



CIVIL AVIATION ADMINISTRATION
FINLAND

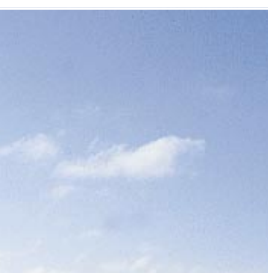


A N N U A L R E P O R T

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CIVIL AVIATION ADMINISTRATION
FINLAND



A N N U A L R E P O R T

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REPORT OF THE DIRECTOR GENERAL

The gross national product in Finland showed a growth of 4.2% in 1995 and the amount of gross production reached 95% of the amount preceding the recession. The general economic growth remained more or less on the same level as in the previous year although at the end of the year the situation changed and the market conditions flagged. The economic growth slowed down markedly and reached only 2.2% in the last quarter of the year. Consequently, a slower growth rate is anticipated for 1996, too. However, the weakened economic situation was not yet shown in the total volume of air traffic since the slight decrease in business travel at the end of 1995 was compensated by an increase in leisure travel.

The volume of demand for the services offered by the CAA rose by 6% in 1995. This was enough to stabilize the production and economy of airport and air navigation services and gave the possibility to start such operational development programmes the initiation of which would not have been wise during the recession or the period of recovery.

In 1995 the traffic figures for European air carriers increased a little under 8%. The intercontinental and intra-EU traffic showed equal growth. In Finland air traffic went up slightly faster than the European average, by almost 10%. The increase in international scheduled and charter traffic was just over 11% in both categories and 5.6% in domestic traffic. At the beginning of 1996 the trends appeared rather stable and corresponded to the aver-



age rate of the past year. It is probable, however, that due to the slower pace of economic growth, the growth rate of air traffic will only reach 5% this year. Nevertheless, a lot will depend on the development of leisure travel the demand of which seems to be on the increase.

The economic result of the CAA was satisfactory. After depreciation, incidental income and expenses and financing costs the profit was FIM 28 million positive. Moreover, as the 1995 expenses and revenues figures include approx. FIM 26 million of incidental expenses, which weakened the result, the operating profit can even be regarded as good. In a business which forms a part of the society's basic infrastructure a better result is not even desirable: the profit gained through increased demand and rationalized operations may, with good reason, be distributed to the customers by

lowering the charges collected. Although organizationally independent, the airports and air navigation system are by no means separate but an integral part of the air travel service chain. It is often believed their goal is to make as much profit as possible, however, the real objective is to improve the competitiveness of the air transport industry and create optimum prerequisites for air traffic without using the tax payers' money. The CAA aims at not having to raise the airport and related charges more than 70% of the general rate of inflation which in today's situation would mean an increase of only c. 1% in the charges despite the fact that the wages and salaries in the field will be raised by c. 2.5-3% annually.

The CAA maintains and develops the Finnish airport network in such a way that the network as a whole is profitable. In Finland the airports form a coherent entity: the other terminal point in domestic air traffic is almost without exception Helsinki-Vantaa Airport. In international traffic the regional airports have a feeder airport's role as traffic to foreign destinations is channelled almost entirely via Helsinki-Vantaa.

The annual amount of passengers at Helsinki-Vantaa, 7.2 million in 1995, is almost three times the total amount of passengers, 2.6 million, at the other 24 Finnish airports. Of the international passenger movements a staggering 92% either start or end at Helsinki-Vantaa. For the domestic passenger movements the respective figure is even greater, 96%.

The Commission of the European Communi-

ties is preparing a directive on unifying the airport charging systems. There is a wish, in the background, to standardise the prerequisites for airline competition and thus further the completion of the Single Market. Cost-effectiveness, prevention of discrimination, transparency of cost structure and moderate profits will undoubtedly be among the central principles of the directive. The CAA does not oppose such development and as we already act in line with these principles there is no need for us to change our policy now or in the future. Instead, a question may be raised within the EU on whether the CAA airports can be considered an entity. The uniform airport network is a typically Nordic phenomenon while in Central Europe airports are more often than not regional and organizationally separate "islands". There is therefore a minor chance that our airport network will be regarded in the EU as a potential source of regional subvention and, in consequence, a system that restricts free competition — a most undesirable arrangement by EU standards! It is, however, in the interest of our country to defend the airport network principle also from the business point of view: the airport network may well be compared to the airline route networks which form for each carrier an economically and commercially viable entity. To my knowledge, no-one is arguing for splitting up the main roads or railway networks into regional parts.

Other new areas of interest for the EU concerning the infrastructure of air transport are the congestion of airspace and the capacity problems

of the air navigation system. It is true, of course, that with augmenting operations figures the deficiencies in the Central European airspace arrangements and air navigation systems have, many a time, lead to increasing delays. In Finland, however, delays attributed to air traffic control are very rare and when they do occur, they usually take place under exceptional circumstances. Generally speaking, delays caused by air traffic infrastructure are connected to winter conditions or other severe weather conditions. In the coming years, the Helsinki-Vantaa runway system with two crossing runways may prove problematic in regard to capacity. In order to ensure the smoothness of air traffic in the long run something has to be done to the system in the near future.

The EU air navigation policy has common objectives with the EATCHIP, a programme to harmonise and integrate the air navigation systems employed in the different European countries. The programme was initiated by the European Civil Aviation Conference, ECAC, some years ago. The first actual new arrangement in the field is a Pan-European traffic flow control centre, CFMU, which also Finland joined, although with some reluctance. This was because we felt that costs for airspace congestion should be paid there where the congestion is generated. Finnish air carriers participate in the expenses brought about by airspace congestion when flying over congested regions but not in their home country where there is still space and the air navigation services can be organized without over complicated systems. Consequently, in

our view, the decision to join will, in some degree, transfer the liability to pay for congestion in the wrong direction. That is also the reason why the CAA is not willing to join the Eurocontrol since that would, keeping in mind the present grounds for collecting payments, be even more unjust from the point of view mentioned above. Also in other areas Finland has a challenging task to make the EU understand the problems of a sparsely inhabited country: the same cure that works well in Central Europe is simply not suitable for the North. In conclusion, the CAA will do its utmost to avoid problems with airspace congestion in its own region. In our view, this will suffice for our share of the expenses.

Overall, the prospects for 1996 are dependent on the economic outlook for our country. At the beginning of the year the air traffic development figures will remain on the 1995 level but towards the end of the year growth will level out to c. 5% in domestic traffic and to 5-6% in international traffic. This volume is sufficient to keep the economy of the CAA stable and to ensure that the heavy investment programme, still continuing, can be funded with own income also in the future.



Mikko Talvitie
Director General

CIVIL AVIATION ADMINISTRATION IN BRIEF

The CAA's line of business is to maintain, operate and develop the Finnish airport network and nationwide air navigation system. By offering its customers — air traffic operators and air passengers — internationally competitive services the CAA strives to ensure the optimum prerequisites for safe, service-orientated and profitable air transport in Finland.

The CAA is in charge of Finnish Aviation Policy together with the Ministry of Foreign Affairs and the Ministry of Transport and Communications. The CAA also functions as the aviation authority and is thus responsible for flight safety work in Finland.

The CAA Finland is a self-financing state en-



terprise the profit and operational targets of which are set by the Council of State. The CAA makes decisions concerning its scope of activities and investments on the basis of both the demand for its services and the needs of

the customers. The work of the CAA is funded by own income. The company has the right to take on loans and it is able to determine the pricing of its services independently. The Council of State appoints the Board of the CAA.

The CAA has two subsidiaries, Kiinteistö-osaakeyhtiö Lentäjäntie 1 and Finland Airport Services Ltd. In 1995 the CAA Group employed an average of 1,628 persons.

CIVIL AVIATION ADMINISTRATION IS A PART OF THE AIR TRANSPORT SERVICE CHAIN

The main products of the CAA — air navigation, manoeuvring area and passenger services — are an integral part the air transport service chain. Key elements in the work of the CAA are cooperation and efficient flow of information between passengers, air carriers and other companies in the chain.

The central values of the CAA service production are safety, reliability and customer-orientation. Flight safety is the first priority which the CAA

will always adhere to — under any circumstances. The reliability of our work is based on high-quality equipment and structures as well as the professional skills and competence of our personnel. Customer feedback is actively collected and responded to without delay. Flexibility in fulfilling our customers' needs is a key principle while safety and environmental considerations will always be taken into account.

HIGHLIGHTS OF 1995

	1995	1994
	1000 FIM	1000 FIM
Turnover	735 415	673 247
Operating costs	510 812	486 419
Operating profit	228 892	190 361
Result for the accounting period	28 679	22 867
Investments, total	300 545	192 827
Land areas	1 660	2 413
Machinery and equipment	112 085	91 772
Airports	16 632	5 095
Buildings	154 755	92 264
Other investments	15 413	1 283
Passenger movements, total	7 624 890	7 000 965
Domestic traffic (dep+transfer)	2 127 264	2 012 837
International scheduled traffic (d+a+t)	4 440 412	3 984 741
International charter traffic (d+a)	1 056 948	950 899
International, total (d+a+t)	5 497 360	4 935 640
Other traffic (GA)	47 409	52 488
Flights, total	328 715	347 900
Domestic traffic	57 901	59 521
International scheduled traffic	65 688	58 686
International charter traffic	9 098	7 866
Overflights	10 349	10 489
International flights, total	85 135	77 041
Other civil flights	128 245	151 081
Military flights	57 434	60 257
Personnel, total (Dec. 1995)	1 590	1 577
Airports	1 154	1 164
Air navigation services centers	107	101
Head office	235	246
Internal service units	94	66

REPORT OF THE BOARD



THE BOARD MEMBERS:

MR. SAMULI HAAPASALO, MINISTERIAL COUNSELLOR; MR. VILHO HÄNNINEN, WAREHOUSE CLERK; MS. MONA BJÖRKLUND, PRESIDENT; MR. PERTTI YLINIEMI, BOARD CHAIRMAN; MR. MATTI PUHAKKA, DIRECTOR; MR. MIKKO TALVITIE, DIRECTOR GENERAL

SERVICE, OPERATIONAL AND PROFIT TARGETS IN 1995

The Council of State set the following objectives as the CAA's central service, operational and profit targets for 1995:

- The CAA shall, within its line of activities and tasks, see to that all aviation operations in Finland are safe, efficient, functional and cost-effective.
- The CAA shall attend to the appropriate supply and development of its services in accordance with business principles.
- In its service production the CAA shall take account of the needs of the customers — including those of military aviation — and the society in general.
- The first priority is to safeguard those airport services which are vital to the operation of scheduled air traffic.
- The airports and air navigation system shall be developed according to the demand for the services.
- The most important investments in 1995 are the renewal of the air navigation management system and the development projects at Helsinki-Vantaa Airport.
- The profit target for 1995 was FIM 10 million and the actual economic result for the fiscal year was FIM 29 million.

