports. All of Finavia's airports have been certified in 2012–2017 in accordance with EASA regulations.

Responsibility is the key to the future

The entire aviation industry is highly committed to considerably reducing carbon dioxide emissions over the long term. The global aim of the aviation industry is to halve the emissions generated by international air traffic by 2050. The Airports Council Inter-

national (ACI) Europe has set a goal of having one hundred carbon-neutral airports in Europe by 2030.

Finavia acquired the international ACA certificate when Helsinki Airport became carbon-neutral in July 2017. With the ACA certificate, Helsinki Airport is now the 34th fully carbon-neutral airport in the world. Airports in Lapland will become carbon-neutral by the end of 2019, and other Finavia airports will follow during 2020. Environmental matters are playing a more important part among consumers, and Finavia wants to be a pioneer in reducing air traffic emissions.

Our goal is to secure Finavia's future as a major provider of airport services in Europe. This requires that corporate responsibility is part of our everyday activities and our decisions on operational development. Our corporate responsibility is steered by Finavia's safety culture and values, its customer promise of a smooth and carefree travel experience, environmental policy, guidelines, Code of Conduct and corporate governance. Safety is fundamental to Finavia's approach to responsibility and all its operations.

Megatrends affecting the operating environment

Air traffic and the operating environment of airports are affected by a number of factors that will become even more significant in the future, and which Finavia must take into account in its operations.

Strict national and international regulations and global megatrends put tight reins on the aviation industry. Urbanisation, an aging population and growth of the middle class, particularly in Asia, increase the number of people who have the time and money to travel. In addition, digitalisation is shaping the needs and expectations of consumers when it comes to travel services. Climate change demands actions from the aviation industry to

Megatrend	Impact on airport operations	Finavia's response
Global competition over passengers	Competition between airports gets fiercer as a result of increases in air traffic volumes.	<ul style="list-style-type: none"> • First-rate customer experience and service processes • Broad range of routes • Efficient and punctual operations • Low airport charges
Digitalisation	Passengers expect more services that make travel smoother. The increase in passenger volumes speeds up process automation.	<ul style="list-style-type: none"> • More automation and self-services, remote check-in pilots, development of mobile services and use of analytics in service development
Climate change	The aviation industry is highly committed to reducing carbon dioxide emissions.	<ul style="list-style-type: none"> • Helsinki Airport carbon-neutral in July 2017 • All Finavia's airports carbon-neutral by 2020
Middle class growing in Asia	As a result of a higher standard of living, more people can and want to travel to other countries.	<ul style="list-style-type: none"> • Customer service employees who are able to speak Chinese, mobile interpretation services, payment platforms used by people from Asia (e.g. Alipay)
Aging population	As people have more free time, they can travel more.	<ul style="list-style-type: none"> • Accessibility and smooth services, also for older passengers
Urbanisation	People move into larger cities, and demand for air traffic decreases further in certain areas.	<ul style="list-style-type: none"> • Finavia is involved in the development of travel chains that combine different modes of transport and a pioneer in new partnerships.

reduce carbon dioxide emissions. In Finland, urbanisation has an impact on the potential of air traffic in areas where net migration is negative.

In addition to megatrends, air traffic is affected by economic trends. Currently, the Finnish economy is growing, and the same positive trend is visible on European and global levels. A positive economic situation and the better opportunities of people to travel increase the number of passengers in Finland and in all parts of the world.

12

STRATEGY

Implementing the strategy in 2017

Ensuring that Helsinki Airport remains internationally competitive is key to Finavia's strategy. In this we can rely on competent and committed personnel providing high-quality and cost-effective services and offering a world-class customer experience.

The purpose of Finavia is to promote mobility and internationalisation in Finland by providing safe, high-quality and cost-effective services for air passengers and air traffic. Vibrant airports help to ensure Finland's competitiveness and the wellbeing of its citizens and they also contribute to the growth of Finland's tourism sector.

