

A photograph of a modern airport lounge. In the foreground, there are three black leather lounge chairs with white bases, arranged around small round tables. The lounge is situated next to a large glass wall that offers a view of the airport tarmac and other buildings. A large model of a commercial airplane is suspended from the ceiling. The text "January-June 2017" is overlaid in the top right corner, and "Half-year review" is overlaid in the bottom left corner. The FINAVIA logo is visible on the glass wall in the background.

January-June
2017

Half-year review

FINAVIA

Finavia's profitability and customer satisfaction reach record levels

CEO Kari Savolainen:

The first half-year has been very successful for Finavia Group due to strong growth in air traffic and purposeful development work. Access to Finland from different parts of the world is at top level thanks to persistent sales and cooperation with Finnair and other airlines in route development. 18 new routes from Finland to different locations around the world were launched during the first half of the year. Investments in the expansion of Helsinki Airport, travel in Lapland and passenger experience at the airports are behind the success.

Finavia's operating profit excluding non-recurring items increased to EUR 29.6 million (23.9) and EBITDA excluding non-recurring items improved to EUR 62.9 million (52.3). The separation of the air navigation business into a separate company curbed revenue growth to 1.4 per cent. However, comparable revenues increased by 9.1 per cent due to positive traffic development and the success of commercial services at the Helsinki Airport. During the first half of the year, we have further developed our service offering, and customer satisfaction has remained on an excellent level both at Helsinki Airport and at network airports.

The good financial performance stems from strong growth in passenger volume and good cost management. Despite the largest investment in the history of the company in the terminal expansion at Helsinki Airport, we have been able to keep our costs in check. We have carried out the construction contracts in schedule and within the budget, supported also by Finavia's good financial standing. The first part of the terminal expansion, the Southern Wing, was taken into use during the summer to serve passenger traffic between Asia and Europe.

Passenger volumes at Finavia airports increased by 7.9 per cent in total, predicting an excellent year when it comes to passenger traffic. As the year has progressed, international transit traffic through Helsinki Airport has picked up an unforeseen pace, and we

expect passenger records to be broken during the year. Finland's attractiveness as a travel destination is also experiencing a boost. Strong demand especially for destinations in Lapland brings new possibilities in tourism development for those operating in the area.

We believe that the positive passenger development will continue, and the company's operating profit excluding non-recurring items is estimated to remain on the same level as in 2016 despite the increasing write-downs relating to the development programme.

January–June 2017

- The total passenger volume for January–June increased by 7.9 per cent compared to the corresponding period in 2016
- A total of 18 new routes were launched to Europe, the US and Asia
- Revenue growth remained at 1.4 per cent due to the separation of the air navigation business into its own company. Comparable revenues increased by 9.1 per cent due to good passenger development and the success of commercial services.
- Development and investment programmes at Helsinki Airport and network airports continued
- Investments totalled EUR 76.1 million (H1/2016: 81.7)
- EBITDA excluding non-recurring items increased to EUR 62.9 million (H1/2016: 52.3)
- Operating profit excluding non-recurring items increased to EUR 29.6 million (H1/2016: 23.9)
- Cash flow from operations increased to EUR 56.0 million (H1/2016: 41.9)

Group key figures

	H1/2017	H1/2016	2016
Revenues, MEUR	189.3	186.7	380.9
EBITDA excluding non-recurring items, MEUR	62.9	52.3	114.8
Operating profit excluding non-recurring items, MEUR	29.6	23.9	55.1
Operating profit excluding non-recurring items, %	15.6	12.8	14.5
Result for the financial period, MEUR *	21.4	12.7	28.3
Cash flow from operations, MEUR	56.0	41.9	97.7
Investments, MEUR	76.1	81.7	182.8
Return on equity, % *	7.2	4.5	4.8
Return on investments, % *	6.6	5.1	5.0
Equity ratio, % *	61.1	59.3	58.9
Net gearing, % *	39.4	32.6	38.8
Total passenger volume, millions of passengers	11.0	10.2	20.8
Personnel average, person-years	2,271	2,381	2,394

* Comparable data from 2016 is presented with regard to the statement on accounting for financial derivatives given by the Finnish Accounting Board in December 2016 to companies reporting in accordance with the Finnish accounting principles.