DEMAND FOR AIR TRANSPORT

Significant Growth In International And Domestic Passenger Traffic

In 1995, the number of passenger movements at CAA airports grew by 10 per cent on 1994 and totalled 7.6 million. Despite the positive development, the amount of passenger movements was still 0.9 million less than in 1990 — the peak year in the history of the CAA.

The favourable development in international air traffic, which started in 1994 after three years of recession, sustained: the total number of passengers — arriving, departing and in transit -was 5.5 million in 1995, a rise of 11% on 1994. At Helsinki-Vantaa Airport the amount of international air passengers went up by 10% and at the other CAA airports by 25%.

Scheduled passenger movements in international traffic increased by 11% to 4.4 million passengers. The Brussels route proved to be the strongest grower: a 41% increase on 1994 meant 64,000 departing passengers in 1995. The intra-EU passenger movements formed 67% of the total passenger volume of international scheduled traffic.

Passenger movements in charter traffic rose by 11% on 1994 totalling 1.1 million passengers. However, the fact that a great number of the traditional leisure flights were flown as scheduled flights during the first quarter of the year has to be taken into account.

The Christmas season charter tours from Central Europe to northern Finland continued their impressive growth in 1995. At Rovaniemi Airport the increase in international traffic was as much as 42%, the number of arriving international passengers was 17,000.

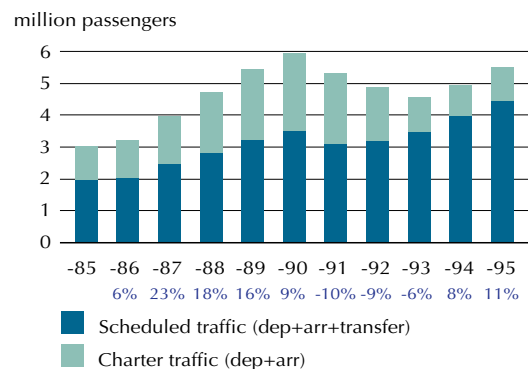
Domestic passenger movements amounted to 2.1 million which is approx. 6% more than in the previous year. Domestic traffic grew fastest at Tampere-Pirkkala (21%), Kittilä (19%) and Lappeenranta (18%) airports. Kittilä Airport has enjoyed an

annual increase of 25% all through the 1990's but the figures for Tampere-Pirkkala and Lappeenranta airports showed, in 1995, distinct growth for the first time in five years.

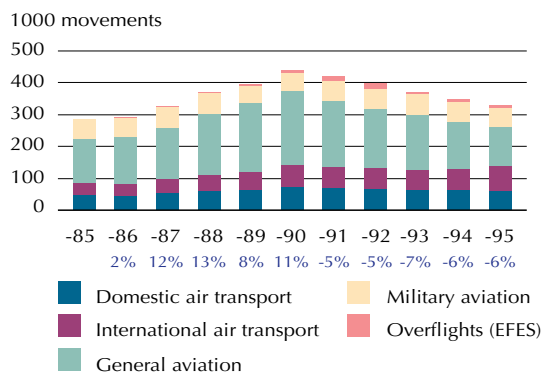
The Amount of Air Cargo on the Increase

In 1995, the amount of air cargo increased by 6% to 85,000 tonnes out of which 88% was international air freight. The volume of air mail was 17,000 tonnes which is 8% more than in 1994. The share of international mail of the total was 60%.

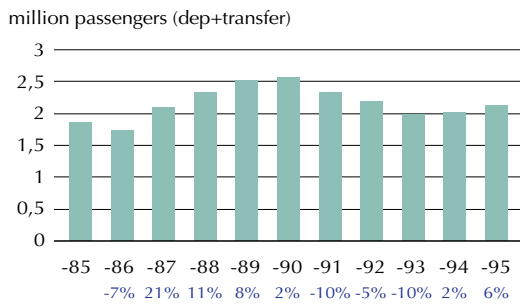
INTERNATIONAL TRAFFIC 1985 - 1995



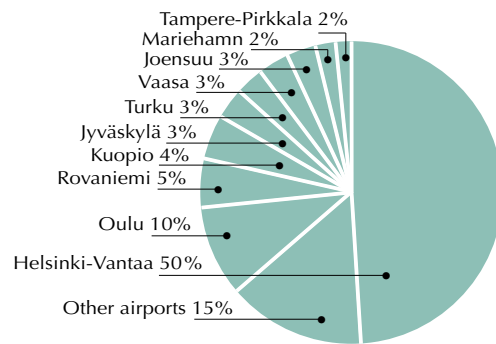
MOVEMENTS 1985 - 1995



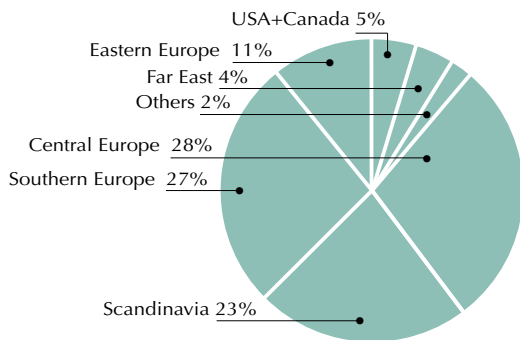
DOMESTIC SCHEDULED TRAFFIC 1985 - 1995



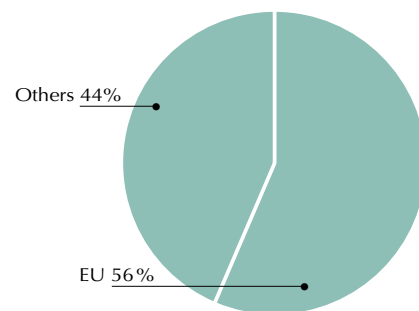
DOMESTIC TRAFFIC DESTINATIONS 1995



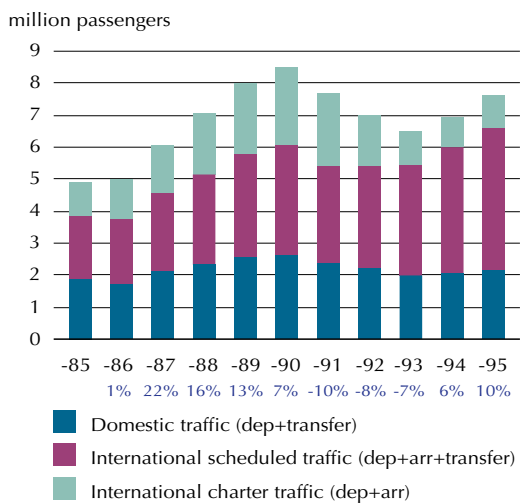
INTERNATIONAL TRAFFIC DESTINATIONS 1995



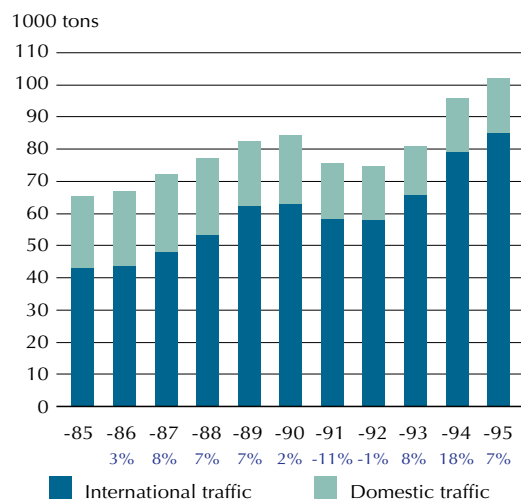
INTERNATIONAL TRAFFIC DESTINATIONS 1995



AIR TRANSPORT 1985 - 1995

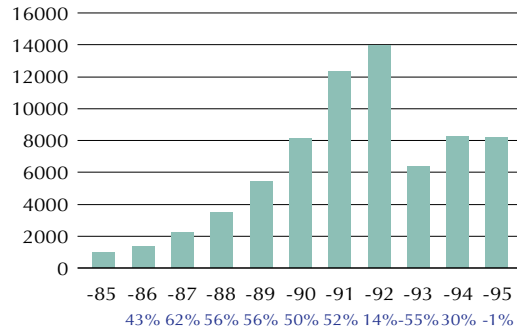


FREIGHT TRAFFIC 1985 - 1995



OVERFLIGHTS 1985-1995

Tampere fir

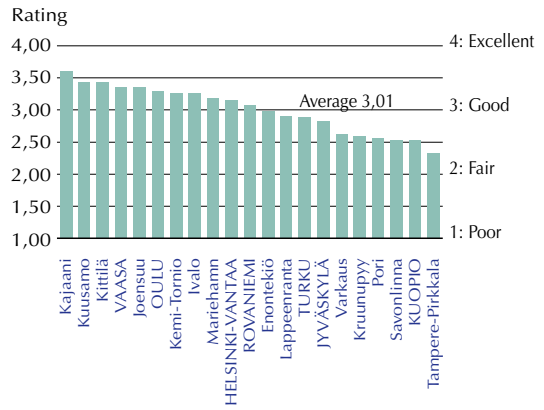


PASSENGER TRAFFIC AT HELSINKI-VANTAA AIRPORT 1985-1995

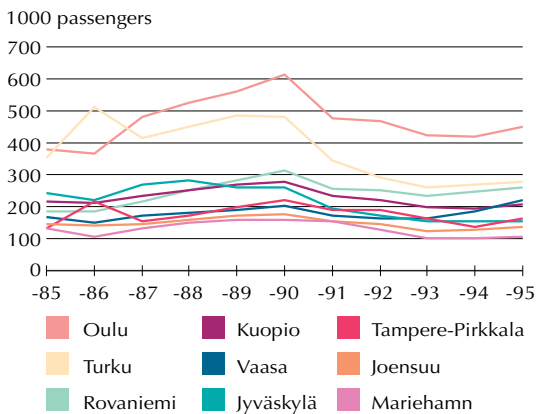


RATING OF WAITING ROOMS AT FINNISH AIRPORTS 1994/95

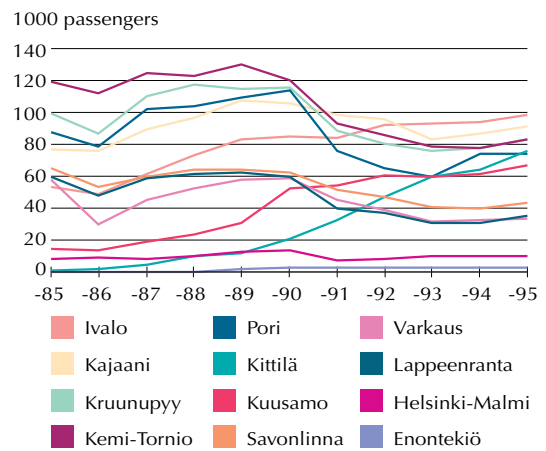
(Passenger survey by Finnair/Taloustutkimus)