The success of Helsinki Airport is at the core of Finavia's strategy. Helsinki Airport offers the fastest and most direct connection between Europe and Asia and the success of the airport ensures that Finland can be reached by air from all parts of the world. It is also essential to improve the profitability of the airport network.

Our vision is to remain a successful player in a highly competitive global operating environment by providing world-class services for airlines and air passengers. We are determined to be a profitable, respected, responsible and well-managed service company that leads the way in all areas of our operations.

Developing airports provides a basis for growth

The Helsinki Airport development programme totalling EUR 900 million is Finavia's largest strategic project. The programme provides a basis for developing and expanding the airport so that it can have a capacity for 30 million passengers in 2030.

In 2017, the development programme continued on schedule and on budget. The opening of the south wing marked the most important milestone so far in the development programme. The two-storey extension showcasing Finnish design and materials has three state-of-the-art double bridges and it adds 7,850 square metres to Helsinki Airport's passenger facilities. The south wing, which is equipped with moving walkways, increases the capacity of the terminal, enhances the passenger experience and provides a basis for efficient operations with wide-body aircraft.

A total of 103,000 square metres will be added to the airport as part of the development programme. The construction and opening of the additional facilities as well as the launch of the new services will be a gradual process and everything should be ready

Our vision is to remain a successful player in a highly competitive global operating environment by providing world-class services for airlines and air passengers.

by the early 2020s.

Outside Helsinki, Finavia invested a total of EUR 21 million in the maintenance and development of the network airports in 2017. The largest investment was the overhaul of the traffic areas of Oulu Airport. Smaller-scale maintenance work was also carried out at other airports. The strategic priority will be on network airports where passenger numbers are increasing.

Traffic growth supported by active route development

Finavia's aim is to provide airlines with smooth and cost-effective services and to keep airport charges at reasonable levels. We have succeeded in this: during 2017, a total of 31 new flight connections were opened between Finavia airports and destinations in Asia, Europe and the United States, while new flights were added to existing routes. This means that last year, we attracted a record number of new customers and flight connections. Qatar Airways, which launched a service between Doha and Helsinki Airport in October 2016 exceeded expectations by doubling its flights.

Finavia's route development priorities have also contributed to the rapid growth of air traffic to Lapland. Competitive pricing of airports, combined with attractive tourist products, makes Lapland a highly interesting destination for airlines. The long-term aim is to increase flights outside the winter season.

Enhancing customer experience at the core of all development work

International competition between airports is also a competition on who can provide the best customer experience. In order to ensure smooth and stress-free travel, all key processes at the airport must be in top shape: queues must be short, everything must be easily available, and flights must depart on time. The airport must also be able to meet the service needs of a broad range of different customer groups. In addition to focusing on commer-

cial services, Finavia also gives a high priority to improvements in automation and digital services.

In 2017, customer satisfaction at Helsinki Airport was at a record high of 4.13 on a scale of 1–5. This shows that despite traffic growth and extensive alteration work, Helsinki Airport has definitely lived up to Finavia's customer promise "for smooth travelling". Customer satisfaction at network airports also remained high and was 4.29 (4.29).

Clear service level targets and uniform pillars guiding the development of customer experience, which have been integrated into the service training for personnel and into development projects, have helped to ensure a high level of customer satisfaction at our airports.

Responsibility and personnel are key priorities at Finavia

Responsibility plays a key role in Finavia's operations. Safety is at the core of all our work and we have also set ourselves high standards in environmental matters. In 2017, we made steady progress towards our goal of making Finavia a carbon neutral airport company by the year 2020. Helsinki Airport became carbon neutral in July 2017, the airports in Lapland will reach this target by the end of 2019 and the rest of the airport network will follow in 2020.