Traffic development

In January–June, the total passenger volume at Finavia airports increased to 11.0 million, growing by 7.9 per cent compared to the corresponding period in 2016. The growth stems particularly from the positive development of passenger volumes in transit traffic from Asia and other international air traffic, as well as from the increased attractiveness of Finland as a travel destination.

In January–June, international travel at Helsinki Airport increased by 9.9 per cent. The volume of international passengers at network airports grew by 14.0 per cent due to the strong growth of traffic to Lapland early in the year. International transit traffic increased by 14.0 per cent.

Domestic air travel increased in January–June by 2.1 per cent from the corresponding time period in the previous year.

At some airports, traffic continued to decrease. The reasons for this include changes in the competitive situation between different forms of transport as well as differences in the economic and demographic situation and appeal of different regions.

The number of landings in commercial aviation increased by 3.6 per cent.

During the first half of the year, 18 new connections were launched from Finavia airports to Europe, the US and Asia. Additional flights were introduced for some existing routes.

The growth of air traffic at European airports was on average 9 per cent during the first half of the year, representing the best growth in the last ten years. The growth in Europe stems from the generally improved economic situation, increased demand for travel to Russia and Turkey and the continuing low price of fuel. Large hub airports increased their passenger volumes, but at small airports of less than 5 million passengers, volumes decreased.

Group revenues by Business Area, MEUR

	H1/2017	H1/2016	Change %	2016
Helsinki Airport	113.4	100.9	12.4 %	210.0
Airport Network	27.8	22.8	21.8 %	44.5
Air navigation business	17.3	33.0	-47.6 %	67.5
Airpro business	34.6	32.4	6.6 %	63.9
Real estate business	11.5	11.6	-1.0 %	23.3
Eliminations	-15.2	-14.0	8.4 %	-28.2
Group total	189.3	186.7	1.4 %	380.9

Revenues and result

In January–June, the Group's revenues amounted to EUR 189.3 million (H1/2016: 186.7), representing an increase of 1.4 per cent from the corresponding period in 2016 due to good passenger development and the success of commercial services at Helsinki Airport. During the second quarter, revenues decreased as a result of the separation of the air navigation business into its own company beginning from 1 April 2017.

The revenues of air traffic, or 'aero revenues', decreased by 2.8 per cent to EUR 87.7 million (90.2) due to the separation of the air navigation business into its own company. Aero revenues constituted 54.9 per cent of the Group's revenues (58.2).

The January–June operating profit excluding non-recurring items totalled EUR 29.6 million (23.9). The result for the financial period was EUR 21.4 million (12.7). The increase in the result for the financial period is explained by strong growth in passenger volume and good cost management.

The result for the financial period included EUR 4.3 million of non-recurring profits stemming from property sales. Non-recurring expenses amounted to EUR 5.7 million, including an increase in environmental provisions as well as profit and bonus provisions.

Operations

Finavia Group provides air traffic services and has two Business Areas. These are Helsinki Airport and Airport Network. Air Navigation Services operated as the Group's third Business Area until 31 March 2017. Finavia's air traffic services are supplemented by its subsidiaries Airpro and Lentoasemakiinteistö.

In January–June, the revenues of Helsinki Airport increased by 12.4 per cent due to positive passenger development and the good development in the sales of commercial services. The passenger volume at Helsinki Airport was 9.0 million (8.3), representing an increase of 8.6 per cent compared to the corresponding period in 2016. International travel increased by 9.9 per cent.

According to the Airport Quality Service study, which measures customer satisfaction at airports, the customer satisfaction at Helsinki Airport has continued to improve and is at an excellent level: 4.11/5. The score for the corresponding period was 4.06/5.

The **Airport Network** Business Area is responsible for producing airport services at 20 airports. Helsinki Airport constitutes its own Business Area. The passenger volume at network airports was 1.9 million (1.8). The passenger volume increased by 4.9 per cent in January–June compared to the corresponding period in 2016. Domestic traffic increased in the network by 2.3 per cent and international traffic by 14 per cent due to the strong growth in passenger volumes to Lapland early in the year.