PASSENGER TRAFFIC AT AIRPORTS 1985-1995



PASSENGER TRAFFIC AT AIRPORTS 1985-1995



AIRPORTS 1995

	Number of passengers		Number of landings		
	Domestic	International	Air transport	Military aviation	Others
Helsinki-Vantaa	2 083 887	5 078 701	56 511	1 316	8 214
Oulu	419 166	31 729	5 079	1 875	5 514
Turku	138 427	138 354	6 178	584	11 598
Rovaniemi	227 146	33 813	3 033	9 213	4 537
Vaasa	150 209	68 394	3 464	1 053	4 391
Kuopio	191 726	15 486	2 632	8 830	3 580
Tampere-Pirkkala	81 096	80 743	2 878	8 751	9 981
Jyväskylä	148 700	5 339	2 572	4 552	6 388
Joensuu	127 229	11 652	2 096	103	2 343
Mariehamn	97 353	7 219	1 962	0	1 523
Ivalo	92 818	5 323	981	550	854
Kajaani	87 196	3 777	1 009	206	992
Kruunupyy	79 116	3 944	1 533	393	3 443
Kemi-Tornio	82 503	539	1 011	90	2 189
Kittilä	71 814	4 188	681	481	419
Pori	53 940	19 940	2 125	233	7 461
Kuusamo	66 814	133	695	24	458
Savonlinna	41 710	1 694	1 217	43	315
Lappeenranta	33 375	1 638	1 526	120	2 115
Varkaus	33 082	174	1 392	9	679
Helsinki-Malmi	6 611	3 026	0	131	40 575
Enontekiö	2 678	0	150	42	62
Utti	14	8	5	3 328	1 155
Kauhava	0	0	0	12 990	1 488
Halli	0	0	0	2 517	467

AIR NAVIGATION SERVICES CENTERS 1995

	IFR-flights	Overflights
South Finland (Tampere)	156 000	8 190
North Finland (Rovaniemi)	26 000	2 159

CIVIL AVIATION ADMINISTRATION AT YOUR SERVICE

Ground Traffic and Passenger Services, Commercial Activities

"OUR TASK IS TO ENSURE A SUCCESSFUL START TO AIR TRAVEL AND KEEP UP THE GOOD FEELING AFTER THE FLIGHT"

The flight is only one part of air travel: before and after the actual flight the passenger will need a wealth of services inside and outside the terminal building. The chain of events includes arrival at the airport by bus, taxi or own car, parking, finding a baggage trolley, check-in formalities, buying a newspaper or magazine, having a cup of coffee and, finally, checking the right gate at the information desk or on the monitors. After the security check there are tax free purchases to be made, last minute currency exchange and, very often, bus transportation to the airplane.

The arriving passenger expects a speedy delivery of luggage and may also need left luggage services, information on hotels or hotel booking service, perhaps he also wishes to rent a car or reserve a meeting facility at the airport....

The CAA offers air passengers versatile and high-quality services at its airports throughout Finland.

Ground traffic services are parking services and ground traffic arrangements for taxis, buses and private cars. **Passenger services** incorporate the terminals and their signage as well as information and warden services, baggage handling and storage facilities as well as security procedures.

Commercial terminal services comprise of restaurants, cafés and kiosks, tax free shops, postal and banking services, car rentals as well as hotel, VIP and congress services.

Refurbishment Has Increased Customer Satisfaction

In its five years as a state enterprise the CAA has more than doubled its investments. Making use of the low constructing costs the CAA has invested

heavily in building projects with which the operational quality and attractiveness of the terminals and ground traffic areas have been considerably

improved. The most important construction project under way is the Helsinki-Vantaa Gateway Terminal due to open in October 1996.

A passenger survey made by Finnair shows that passenger satisfaction regarding airport services and overall attractiveness has clearly increased on account of the investments made: airports that have recently been refurbished and expanded have also received special praise from the passengers. For instance, Joensuu Airport with its newly completed terminal extension, taken into use in December 1994, was awarded the title Airport of the Year 1995. The choice was made on the basis of a passenger survey.

During 1991-1995 15 airports owned by the CAA have been modernized or extensively refurbished.



The new passenger terminal at **Savonlinna Airport** was inaugurated in July 1995. With the extension the passenger areas are now almost 1.5 times larger than before. In addition, the baggage handling system, check-in desks and café were renovated and separate premises for passport control and security check were constructed. The renovation project also included improved traffic arrangements in front of the terminal building. The total costs were FIM 6.6 million. The CAA was able to use employment funding for the project.

The founding stone of the **Tampere-Pirkkala Airport** new passenger terminal was laid in May 1995. The construction work will be financed by the CAA, the City of Tampere with neighbouring communities and the Ministry of Labour. All three will take part in the costs with equal sums. The Tampere-Pirkkala terminal with its new parking areas, access roads and apron will be completed by April 1996. The costs will total c. FIM 48 million.

CAA Finances In A Cargo Terminal Project

The CAA participated in the realization of a tailor-made express cargo terminal for TNT Finland Ltd by providing capital for the venture and leasing the facilities to the company for ten years. The terminal, constructed by Puolimatka Ltd, was completed in August 1995. It is located in the vicinity of Helsinki-Vantaa Airport's main runway. Hence the company is now able to unload the freight from the aircraft straight to its own terminal for further treatment.

The project increases the terminal and cargo operations capacity at Helsinki-Vantaa and strengthens thus the airport's gateway strategy particularly in view of our neighbouring countries in the East and in the Baltic area. The expenses of the project amounted c. FIM 16 million. In the future, CAA hopes to cooperate in the same way with other cargo and express post companies in Finland.

CAA In Charge Of Passenger Security Checks

The Act on Security Control came into force in 1994 and transferred the responsibility for security checks at airports from the police to the CAA. By the end of 1996, the airports have to organise the checks either with their own personnel or with workforce hired from a private company. At the end of 1995 the police was in charge of security checks at only six CAA airports.

At most airports security checks are carried out by the CAA staff members as one of their many duties. The staff is specially trained for the job by the CAA security experts. At Helsinki-Vantaa Airport the CAA buys the security services from STV-Securitas Company.

The CAA acts in matters concerning security checks in accordance with the recommendations given by the International Civil Aviation Organization ICAO and its European daughter organiza-





tion ECAC. All international scheduled and charter flights are checked. Control measures regarding domestic flights are performed in accordance with specific safety principles defined by the CAA.

Helsinki-Vantaa Airport: A New Era Dawning

The construction work of the middle or Gateway terminal at Helsinki-Vantaa Airport was continued in 1995. The topping out ceremony took place in October 1995. The upper part of the new air traffic control tower was installed in the first week of 1996.

The first phase of the Gateway terminal, due for completion in October 1996, will connect the present international and domestic terminals. It will also offer plenty of additional space for passengers and commercial facilities in the interna-

tional transit area. The second phase of the middle terminal, to be constructed at a later stage, will comprise new check-in and arrivals areas as well as new facilities for baggage handling. On completion of this project, the airport is able to arrange the immigration formalities according to the Schengen agreement. Although no official decision on the construction work has been made, the planning of the second phase is in progress.

The middle terminal will make up an essential part of Helsinki-Vantaa's gateway strategy: as a flexible and attractive transit hub, the airport will enhance its chances to become an intercontinental gateway to the Far East, the U.S., Russia and the Baltic states. Gateway traffic will generate business opportunities for both the airport and the airlines as well as diversify the offer of scheduled air services for Finnish air travellers.

New Look In Services And Facilities

The ground floor of the Helsinki-Vantaa international terminal was completely refurbished in 1995: a redesigned service area with pharmacy, bank, post office and grocery store was opened in October. Furthermore, the first real airport hotel, long-awaited Finnish saunas and a self-service restaurant will open in the premises in the spring of 1996.

On the arrivals floor, a currency exchange bureau and a welcome desk with reception services for the airport hotel and the future congress centre were completed in March 1995.

In addition, other improvements concerning customer services were made, e.g., all baggage trolleys were changed into new ones and the efficiency of trolley collecting was increased. Also passenger guiding services were improved by hiring airport guides to assist passengers. Moreover, the popular guided tours in the airport premises were started again.

During 1995 all retail facilities in the international terminal transit area were renovated and new shops were opened. The childcare room, toilets, cafés and bars were upgraded. In addition, new and refurbished restaurants will open in the landside area of the terminal in the spring. Thanks to the extensive renovation work underway, the quality and appearance of the facilities in the old international terminal will match those of the future middle terminal.

Among the 1995 key areas regarding customer services at Helsinki-Vantaa Airport were security checks and check-in procedures. New ways of operating have been created in order to solve the peak hour congestion problems more effectively.

First-Class European Airport

In 1995, the CAA made a decision to open its own duty-free shop in the middle terminal. The centrally located outlet will considerably boost the airport's commercial potential as well as enhance the visual presence of the CAA at the airport. The entrepreneurs in the airport "Shopping Centre" are experts in their fields — the products on offer will mean a marked enlargement of the selection of services at Helsinki-Vantaa.

The CAA has opted for a new kind of partnership relationship with the companies operating at the airport. It is the primary task of the Helsinki-Vantaa Airport commercial group to create the optimum prerequisites

for the old and new enterprises and in cooperation with them to develop and market the airport as a pleasant place for shopping. With these measures the CAA aims at making Helsinki-Vantaa Airport one of the best



European airports regarding the overall attractiveness as well as the quality and versatility of the services offered.

Finland Airport Services At Helsinki-Vantaa

Finland Airport Services Ltd, a daughter company of the CAA, produces and develops commercial services for air passengers and airlines at Finnish airports. One of the objectives is to improve the image of the airports. Furthermore, the company acts as a coordinator between airports in matters concerning marketing and product development.

At Helsinki-Vantaa Airport, Finland Airport Services Ltd takes care of the bus transportation of passengers from the terminals to the airplanes and sees to the collection and distribution of baggage trolleys. The company employs 45 persons.

CIVIL AVIATION ADMINISTRATION AT YOUR SERVICE

Apron and Manoeuvring Area Services

*"THE CUSTOMER WILL
ALWAYS BE ABLE TO TRUST
OUR COMPETENCE
IN ANY WEATHER OR
UNEXPECTED
SITUATIONS"*

The apron bus service has taken care that passengers have reached the airplane safely and easily. The plane has been fuelled, loaded and equipped for departure. On its stand, it is waiting for taxiing instructions. It is snowing and the runway is being cleared of snow...