Highly motivated staff who are given opportunities for continuous development are crucial to achieving the goals and targets set out in our strategy. Finavia is determined to be an attractive workplace with a high level of job satisfaction. We ensure this with good management practices, which are continuously improved. We support our personnel in their professional development and invest in wellbeing at work. The work has produced results: according to the personnel survey conducted in January 2017, there has been a steady improvement in job satisfaction among Finavia staff members.

12

VALUE CREATION

How we create value

As a state-owned airport company, we promote mobility and internationalisation in Finland by providing safe, high-quality and cost-effective services for air passengers and air traffic.

The development of Helsinki Airport is a major focus, as its attractiveness will ensure good flight connections between the country and the rest of the world.

Offering our passenger customers a unique customer experience and providing airlines with efficient and reliable services are at the core of our business model. In accordance with our customer promise “For smooth travelling”, we are working hard to ensure smooth and stress-free travel. Our business operations are steered by the following drivers: extensive regulation of our sector, megatrends such as climate change, digitalisation and the growth of the middle class (especially in Asia) and increasing competition of air passengers at global level.

Our operations are based on strong finances, high-quality project, process and service expertise, the ability to understand the customer experience and the ability to manage and develop the airport network ecosystem. This is all made possible by skilled and motivated personnel. Helsinki Airport, our main transport hub, offers the fastest and shortest connection between Europe and Asia. Finland’s good reputation and Helsinki Airport’s strate-

gic location are also strengths we can rely on as the competition between airports continues to intensify.

By successfully managing our core task, we can create value for all our stakeholders: the state owner, passenger and airline customers, the Finnish economy and Finland as a whole.

We are creating value for our customers by offering passengers a unique customer experience and by providing airlines with an environment where they can operate reliably, efficiently and in a cost-effective manner. The attractiveness of an airport is based on smooth and efficient services, a relaxed atmosphere and a positive passenger experience.

We are creating value for our owner and Finland as a whole by providing extensive and reliable connections with the rest of the world, and by investing in our airports and the areas adjacent to them. Good flight connections help to boost the competitiveness of the Finnish economy and the attractiveness of Finland in general. Ensuring that Helsinki Airport will remain a major international transport hub contributes to the success of Finland as a whole. We are also a major taxpayer and provider of employment. Helsin-

ki Airport currently employs a total of about 15,000 people, either directly or indirectly.

Steady growth in revenues and profitability over a period of many years, high level of customer satisfaction and internationally acclaimed services show that our investments have produced results, and that we are also well placed to create value for our stakeholders in the future. Responsibility will remain at the core of our operations: as the passenger numbers are growing and as our airports are undergoing extensive modifications, we will continue to ensure a high level of safety and are working to meet ambitious environmental goals. Our aim is to make our airport operations carbon neutral by 2020.

Assets

Airports

- 21 airports
- Capital assets EUR 995.8 million
- Business premises and advertising space
- Buildings, machinery and equipment
- Ground structures

Human resources and skills

- Personnel 1,181, of whom 72% were men and 28% women
- Training 2.8 days/person
- Statutory qualifications and standards
- Ability to understand the customer experience
- Project and logistics expertise
- Process expertise (passenger flows, aircraft turnaround times, snowhow, etc.)
- Managing and developing the ecosystem

Customers and partners

- More than 50 airlines as customers
- 22.7 million passengers
- 3,256 suppliers of goods and services
- 68,000 m² rented business premises
- Hundreds of other companies operating at the airports

Economic capital and investments

- Balance sheet EUR 1,074.5 million
- Total investments EUR 181.8 million
- Environmental investments EUR 7.85 million

Energy and natural resources

- Water consumption 171,000 m³
- Consumption of heating energy 53 GWh
- Consumption of electric energy 77 GWh
- Fuel consumption of ground equipment 2,110 tonnes
- Total land are 100 km²