The average customer satisfaction of network airports has stayed on an excellent level, at 4.29/5, during the first half-year.

At some network airports, investments in service level development are reflected in a notable improvement of customer satisfaction.

Airpro provides ground and cabin services for air traffic and airports at 16 airports. The revenues of the Airpro business rose by 6.6 per cent year-on-year. The growth was the result of successful customer acquisition.

Lentoasemakiinteistöt administers and develops real estate properties in the immediate vicinity of airports and leases them to companies. Revenues decreased by 1.0 per cent due to a change in book entry form. There were no major changes in the operations or the volume of facilities in the real estate business during the first half of the year. Focus in the development of the real estate business has been on Aviapolis Station.

On 1 January 2017 Lentoasemakiinteistöt Oy was demerged into two companies: LAK Real Estate Oy and Lentoasemakiinteistöt Oy. In the demerger, the real estate properties considered strategic to the operations of the airport and diverging from the business of LAK Real Estate were transferred to the new Lentoasemakiinteistöt Oy. The demerger clarifies the role of LAK Real Estate, which continues the business operations of Lentoasemakiinteistöt, as a company focused on real estate business.

Finavia Corporation has signed a letter of intent with a fund managed by NREP Oy and Pontos Ltd, the goal of which is to develop the real estate properties in the vicinity of Helsinki Airport in a way that benefits air traffic and the airport area. During 2017, the parties will search for an ownership and financing solution that enables the development of the properties owned by Finavia's subsidiary LAK Real Estate Oy. If realized, the arrangement will, among other things, speed up the development of the Aviapolis area.

Balance sheet

The consolidated balance sheet total was EUR 993.2 million (30 June 2016: 953.0). The equity ratio stood at 61.6 per cent (59.3).

Statutory provisions, mainly related to the implementation of projects required by stricter environmental requirements for airports, amounted to EUR 22.7 million (23.1).

At the end of the period under review, the Group's interest-bearing loans totalled EUR 258.1 million (230.7). The amount of liabilities decreased to EUR 363.7 million (365.4) during the period.

The amount of fixed assets increased to EUR 918.5 million (833.4) as a result of the development and investment programmes under way.

Cash flow and financial position

Cash flow from operations amounted to EUR 56.0 million (H1/2016: 41.9). Finavia's financial position is strong, supporting the ongoing development investments of the business. At the end of the period under review, the Group's cash and cash equivalents totalled EUR 18.9 million (46.5). The amount of cash and cash equivalents in the reference period was influenced by a capital injection provided by the state for the Helsinki Airport development programme.

At the end of the period under review, Finavia had a total of EUR 370 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 a EUR 250 million commercial paper programme, of which EUR 40.0 million was in use at the end of the period under review.

The Group has hedged 65.8% of the interest rate risk for interest-bearing liabilities with variable interest rates.

Investments

The Group's investments in January-June totalled EUR 76.1 million (H1/2016: 81.7).

The Helsinki Airport development programme, which started in 2013, proceeded as planned. At the beginning of 2016, the construction of the terminal expansion and renovation of the apron

level commenced. The first stage of the terminal expansion to be completed was the southern wing, in July 2017. Construction work of the central square and west wing is ongoing. The expansion plans for T2 were announced in June 2017.

The implementation of the development projects in the airport network continued as well. The investment expenses were largely related to improving the level of service and replacement investments. The most important project during the period was the renovation of the traffic area in Oulu.

Personnel

During the period under review, the Group's actual person-years decreased compared to the corresponding period in the previous year, to 2,271 person-years (H1/2016: 2,381). The decrease in person-years was mainly due to the separation of the air navigation business into its own company on 1 April 2017. As a result, the Group's personnel expenses decreased by 13.6 per cent to EUR 66.8 million (77.3).

Risks and uncertainties in the near future

Business risks have been described in the 2016 financial statements.

Ordinary General Meeting

Finavia Corporation's Ordinary 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 CEO from liability.