The CAA offers airlines reliable and high-quality apron and manoeuvring area services. **The Apron Services** include, e.g., apron areas and installations, follow me and parking services for the aircraft and organizing ground handling services. **Manoeuvring area services** comprise of runways and taxiways, guiding systems, fire and rescue services as well as abatement of negative environmental impacts of de-icing and anti-icing procedures.

Winter Maintenance Praised by Pilots

The CAA apron, manoeuvring area and air navigation services received positive feedback from pilots in a quality survey performed in 1995. The physical structure of airfields, runways and taxiways, apron areas and equipment as well as the systems in use obtained high marks. Efficient winter maintenance, a vital tool for securing flight safety, was particularly appreciated.

The survey, which is made every couple of years, re-enforced the view that the CAA and the competence of its personnel are on a competitive level also internationally. In the future, the feedback will be used for further development of CAA's

products and services bearing in mind the customers' needs.

Smooth And Safe Flight Operations Also In The Winter

It is the duty of the CAA to see that flying in Finland is as safe as possible in all weather conditions. It actively participates, for instance, in the development of winter maintenance equipment with the Finnish manufacturers.

In addition to snow and ice, fog disturbs air traffic operations from time to time, especially in the autumn and winter. Low visibility may cause delays and cancellations of flights. At Rovaniemi Airport the reliability and regularity of traffic improved substantially when the new CAT II landing system was taken into use in March 1995. The system incorporates upgraded air field lighting, auxiliary power station and first-rate ILS equipment.



Rovaniemi Airport, situated on a hill-top in Lapland, is now the northernmost CAT II equipped airport in the world.

Resurfacing Works

The runway surfaces of Finnish airports are renewed at approx. 14-year intervals which means that two runways, on average, are resurfaced annually. The surface material on the other parts of

the manoeuvring and apron areas is renewed at approx. twenty-year intervals. In 1995, a total of 600,000 m² of asphalt resurfacing works were carried out at Turku, Pori and Tampere-Pirkkala airports.

Environmental Protection

The CAA observes closely the impact of noise, chemicals and gaseous emissions on the areas surrounding the airports. In 1995, the CAA placed an order for a flight track and noise monitoring system to be installed at Helsinki-Vantaa Airport. The system is the first of its kind in Finland and it will be operational in the autumn of 1996.

The flight track and noise monitoring system is able to receive data simultaneously from the radar, air traffic control computers and noise monitoring stations positioned in the residential areas in the vicinity of the airport. It will considerably facilitate making noise reports and noise abatement plans. It will also enable giving more accurate answers to residents' questions concerning noise.

In connection with the airspace renewal at Helsinki-Vantaa noise abatement questions were also taken into account: changes in the flight routes diminish the noise load at the neighbouring residential areas.

The CAA reports regularly on the environmental impacts of Helsinki-Vantaa Airport to the City of Vantaa. The distribution of noise bulletins through the local media in situations when the noise level is exceptionally high has been found useful and the response from the general public has been positive. This practice will be continued.

In 1995, the authorities granted permits for the runway extension projects at Lappeenranta and Kuusamo airports. However, the CAA has continued the process in order that an explicit permit practice be established.

The research project "Air Traffic Emissions in Finland" was completed at the end of the year. The project included making an application for calculating the fuel consumption and amount of gaseous emissions (nitric oxides, hydrocarbons



and carbon monoxide) in the Finnish flight information regions. For instance, with the help of the application the 1993 emissions were estimated.

Due to problematic winter conditions, the use of solid chemicals for de-icing the runway surface increased when compared to the previous winter period. Nevertheless, the growth rate of urea could be kept at c. 20% by using a double amount of the more environmentally friendly — and more expensive — acetate-based chemicals.

CIVIL AVIATION ADMINISTRATION AT YOUR SERVICE

Air Navigation Services

*"OUR AIR NAVIGATION
SERVICES ARE SMOOTH
AND RELIABLE"*

A departing airplane is waiting for the starting permit from the control tower. Prior to embarking the aircraft the pilots have fetched current route and meteorological information at the airport briefing office. Now the air traffic control gives the aircraft taxiing instructions and route clearance which includes, for example, the appropriate flying altitude. The plane obtains take-off permit and flies away. The air traffic control supervises the flight to the Finnish border.

The CAA offers airlines and other aviators, the Air Force and aviation amateurs safe and reliable air navigation services. The latest technology is used in **airport** and **en-route air navigation services**. The air navigation services comprise, among other things, air traffic control systems and equipment, air traffic services, meteorological and AIS briefing services as well as flight rescue services.

Air Traffic Management With FATMI: safety and efficiency to meet the growing number of flight operations

According to recent forecasts, air traffic will increase by 50% in the Nordic countries over the next 15 years. As the traffic is growing, it is the duty of the CAA to see that the standard of air traffic control services and flight safety will remain as high as they have been in the past. Moreover, in

the development work of the air navigation sector Finland has committed herself to a project, initiated by the ECAC (European Civil Aviation Conference) countries, the goal of which is to unify air navigation services on the European continent.

The comprehensive air navigation renewal programme, FATMI (Finnish Air Traffic Management Integration) is the CAA's answer to the future needs of air navigation. The objective of the FATMI programme is to retain the balanced relationship between the production and demand for air traffic services, to enhance their efficiency and productivity and to further flight safety.

The FATMI programme will provide new tools for managing air navigation as well as for freeing air traffic controllers from routine duties. With the help of the radar the system is able to show, online, the nationwide air traffic situation. This allows more flexible, economical and safer ATC operations. Effective alerting and communications systems are an added safety feature.

In conjunction with the FATMI project the facilities and equipment of the Air Navigation Services Centre for South Finland, located in Tampere, as well as the approach and tower control units and systems of Helsinki-Vantaa and Rovaniemi airports will be completely renewed. At the other CAA airports new ATC remote stations will be installed. The FATMI will be taken into full operational use in the course of 1997-99.

Airspace Renewal

An all-embracing renewal of the Finnish airspace took effect in November 1995: the departure and arrival routes were altered to correspond more closely to the actual traffic flows, runway capacity at Helsinki-Vantaa Airport was increased and more airspace for general aviation was created. Also, preparations were made for the FATMI system.

The renewal became necessary as the Baltic airspace opened and the traffic flows changed. At the same time the CAA wished to enhance the runway capacity and growth possibilities of Helsinki-Vantaa Airport. Air traffic can now be served with more flexibility as the airport's main runway is



chiefly reserved for take-offs and the secondary one for landings.

In addition, the entire controlled airspace in Finland was revised and its structure updated according to the actual needs. The smoothness of traffic was ensured with double routing (alternate flight paths are used for each flight direction).

Two years of preparatory work in the air navigation division preceded the implementation of the airspace changes. Also their publication meant an unprecedented work load to the flight information service as the AIP-Finland manual was updated in accordance with ICAO's new rules which came into force in April 1995.

New Air Routes

After years of intensive cooperation Finland made an agreement with the Russian aviation authorities on the so called Trans-Polar route. The route is scheduled to open for international traffic in the spring of 1996. The new route will shorten the flight time to the Far East, for instance on the Helsinki-Tokyo route by twenty minutes.

The preparatory negotiations for the Lappeenranta — St. Petersburg route which goes over the Karelian Isthmus took some years to conclude, and in April 1995 the route was opened for business jets and small aircraft. Scheduled air services will begin at a later stage. Cargo traffic from Lappeenranta to Russia was transferred to the new route immediately. To enhance the economic significance of the Karelian route, plans are being made in order to open the route also for intercontinental traffic.

New Activities For Air Navigation Services Institute

The CAA Training Centre was transformed into Air Navigation Services Institute at the beginning of 1995. The new facilities and state-of-the-art ATC simulator were inaugurated in June. The Institute, a profit centre of its own, trains approx. 120 members of the CAA and Air Force air navigation personnel on an annual basis.

The primary task of the ANS Institute is to take care of the basic, advanced as well as further training of air navigation personnel. As high-quality training is sought after everywhere, the Institute will increase its offer of professional training services to air traffic controllers worldwide. In 1995, training projects were completed e.g. in Estonia.

ATC Simulator Guarantees "Real" Training

The ATC simulator at the ANS Institute is the finest in its field. A real or imaginary airport with surrounding areas and changing weather conditions may be reflected on the simulator's visual part. The system allows several simultaneous ATC training exercises or one integrated exercise with all the ATC units acting as they would in reality. The simulator also enables practising procedures in exceptional situations.

The system is equipped with an automatic digital voice recognition and response system which is unique in the world. An ATC student is able to practise on his or her own with the simulator that responds to the messages and pilots the aircraft according to them. In addition to training the simulator is also used for ATC planning purposes.

Weather Observation Automation Progresses

In the course of 1995, automatic weather observation stations were installed at Kuopio, Rovaniemi, Kokkola, Vaasa, Kemi, Mariehamn and Lappeenranta airports. The stations measure, for instance, the visibility and nature of weather. The automation modernises the weather service and improves the availability and distribution of meteorological information. The ARWO weather observation stations, which have been developed and manufactured by the ANS Technics division of the CAA, will be installed at all Finnish airports by the end of 1996.

INTERNATIONAL AVIATION POLICY

Bilateral Air Transport Agreements

Bilateral air transport agreements are a central part of international aviation policy. In summer 1995 Finland and the USA signed the the Open Skies agreement. The agreement conforms to the principles of free competition. The respective countries have now, for the first time, reciprocal traffic rights in each other's regions.

Discussions on some details concerning air traffic operations were conducted with, e.g., Ukraine, China, Thailand and Singapore.

Activities in International Aviation Organizations

The Commission of the European Communities presented a negative standpoint to the bilateral agreement negotiations between the member states and the USA. This standpoint did not impede Finland and five other EU countries from beginning the discussions. So far, the Commission has not obtained authorization from the member states to negotiate for air traffic rights with the USA, instead, authorization was granted for discussions between the Commission and Switzerland.

The 31st General Assembly of the International Civil Aviation Organization, ICAO, took place in Montreal in September 1995. The conference concentrated on shaping ICAO's strategies for the coming years and on discussing air navigation systems based on the use of satellites. Denmark was appointed as the common representative of the Nordic Countries to the ICAO Council for the next three-year period.

In 1995, the ECAC (European Civil Aviation Conference) committees worked, for instance, on questions regarding code share practise, ground handling at airports and airport charges. A continuing ECAC process is the air traffic harmonisation and integration project EATCHIP, aimed at alleviating air transport congestion in Europe. With its FATMI System, Finland has committed herself to the project which is coordinated by Eurocontrol.