Business model

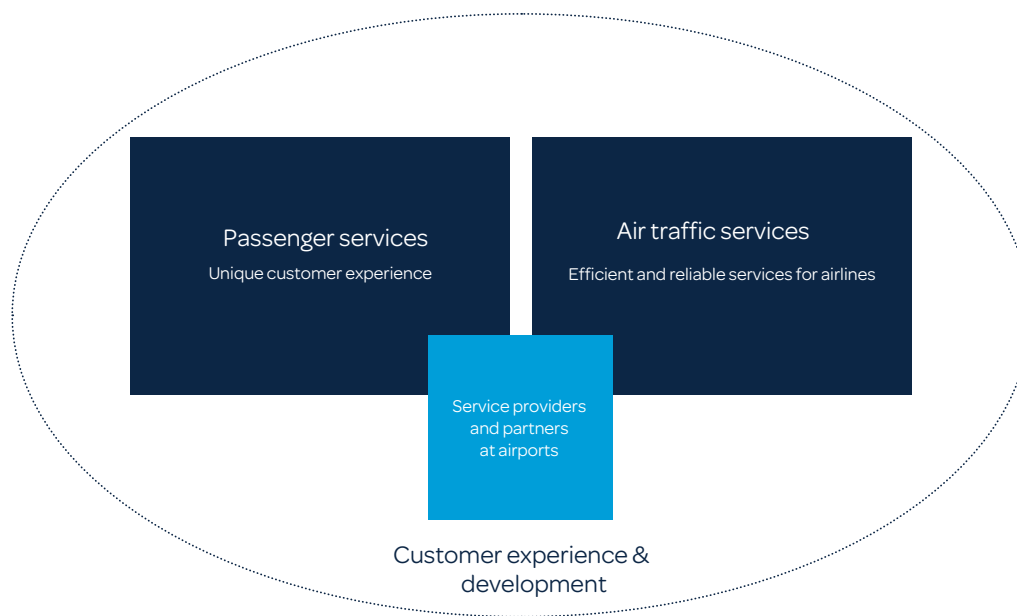
For smooth travelling

Vision

Finavia's vision is to provide passengers and air traffic operators with world-class services.

Values

- Safety
- Responsibility
- Renewal and cooperation
- Customer orientation
- Efficiency
- Transparency



Operating environment

Megatrends: Urbanisation, digitalisation, climate change, growth of the middle class (especially in Asia), population ageing, growth in tourism, competition of passengers at global level

Extensive regulation of the sector

Finland's reputation and geographical location

FINAVIA

Impacts

Extensive and reliable global connections

- About 15% of all passengers at Helsinki Airport are transit passengers
- Landings totalled 197,858
- Direct destinations from Helsinki Airport 145
- New routes from all airports 31
- Competitive landing and passenger charges
- Reliable operations irrespective of weather

Unique customer experience

- Short transit times
- Customer satisfaction at Helsinki Airport: 4.13
- Customer satisfaction at network airports 4.29
- Average waiting time at security check at Helsinki Airport: 2 minutes
- World-class services at Helsinki Airport
- Customer satisfaction among airlines 4.25

Competitiveness and economic impact

- Total revenue EUR 373.6 million
- Wages and salaries EUR 59.6 million
- Purchases from service and goods suppliers EUR 304.2 million
- Taxes and tax-like levies EUR 77 million
- Air traffic accounts for about 3.2% of Finland's GDP
- Air traffic provides employment for 100,000 people in Finland
- The Helsinki Airport development programme has already created 4,397 person-years
- Development of Lapland as a tourist destination: 698 charter flights

Environmental impacts

- Helsinki Airport carbon neutral in 2017, network airports in 2020
- Introduction of renewable fuels
- Ground equipment CO₂ emissions 22 tonnes
- Monitoring of air quality
- Promotion of the noise control plan
- Monitoring of groundwater quality at 14 airports
- Monitoring of surface water quality
- Biological oxygen demand (BOD) of runoff water 87 tonnes
- Continuous energy-efficiency improvements
- Amount of waste 3,561 tonnes, of which 94% was recyclable waste