Seven members were appointed to Finavia's Board of Directors. Harri Sailas was elected to continue as Chairman of Finavia's Board of Directors. Stefan Wentjärvi, Nina Kiviranta, Erka Valkila, Katja Keitaanniemi and Jarmo Kilpelä continued as Board members. Annaleena Kiikonen was elected as a Board member representing the personnel.

Ernst & Young, company of auditors, was elected as Finavia's auditor, with Mikko Ryttilähti, APA, CPFA as the auditor in charge.

In accordance with the Board of Directors' supplemented proposal, Finavia's General Meeting decided to pay out dividends amounting to a total of 8,303,352.80, with the dividend paid by turning the entire share capital of Finavia's subsidiary Air Navigation Services Finland Oy over to the state of Finland. In addition, the GM decided to ratify all decisions made by Finavia's Board concerning the transfer of Finavia's air navigation business to Air Navigation Services Finland Oy.

Governance and group structure

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

Finavia's ownership steering was transferred on 1 April 2017 under the control of the Prime Minister's Office's Department of Ownership Steering. The transfer stems from a decision in principle concerning ownership policy made by the government in May 2016.

The composition of Finavia's management team was changed. SVP Corporate Communications Mikko Saariaho and CFO Kai Laitinen ended their employment at Finavia. Katja Siberg was appointed as SVP Marketing and Corporate Communications, starting 1 July, and Niclas Köhler as CFO starting from 7 August.

Events after the period under review

The new southern wing of Helsinki Airport began serving customers and air traffic on 10 July. The 8,300 m² expansion completed at the southern point of T2 serves, among others, passengers to Asia and North America.

The company announced a sizeable climate programme, the aim of which is to make all Finavia airports carbon neutral by 2020. In July, Helsinki Airport received the ACA (Airport Carbon Accreditation) certificate that testifies to its carbon neutral status.

A renovation of traffic areas was carried out at Oulu airport, and the airport was closed from 26 June to 31 July. During that time, passenger traffic was operated through Kemi-Tornio airport.

Outlook for the remainder of the year

Positive traffic development is expected for the remaining year, and the total passenger volume for 2017 is expected to increase from the previous year. However, there is strong variation in the development of passenger volume between different airports. Overall traffic development may be affected by potential security threats in popular travel destinations.

The company expects revenues for 2017 to be somewhat lower than in 2016. Operating profit excluding non-recurring items is expected to remain on the same level as in 2016 despite the increasing write-downs relating to the development programme.

The Half-year review is unaudited.

Vantaa 1 September 2017

Finavia Oyj

Board of Directors

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FINAVIA GROUP

INCOME STATEMENT, FAS

EUR	Q1-Q2/2017	Q1-Q2/2016	2016
REVENUES	189,290,077.61	186,694,517.38	380,886,184.25
other operating income	5,997,508.87	1,811,706.76	3,666,418.42
Materials and services	-41,720,213.75	-38,250,611.10	-76,792,139.04
Personel expenses	-66,763,475.82	-77,289,839.12	-151,274,802.33
Depreciation and value adjustments	-33,393,815.98	-28,738,395.92	-64,847,811.08
Other operating expenses	-25,182,822.86	-23,235,953.08	-49,320,585.05
OPERATING PROFIT (LOSS)	28,227,258.07	20,991,424.92	42,317,265.17
Financial income and expenses	-1,687,005.68	-6,778,214.34	-9,674,888.72
PROFIT BEFORE APPROPRIATIONS AND TAXES	26,540,252.39	14,213,210.58	32,642,376.45
Income tax on business activities	-5 103 087,87	-1 497 242,45	-4,373,835.78
Minority share			
PROFIT/LOSS FOR THE PERIOD	21,437,164.52	12,715,968.13	28,268,540.67

BALANCE SHEET, FAS

EUR	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	6,141,703.76	4,975,136.39	6,934,345.61
Tangible assets	911,964,741.35	828,078,664.83	886,551,899.38
Investments	348,939.44	348,939.44	348,939.44
NON-CURRENT ASSETS	918,455,384.56	833,402,740.66	893,835,184.43
CURRENT ASSETS			
Inventories	1,859,989.66	1,894,525.44	2,072,727.99
Accruals			84,325.00
Deferred tax assets	10,066,244.64	13,619,041.08	10,984,887.45
Current receivables	43,952,959.27	57,548,161.36	56,604,297.22
Cash and cash equivalents	18,901,089.49	46,510,608.81	37,308,583.04
CURRENT ASSETS	74,780,283.06	119,572,336.69	107,054,820.70
ASSETS	993,235,667.62	952,975,077.35	1,000,890,005.13