The CAA participated actively in the work of the ACI (Airports Council International) EUROPE in several committees, conferences and seminars.

Finland's tentative membership in Eurocontrol (European Organisation for the Safety of Air Navigation) has been a topic of vivid discussion during the year. However, Finland feels that at this point, as the focus of traffic and congestion problems are concentrated in Central and Southern Europe, the costs for the membership would outweigh the benefits.



ADMINISTRATION

Changes In Head Office Organisation

In line with the CAA strategy concerning administration the head office functions have been diminished and supportive and specialist services have been organised as internal profit centres. The **ANS Institute** and **ANS Technics** became such profit centres in 1993, in 1995 two new internal profit centres were formed: **Airport Technics** for airport planning and construction purposes and **Accounting** the tasks of which include traffic invoicing, calculation of wages and salaries and accounting for the CAA Group.

These independent profit centres operate according to the demand for their services. They invoice both the internal and external customers. The primary customer is, naturally, the CAA but the units are encouraged to sell their services also to external customers. The ANS Institute, for instance, has sold air navigation training services to Estonia.

New Data Management System For Financial Administration

The new data management system for the CAA financial administration purposes, including accounting, was completed at the end of the year and a finalised application was taken into operational use in January 1996. The tailor-made software application — traffic database, traffic and commercial invoicing — will be completed and taken into use in the course of 1996.

The new system is able to process a very large amount of information and produce reports for diverse purposes with short notice. It will also considerably facilitate internal computing and cost follow-up. All the CAA airports are connected to the system.

Development Project To Enhance Internal Cooperation

In spring 1995, the CAA initiated an extensive personnel development programme the aim of which was to intensify cooperation and raise the level of customer service within the organisation. The project began with the definition of the CAA vision, main strategies and common values. Also the members of the personnel were consulted in order to gather their views on how to further better understanding and internal collaboration. The development seminars for the middle-management were completed at the end of the year. The seminars for the whole personnel will be continued until the summer of 1996.

Incentive Pay System In Planning

The CAA will introduce a new incentive pay system in 1996. The competence requirements for each task as well as the individual performance of the employee will form the basis of compensation. The objective of the new pay system is to improve efficiency and motivate the personnel to even better work performance. Before the new system could be implemented, all extras and raises based on seniority were renounced.

The various tasks in the CAA are estimated with a scoring system based on how demanding the tasks are. The final salary will also be affected by the individual performance of the employee. In the course of 1995, several seminars on the subject were arranged for managers, supervisors and shop stewards. The incentive pay system has been developed in cooperation with CAA staff organisations.

PERSONNEL

At the end of 1995 the number of CAA Group employees was 1,662 persons.

In 1995 the CAA employed an average of 1,599 persons (1994: 1,576). The number of personnel in operational jobs averaged 1,565 (1,535 in 1994) and in investment projects 34 (41 in 1994). Out of the total, approx. 29 employees were on unpaid leave.

At the end of the year, the number of permanent employees was 1,590, which is 13 persons more than in 1994. Operational staff totalled 1,573 and personnel employed for investment projects 17.

Out of the total number of CAA personnel, 1,165 were employed at the airports, 105 in air navigation services centres, 85 in internal profit centres and 243 in the head office.

The wages and salaries paid to the personnel of the CAA Group amounted to FIM 261 million. The salaries and fringe benefits paid to the Company Board and the Managing Director totalled FIM 944,000. The wages and salaries paid to the personnel of the CAA added up to FIM 259 million and the salaries and fringe benefits of the Company Board and the Managing Director totalled FIM 676,000.

PRODUCTIVITY

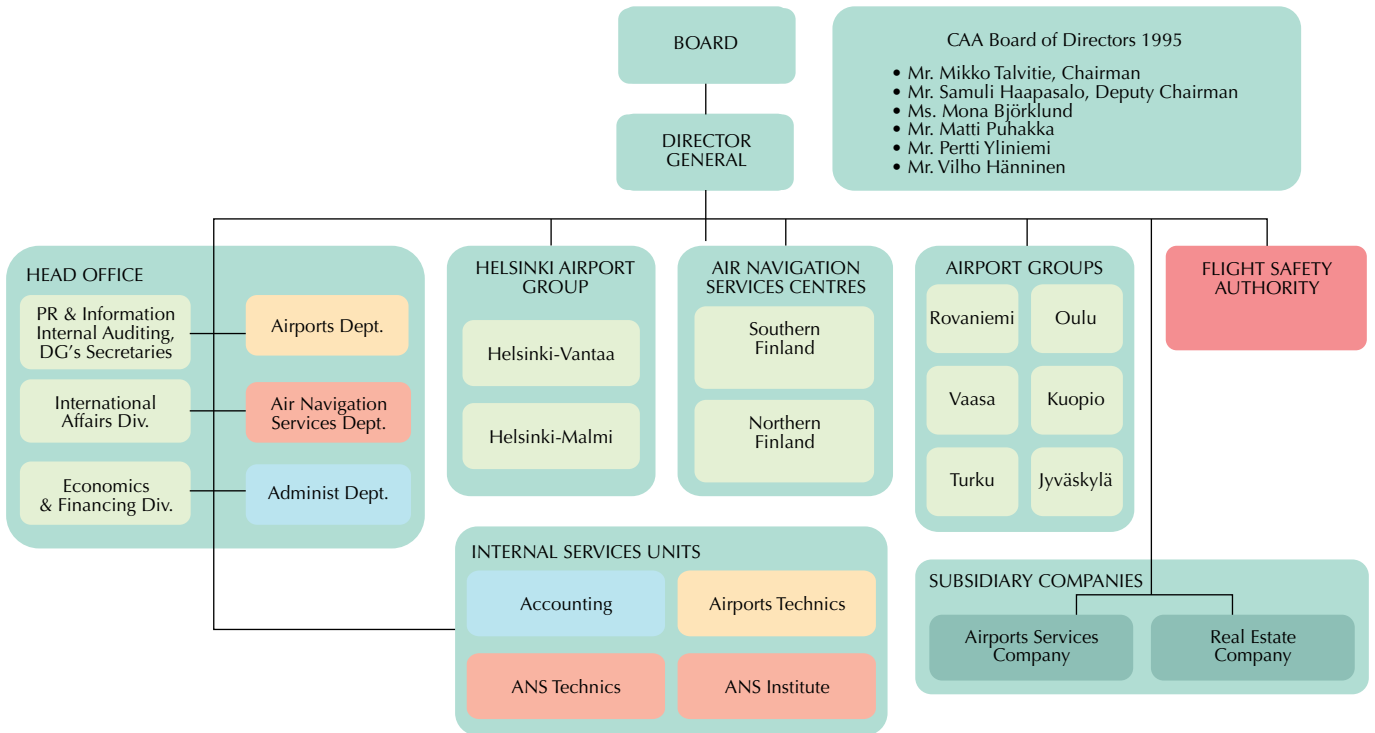
The productivity of work in infrastructural operations is sensitive to the volume of demand. In 1995, the productivity of work in commercial air transport grew by almost 2%, but in military and general aviation it decreased by 2.5% as a result of declined demand. The volume of air traffic is expected to grow in 1996 making the outlook for the future positive.

PERSONNEL AT AIRPORTS AND AIR NAVIGATION CENTERS 1995

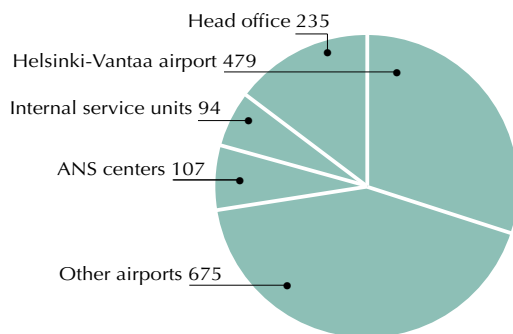
Helsinki-Vantaa	479
Tampere-Pirkkala	60
Rovaniemi	60
Kuopio	59
Oulu	54
Jyväskylä	53
Turku	52
Vaasa	39
Pori	33
Kemi-Tornio	27
Joensuu	27
Mariehamn	25
Kruunupyy	23
Kajaani	21
Lappeenranta	21
Ivalo	20
Helsinki-Malmi	20
Kauhava	17
Savonlinna	16
Kuusamo	11
Kittilä	11
Utti	9
Halli	8
Varkaus	5
Enontekiö	4
South Finland (Tampere)	90
North Finland (Rovaniemi)	17

CAA Finland

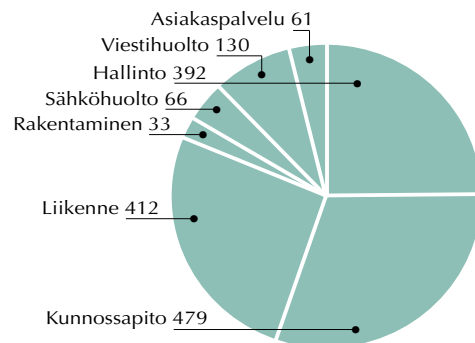
GROUP ORGANISATION



PERSONNEL 1995



HENKILÖSTÖ TOIMIALOITTAIN 1995



INCOME DISTRIBUTION OF THE CAA				
	1995		1994	
	Million FIM		Million FIM	
Turnover and other	739,7		676,8	
business activity income				
Production expenses of the services	-169,8		-154,3	
Financing income	24,5		35,8	
Other income and expenses	13,0		0,6	
Amount to be distributed	607,4	100%	558,8	100%
Preliminary taxation	94,7		91,7	
Social security fee	10,5		9,8	
Unemployment insurance fee	7,5		11,5	
Real estate tax	3,9		3,7	
Other public expenditures	1,1		1,2	
1. Public expenditure	117,7	19%	117,8	21%
Wages	255,8		242,8	
Preliminary taxation	-94,7		-91,7	
Contribution to pension fund	52,5		57,8	
Social security fee	(-10,5)		(-9,8)	
Other personnel costs	3,2		2,9	
Education	6,5		2,4	
2. Personnel	223,3	37%	214,3	38%
Financial costs	20,4		21,8	
3. Financiers	20,4	3%	21,8	4%
Fixed assets	217,3		182,1	
Changes in reserves	0,0		0,0	
Undivided profit	28,7		22,9	
4. Infrastructure development	246,0	40%	204,9	37%
Amount to be distributed in relation to the number of movements and passengers				
Number of movements	328 715		347 900	
Number of passengers	7 624 890		7 000 965	
Amount to be distributed (FIM)				
per movement	1848		1606	
per passenger	80		80	

ECONOMIC RESULT 1995

Development of Air Transport

Following the general positive economic trend the activities and economy of the CAA developed favourably during 1995. The continuing growth of international air traffic and the unexpectedly promising trend of the domestic traffic were the characteristic features of air transport development in 1995. The interdependent relationship between the development of the national economy and that of air transport was normalised — the trends returned to the path that preceded the depression. The number of commercial air traffic operations increased. However, the figures for operations in military and civil aviation dropped reflecting the cautiousness of the private sector on one hand and the strict budgeting of costs in the public sector on the other. There was also a slight drop in the number of overflights in 1995. Instead, the amount of gateway passengers at Helsinki-Vantaa Airport grew slightly on 1994.

The 1995 key figures for air transport in Finland:

Passengers, international traffic	11.2%
Passengers, domestic traffic	5.6%
Landings, commercial air transport	2.6%
Landings, general and military aviation	-12.3%
Overflights	-1.3%
Gateway passengers	0.7%

Pricing Policy

The pricing policy of the CAA aimed at correcting the distortions in the price structure of the services.

During the year under review, the CAA raised the aeronautical charges of domestic traffic by 1%. The most significant structural change in the charging system was the introduction of a separate terminal navigation charge to cover the costs resulting from services rendered by air traffic approach and tower control. The impact of the new charge was compensated by reducing the landing charge in international traffic.

A new charge was levied upon international transfer passengers — FIM 20 per passenger. This, in turn, was compensated by lowering the international passenger charge.

At the beginning of April the night-time landing and terminal navigation charges were raised by 30% at all the airports except Helsinki-Vantaa. The objective was to reach improved cost-effectiveness as well as to ensure the availability of appropriate night-time services also at the smaller CAA airports.

In accordance with its policy, the CAA reduced, again, the route charges of the Finnish flight information region with the aim of bringing the aircraft weighting coefficient closer to the level used by Eurocontrol. The charges in the heaviest category (aircraft weighing more than 200,000 kg) were lowered by 12.5%.

Economic Result

Economic Result of the CAA Group

The CAA has two subsidiaries, Kiinteistösakeyhtiö Lentäjätie 1 and Finland Airport Services Ltd. The first fiscal period of Finland Airport Services Ltd. terminated on December 31, 1995, and the accounts are included in the figures for the CAA Group.

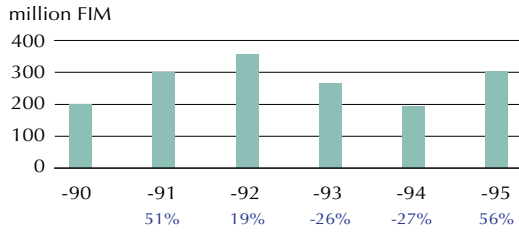
The economic result of the CAA Group was FIM 26 million. The turnover reached FIM 748 million including FIM 4.3 million of other income from business activities and FIM 512.3 million of operating costs. The investments for 1995 totalled FIM 300.9 million. At the end of 1995 the amount of long-term loans was FIM 270.1 million.

Economic Result of the CAA

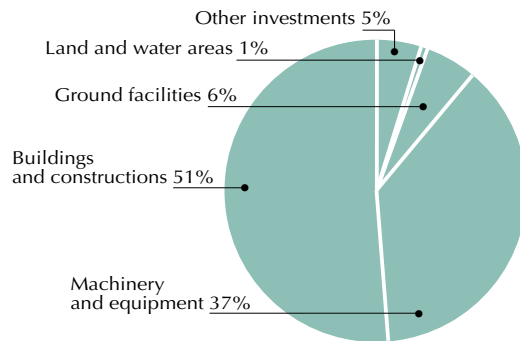
The 1995 profit target set for the CAA by the Council of State was FIM 10 million. The profit target was based on the expectations for the development of air traffic volumes in 1995 that the Council of State had in the autumn of 1994. The economic result was FIM 28.7 million.

The result, which was more positive than expected, can be explained by the surprisingly fa-

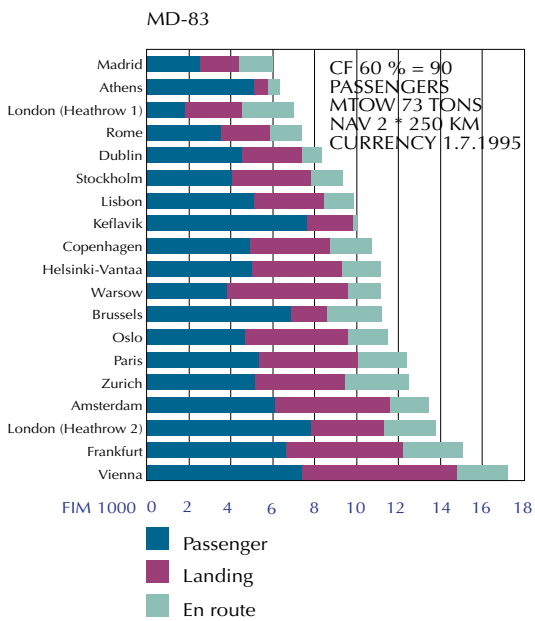
INVESTMENTS 1990-1995



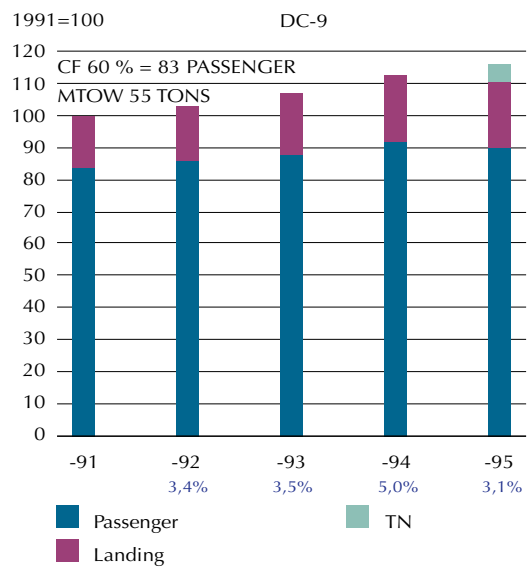
INVESTMENTS 1995



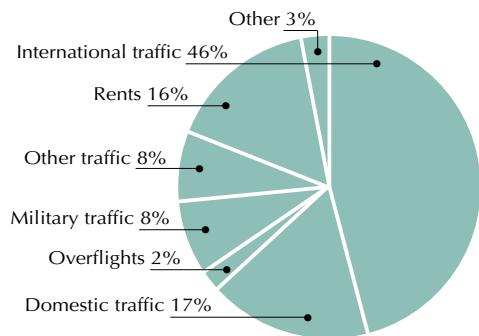
AIR TRAFFIC CHARGES 1.7.1995



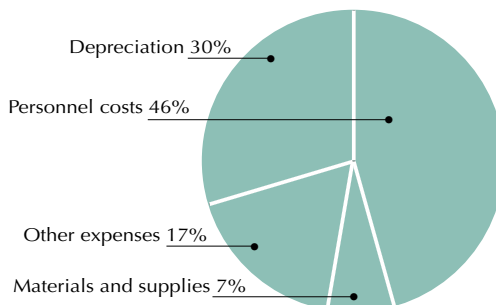
AIR TRAFFIC CHARGES IN DOMESTIC TRAFFIC 1991 - 1995



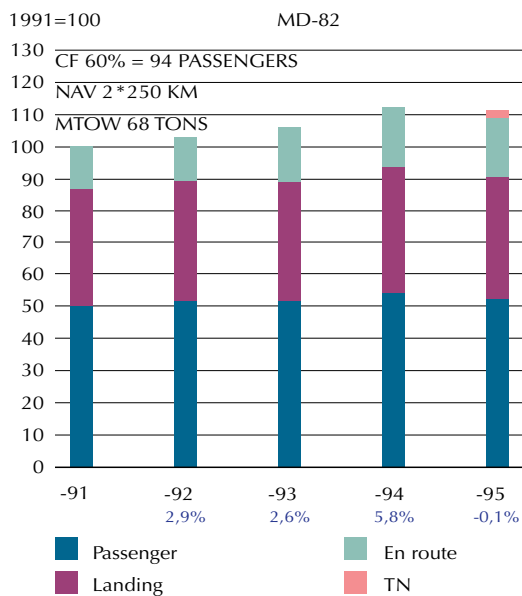
INCOME 1995



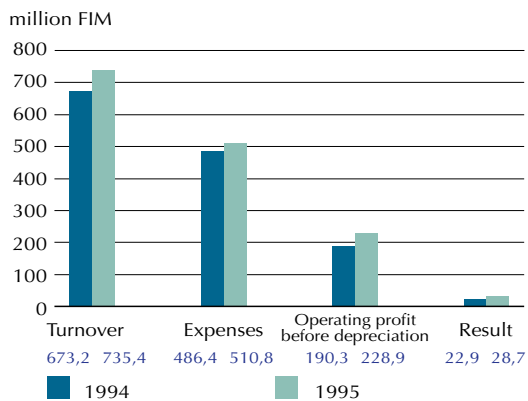
EXPENSES 1995



AIR TRAFFIC CHARGES IN INTERNATIONAL TRAFFIC 1991 - 1995



COMPARISON OF THE RESULT 1994 - 1995



avourable development of air transport and FIM 13 million of incidental income.

The turnover amounted to FIM 739.7 million — a 7% increase on 1994. The figures include FIM 4.3 million of other income from business activities. The unexpected growth in turnover was, as mentioned before, the consequence of the increase in air transport volumes as well as of income from new services which the CAA introduced in the course of 1995. The most significant of these was a rationalization measure made in cooperation with Finnair whereby the operation of air bridges and apron buses at Helsinki-Vantaa Airport were transferred to the CAA. Simultaneously, Finland Airport Services Ltd, a daughter company to the CAA, started operating the Helsinki-Vantaa apron buses which transport passengers from the terminals to the airplanes.

The total amount of running costs in 1995 was FIM 510,8 million. Recovered air transport and increased income gave the possibility to start development projects the realization of which had had to be postponed due to economical reasons. On account of these measures the expenses grew at a greater rate than before (5%). The increase in costs can also, at least in part, be attributed to the fact that the current assets materials and supplies, totalling FIM 7.7 million, were entered into the books as expenditure in one lot.

Investments

In the State budget for 1995 the limit set for the CAA's investments was FIM 450 million. The actual investments amounted to FIM 300.5 million in 1995.

The investments were divided between the different categories of fixed assets in the following way:

	FIM million
Land and water areas	1.7
Buildings and constructions	154.8
Machinery and equipment	112.0
Ground facilities	16.6
Stock and shares	0.2
Intangible rights	6.2
Other long-term expenditure	9.0

The most important investment project in progress is the Helsinki-Vantaa Gateway Terminal due for completion in October 1996. The estimated costs will total FIM 240 million.