EUR	30 Jun 2017	30 Jun 2016	31 Dec 2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital	185,000,000.00	185,000,000.00	185,000,000.00
Fair value reserve	-24,440,045.91	-40,156,096.00	-29,442,619.15
Invested unrestricted equity reserve	286,362,843.96	286,635,487.49	286,635,487.49
Retained earnings	138,470,107.31	117,382,405.91	118,232,275.91
Profit (loss) for the financial period	21,437,164.52	15,540,648.13	28,268,540.67
EQUITY	606,830,069.88	564,402,445.52	588,693,684.92
MINORITY SHARE			
Statutory provisions	22,662,831.75	23,127,277.65	20,996,627.26
Group reserve			
LIABILITIES			
Deferred tax liability	14,286,516.00	12,386,980.43	13,338,486.07
Non-current interest-bearing liabilities	198,670,649.24	211,415,744.01	206,340,654.49
Accrued liabilities	29,868,391.44	39,964,082.00	35,828,754.00
Current interest-bearing liabilities	59,433,994.90	19,235,757.18	59,194,010.59
Current interest-free liabilities	61,483,214.41	82,442,790.56	76,497,787.80
Liabilities	363,742,765.99	365,445,354.18	391,199,692.95
EQUITY AND LIABILITIES	993,235,667.62	952,975,077.35	1,000,890,005.13

FAS=Finnish Accounting Standards

CASH FLOW STATEMENT, FAS

EUR, group currency	Q1–Q2/2017	Q1–Q2/2016
Cash flow from business operations		
Payments from customers	193,888,047.58	186,631,680.43
Payments to product/service suppliers and staff	-132,462,426.85	-137,113,982.26
Cash flow from operations before financial items and taxes	61,425,620.73	49,517,698.17
Interest paid on operations	-2,727,444.14	-5,889,650.79
Dividends received from operations	50,000.00	50,000.00
Interest received from business operations	68,150.59	47,649.01
Other financial items from business operations	-376,963.65	-310,771.35
Taxes paid on operations	-2,477,147.42	-1,521,144.79
Cash flow before extraordinary items	55,962,216.11	41,893,780.25
Cash flow caused by extraordinary items of operations		
Cash flow from business operations	55,962,216.11	41,893,780.25
Cash flow from investments		
Investments in tangible and intangible assets	-76,082,994.00	-81,120,354.54
Income from disposal of tangible and intangible assets	9,146,658.08	1,325,118.77
Subsidiary shares acquired	0.00	-592,000.00
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Cash flow from investments	-66,939,688.72	-80,387,235.77

EUR, group currency	Q1–Q2/2017	Q1–Q2/2016
Financing cash flow		
Withdrawals of short-term loans	6,000,000.00	0.00
Repayments of short-term loans	-3,850,000.00	0.00
Repayments of long-term loans	-9,580,020.94	-10,118,924.07
Dividends paid	0.00	-4,603,008.00
Financing cash flow	-7,430,020.94	-14,721,932.07
Change in cash and cash equivalents	-18,407,493.55	-53,215,387.59
Cash and cash equivalents at start of financial period	37,308,583.04	99,725,996.40
Change in cash and cash equivalents	-18,407,493.55	-53,215,387.59
Cash and cash equivalents at end of financial period	18,901,089.49	46,510,608.81

Calculation of key figures

Return on investment, %

$$\frac{\text{Profit (loss) before extraordinary items + interest and other financial expenses}}{\text{Equity + interest-bearing financial liabilities (average)}}$$

Return on equity, %

$$\frac{\text{Profit (loss) before extraordinary items - income tax on business activities}}{\text{Equity + minority share (average)}}$$

Equity ratio, %

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