Financing

In the 1995 State budget the basic equity capital of the CAA was raised by FIM 30 million. In addition, the CAA was granted the right to take on long-term loans up to FIM 250 million. The amount of long-term loans taken in 1995 was FIM 10 million which was used for financing the investment projects described above and for repayments of old loans.

During the year under review, the net financial expenses were positive due to the good liquidity position brought about the intensified cash flow and the strengthening of the Finnish markka, which continued through the year.

At the end of 1995, the CAA's long-term loans totalled FIM 155 million. The loans taken in foreign currencies amounted to FIM 56.3 million. The exchange rate risks connected with these loans have been secured.

INCOME STATEMENTS

	GROUP		CAA	
	1.1.-31.12.1995	1.1.-31.12.1994	1.1.-31.12.1995	1.1.-31.12.1994
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
TURNOVER	743 720	677 256	735 415	673 247
Other revenue from business activity	4 289	3 533	4 289	3 533
EXPENSES				
Materials and supplies				
Purchases during fiscal year	43 269	33 988	43 077	33 988
Decrease (+)/increase (-) in inventories	7 729	1 785	7 729	1 785
Services bought from other companies	112 461	104 706	111 850	105 249
Personnel costs	335 896	333 807	332 601	333 728
Rents	1 855	2 777	1 954	1 858
Other costs	11 143	10 318	13 601	9 811
EXPENSES	512 353	487 381	510 812	486 419
OPERATING PROFIT BEFORE DEPRECIATION	235 656	193 408	228 892	190 361
PLANNED DEPRECIATION				
Buildings and constructions	63 941	42 156	61 036	40 475
Machinery and equipment	76 904	70 774	74 626	69 358
Ground facilities	64 438	67 762	64 401	67 762
Intangible rights	6 011	2 467	6 011	2 467
Other long-term expenditure	11 245	2 041	11 245	2 019
TOTAL DEPRECIATION	222 539	185 200	217 319	182 081
OPERATING PROFIT	13 117	8 208	11 573	8 280
FINANCING INCOME AND EXPENSES				
Interest income	16 944	17 315	16 319	16 277
Other financing income	10 635	20 964	8 154	19 517
Interest expenses	-24 475	-24 109	-16 891	-16 509
Other costs of borrowed capital	-3 498	-5 252	-3 498	-5 250
	-394	8 918	4 084	14 035
RESULT BEFORE EXTRAORDINARY INCOME AND EXPENSES	12 723	17 126	15 657	22 315
EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	13 021	12 262	13 021	12 262
Extraordinary expenses	-	-11 719	-	-11 710
	13 021	543	13 021	552
RESULT BEFORE MINORITY SHARE	25 744	17 669	28 678	22 867
Minority Share	19	798		
PROFIT FOR THE FISCAL PERIOD	25 763	18467	28 678	22 867

BALANCE SHEETS

	GROUP		CAA	
	1.1.-31.12.1995	1.1.-31.12.1994	1.1.-31.12.1995	1.1.-31.12.1994
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Intangible assets				
Intangible rights	8 496	10 496	6 176	8 177
Other long-term expenditure	555	4 906	555	4 906
	9 051	15 402	6 731	13 083
Tangible assets				
Land and water areas	215 572	213 912	215 572	213 912
Buildings and constructions	1 002 366	1 030 813	891 421	917 324
Machinery and equipment	337 531	327 407	326 662	314 528
Ground facilities	702 946	751 294	702 320	750 636
Unfinished products and advances	318 014	168 243	318 048	168 243
	2 576 429	2 491 669	2 454 023	2 364 643
Securities and other long-term investments				
Stock and shares	109	308	22 654	22 454
FINANCING ASSETS				
Current assets				
Materials and supplies		7 782		7 782
Finished and semi-finished products	391	338	391	338
	391	8 120	391	8 120
Accounts				
Accounts receivable	60 460	50 635	60 664	50 730
Accrued revenue and deferred payments	48 412	41 989	48 725	42 253
Other accounts	137	174	136	174
	109 009	92 798	109 524	93 157
Financial assets and other long-term investments				
Other financial assets	202 507	258 075	192 507	250 840
Cash and money in bank account	2 994	8 178	2 943	7 295
	205 501	266 253	195 450	258 135
	2 900 490	2 874 550	2 788 773	2 759 592
LIABILITIES				
OWN EQUITY				
Restricted equity capital				
Basic equity capital	1 072 236	1 042 236	1 072 236	1 042 236
	1 072 236	1 042 236	1 072 236	1 042 236
Non-restricted own capital				
Other initial shareholder's equity	1 262 131	1 262 131	1 262 131	1 262 131
Profit/loss for previous accounting periods	67 115	48 631	74 230	51 365
Profit/loss for accounting period	25 763	18 467	28 679	22 865
	1 355 009	1 329 229	1 365 040	1 336 361
MINORITY SHARE				
	6 049	6 058		
RESERVES				
Optional reserves				
Transition reserves	12 827	12 827	12 827	12 827
Compulsory reserves	1 086	1 086	1 086	1 086
	13 913	13 913	13 913	13 913
CURRENT LIABILITIES				
Long-term				
Loans from the State	15 139	17 031	15 138	17 031
Loans from financial institutions	255 000	304 276	140 000	189 276
	270 139	321 307	155 138	206 307
Short-term				
Loans from the State	1 892	1 892	1 892	1 892
Loans from financial institutions	54 783	32 939	54 783	32 939
Advances	1 263	4 073	1 263	4 073
Accounts payable	37 130	39 588	37 215	39 535
Accrued expenses and deferred revenue	73 780	67 701	72 302	67 031
Other short-term loans	14 296	15 614	14 990	15 305
	183 144	161 807	182 446	160 775
	2 900 490	2 874 550	2 788 773	2 759 592

FINANCING STATEMENT 1.1.1994 - 31.12. 1995

	GROUP 1995	1994	CAA 1995	1994
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
BUSINESS ACTIVITIES				
Income financing				
Operating profit	235 021	193 399	228 232	190 361
Financial income	-706	-4 830	3 772	286
Compulsory reserves increase(+)/decrease(-)		1 086		1 086
Extraordinary income and expenses	13 021	552	13 021	552
Total	247 336	190 207	245 025	192 285
Change in working capital				
Short-term receivables, increase (-), decrease (+)	-6 827	-25 275	-8 635	-25 135
Interest-free short-term debt, increase (+), decrease (-)	-1 464	29 568	-177	29 016
Total	-8 291	4 293	-8 812	3 881
CASH FLOW IN BUSINESS OPERATIONS	239 045	194 500	236 213	196 166
INVESTMENTS				
Land and water areas	1 660	2 413	1 660	2 413
Buildings and constructions	155 115	105 930	154 755	92 264
Machinery and equipment	112 366	106 066	112 085	91 772
Ground facilities	16 632	5 095	16 632	5 095
Stock and shares		200	200	200
Intangible rights	6 167	2 806	6 167	889
Other long-term expenditure	9 017	874	9 046	194
Total	300 957	223 384	300 545	192 827
SALE OF FIXED ASSETS	673	4 366	660	4 366
CASH FLOW BEFORE FUNDING	-61 239	-24 518	-63 672	7 705
FUNDING				
Long-term loans increase (+)/decrease (-)	-51 169	2 330	-51 169	2 330
Short-term loans increase (+)/decrease (-)	22 156	-3 149	22 156	-3 149
Increase in basic equity capital	30 200	60 000	30 000	60 000
Total	1 187	59 181	987	59 181
INCREASE (+)/DECREASE IN LIQUID ASSETS	-60 052	34 663	-62 685	66 886
LIQUID ASSETS				
Liquid assets 1.1.	266 253	231 590	258 135	191 249
Liquid assets 31.12.	206 201	266 253	195 450	258 135
CHANGE IN LIQUID ASSETS	-60 052	34 663	-62 685	66 886

The income statement items cannot be directly derived from the balance sheet because of exchange rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

1. Consolidated financial statements

The 1995 consolidated financial statements have been drawn up in accordance with the Decision of the Council of State of 16 December 1993 (1247/93) concerning the accounting principles of state enterprises.

The CAA Group consists of the state enterprise Civil Aviation Administration, the housing company Kiinteistö-osakeyhtiö Lentäjätie 1 and Finland Airport Services Ltd. Finland Airport Services Ltd. was founded in 1994. The first fiscal period of Finland Airport Services Ltd. terminated on December 31, 1995; and the accounts for 1995 include 18 months (1 July 1994 to 31 December 1995).

For more information about the companies in the Group, please see section "Group Companies".

Internal transactions within the Group, group receivables and group liabilities have been eliminated. Cross-ownership of shares has been eliminated using the past-equity method. Minority shares have been removed from the equity capital and shown as separate item on the balance sheet.

2. Salaries and wages	GROUP			CAA
	1995	1994	1995	1994
Performance based	FIM thousand	FIM thousand	FIM thousand	FIM thousand
Board of directors and managing director				
Salaries and remuneration	944	778	676	724
Other salaries	246 176	231 148	244 032	231 141
Holiday pay	11 206	10 927	11 142	10 923
Change in holiday pay	3 235	8 900	3 106	8 900
Fringe benefits	<u>192</u>	<u>189</u>	<u>192</u>	<u>189</u>
Total	<u>261 753</u>	<u>251 942</u>	<u>259 148</u>	<u>251 877</u>

3. Social security payments

Pensions	52 954	57 833	52 519	57 830
Unemployment insurance payments	7 495	11 532	7 471	11 531
Other personnel costs	<u>13 887</u>	<u>12 690</u>	<u>13 655</u>	<u>12 678</u>
Total	<u>74 336</u>	<u>82 055</u>	<u>73 645</u>	<u>82 039</u>

The holiday pay reserves for 1995 include the holiday pay accumulated since the beginning of the year (9 months), any annual leaves that remain to be taken and additional time off due to extra hours.

The personnel is covered under general state pension schemes. The performance-based pension contributions calculated on the basis of the 1995 wagebill in compliance with the principle of full coverage applied in insurance mathematics are entered full in the income statement. The pension rate determined by the State Treasury was 20.2% (1994: 23.4%).

In 1995 the CAA Group employed an average of 1,622 persons and the CAA an average of 1,599 persons (1994: 1,576). The number of personnel in operational jobs averaged 1,565 (1,535 in 1994) and in investment projects 34 (41 in 1994).

At the end of the financial year the number of personnel in the employ of the CAA Group was 1,634. At the same time the number of permanent employees at the CAA was 1,449 (1994: 1482) and that of fixed-term personnel 141 (1994: 95).

4. Extraordinary income and expenditure

Extraordinary items include a capital gain of FIM 13.0 million from the sale of land areas.

5. Tangible and intangible assets and depreciation

Planned depreciation has been calculated using straight-line or reducing-balance-method of depreciation for the entire group according to the economic life of fixed assets.

Intangible assets

Immaterial rights

A total of FIM 1.4 million has been booked as expenditure consisting of computer software and licences (<FIM 10,000) as well as planning costs related to the acquisition of new computer programs to be introduced in 1996.

Other long-term expenditure

From 1995, planning costs related to airport development have been booked as operating expenditure. Since planning costs are general in character, it is justifiable to book them as expenditure in accordance with the prudence principle. For 1995, such expenditure was FIM 3.8 million.

Tangible assets

Buildings and structures

With regard to buildings and structures as shown in the balance sheet, economic life has been adjusted relative to the building projects carried out in 1991-95 when the Civil Aviation Administration has been operating as a public utility to reflect the need for replacement more accurately. As a result, depreciation in 1995 increased by FIM 5.1 million. An additional depreciation of FIM 17.2 million was made on the international terminal at the Helsinki-Vantaa airport for 1995, related to the terminal section that was removed. An economic life of 30 years was determined for the new buildings and extensions to the terminal whereas in the case of renovations and partial extensions, an economic life of 20 to 25 years is applied. For the business areas of the terminal, an economic life of 10 years is used. Previously, an overall economic life of 40 years was generally applied to the said building sections.

Investments/projects in progress

For 1995, FIM 9.2 million of the investment projects capitalised in the previous years has been booked as expenditure in accordance with the prudence principle.

Economic life and depreciation percentages were as follows:

	Years	Depreciation %	
Intangible assets			
Immaterial rights	5	20 %	Straight-line
Other long-term expenditure	5	20 %	Straight-line
Tangible assets			
Buildings and structures	10 - 40	2,5 - 5 %	Straight-line
Machinery and equipment	10 - 15	6,7 - 10 %	Bal.-red.-met.
Ground facilities	10 - 40	2,5 - 10 %	Straight-line

Changes in balance sheet items	GROUP		CAA	
	1995	1994	1995	1994
	tmk	tmk	tmk	tmk
Intangible rights				
Acquisition cost, Jan1	16 721	12 473	14 401	12 069
+ Increase during financial year	2 052	4 672	2 052	2 756
- Decrease during financial year	<u>-1 760</u>	<u>-424</u>	<u>-1 760</u>	<u>-424</u>
Acquisition cost, Dec 31	<u>17 013</u>	<u>16 721</u>	<u>14 693</u>	<u>14 401</u>
- Accrued planned depreciation, Dec 31	<u>-8 516</u>	<u>-6 224</u>	<u>-8 516</u>	<u>-6 224</u>
Book value Dec 31	<u>8 496</u>	<u>10 497</u>	<u>6 177</u>	<u>8 177</u>
Other long-term expenditure				
Acquisition cost, Jan1	10 384	8 323	10 384	8 323
+ Increase during financial year	1 740	2 061	1 740	2 061
- Decrease during financial year	<u>-6 622</u>	<u>-</u>	<u>-6 622</u>	<u>-</u>
Acquisition cost, Dec 31	<u>5 502</u>	<u>10 384</u>	<u>5 502</u>	<u>10 384</u>
- Accrued planned depreciation, Dec 31	<u>-4 948</u>	<u>-5 477</u>	<u>-4 948</u>	<u>-5 477</u>
Book value Dec 31	<u>555</u>	<u>4 907</u>	<u>555</u>	<u>4 907</u>
Land and water areas				
Acquisition cost, Jan1	213 912	215 503	213 912	215 503
+ Increase during financial year	2 584	2 413	2 584	2 413
- Decrease during financial year	<u>-923</u>	<u>-4 004</u>	<u>-923</u>	<u>-4 004</u>
Acquisition cost, Dec 31	<u>215 572</u>	<u>213 912</u>	<u>215 572</u>	<u>213 912</u>
Buildings and constructions				
Acquisition cost, Jan1	1 182 206	1 051 421	1 067 036	949 917
+ Increase during financial year	126 137	158 010	125 776	129 307
- Decrease during financial year	<u>-108 718</u>	<u>-27 225</u>	<u>-108 718</u>	<u>-12 188</u>
Acquisition cost, Dec 31	<u>1 199 625</u>	<u>1 182 206</u>	<u>1 084 095</u>	<u>1 067 036</u>
- Accrued planned depreciation, Dec 31	<u>-197 259</u>	<u>-151 393</u>	<u>-192 674</u>	<u>-149 712</u>
Book value Dec 31	<u>1 002 366</u>	<u>1 030 813</u>	<u>891 421</u>	<u>917 324</u>

Machinery and equipment				
Acquisition cost, Jan1	866 774	797 256	852 480	797 256
+ Increase during financial year	82 231	94 736	81 923	80 442
- Decrease during financial year	-39 114	-25 218	-39 070	-25 218
<u>Acquisition cost, Dec 31</u>	<u>909 891</u>	<u>866 774</u>	<u>895 332</u>	<u>852 480</u>
<u>- Accrued planned depreciation, Dec 31</u>	<u>-572 360</u>	<u>-539 366</u>	<u>-568 670</u>	<u>-537 951</u>
<u>Book value Dec 31</u>	<u>337 531</u>	<u>327 408</u>	<u>326 662</u>	<u>314 529</u>
Ground facilities				
Acquisition cost, Jan1	1 048 571	1 032 262	1 047 892	1 032 262
+ Increase during financial year	21 248	16 718	21 243	16 038
- Decrease during financial year	-2 866	-409	-2 866	-409
<u>Acquisition cost, Dec 31</u>	<u>1 066 954</u>	<u>1 048 571</u>	<u>1 066 268</u>	<u>1 047 891</u>
<u>- Accrued planned depreciation, Dec 31</u>	<u>-364 007</u>	<u>-297 277</u>	<u>-363 948</u>	<u>-297 256</u>
<u>Book value Dec 31</u>	<u>702 946</u>	<u>751 294</u>	<u>702 320</u>	<u>750 635</u>
	GROUP		CAA	
	1995	1994	1995	1994
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
Stock and shares				
Acquisition cost Jan 1.	307	107	22 454	22 254
+ Increase during financial year	-198	200	200	200
- Decrease during financial year				
<u>Acquisition cost Dec 31</u>	<u>109</u>	<u>307</u>	<u>22 654</u>	<u>22 454</u>
TOTAL				
Acquisition cost Jan 1	3 388 875	3 117 347	3 228 558	3 037 585
+ Increase during financial year	235 795	278 810	235 518	233 217
- Decrease during financial year	-160 003	-57 282	-159 960	-42 243
<u>Acquisition cost Dec 31</u>	<u>3 414 666</u>	<u>3 338 875</u>	<u>3 304 117</u>	<u>3 228 558</u>
<u>- Accumulated planned depreciation Dec 31</u>	<u>-1 147 090</u>	<u>-999 738</u>	<u>-1 138 756</u>	<u>-996 621</u>
<u>Book value Dec 31</u>	<u>2 267 577</u>	<u>2 339 137</u>	<u>2 165 361</u>	<u>2 231 937</u>
Total depreciation on fixed assets (FIM 1,000)				
- planned depreciation			185 170	177 699
- additional depreciation			17 847	0
- scrapping			5 078	4 383
- work in progress			9 225	0
Total depreciation as state enterprise in 1995 and 1994			217 320	182 082

6. Inventories

A total of FIM 7.7 million of inventories consisting of previously capitalised building and maintenance materials and fuels and lubricants have been booked as operating expenditure.

	GROUP		CAA	
	1995	1994	1995	1994
	FIM thousand	FIM thousand	FIM thousand	FIM thousand
7. Stock and shares				
	Book value	Book value	Book value	Book value
Telephones	109	108	109	108
Subsidiary shares				
Kiinteistö Oy Lentäjätie 1			22 145	22 147
Change in number of shares				
Finland Airport Services LTD		200	400	200
<u>Total stock and shares</u>	<u>109</u>	<u>308</u>	<u>22 654</u>	<u>22 454</u>

8. Group companies	Ownership %	Profit in 1995	Profit from previous years
Kiinteistö Oy Lentäjätie 1	73,9	-72	-6 773
Finland Airport Services LTD	100	-191	
	GROUP	CAA	
	1995	1995	1994
	FIM thousand	FIM thousand	FIM thousand
9. Increase and decrease in shareholders' equity items			
Restricted shareholders' equity			
Initial equity			
At year start	1 042 236	982 236	1 042 236
+/- increase/decrease	<u>30 000</u>	<u>60 000</u>	<u>60 000</u>
At year-end	<u><u>1 072 236</u></u>	<u><u>1 042 236</u></u>	<u><u>1 042 236</u></u>
Non-restricted shareholders' equity			
Other shareholders' equity			
At year start	1 262 131	1 262 131	1 262 131
Profit/loss for previous years	67 115	48 619	74 230
Profit (+)/loss (-) for financial year	<u>25 763</u>	<u>18 468</u>	<u>28 679</u>
At year-end	<u><u>1 355 009</u></u>	<u><u>1 329 218</u></u>	<u><u>1 365 040</u></u>
Total shareholders' equity	2 427 245	2 371 454	2 437 276
	GROUP	CAA	
	1995	1994	1994
	FIM thousand	FIM thousand	FIM thousand
10. Appropriations to reserves			
Optional			
Transition reserves	12 827	12 827	12 827
Compulsory			
	1 086	1 086	1 086
The transition reserve consists of the 1992 operational reserve. The compulsory reserve includes the claim for damages booked in 1994. Legal proceedings still continue.			
11. Inter-group financial items			
Market money investments by Finland Airport Services LTD in other short-term debts of the Civil Aviation Administration.			
700			
12. Funds allocated from state budget			
For investment projects		96 965	55 612
For operations		26 355	16 825
For rescue operations		4 432	3 978
For personnel training		224	3 138
Receipts in advance		<u>1 263</u>	<u>4 073</u>
		<u><u>129 239</u></u>	<u><u>83 626</u></u>
13. Personnel remunerated from state budget funds			
Number of personnel		173	124
Wages and fees		9 912	8 262
14. Pledges, charges over property and liabilities			
Absolute guarantee on behalf of Kiinteistö Oy Lentäjätie 1.		115 000	115 000

PROPOSAL ON THE USE OF PROFIT

The Board proposes that the Council of State approve the Income Statement and Balance Sheet and that the profit for the financial year of FIM 28.7 million is left in the Civil Aviation Administration's profit and loss account.

Vantaa 19 March 1996

Mikko Talvitie

Samuli Haapasalo

Mona Björklund

Vilho Hänninen

Matti Puhakka

Pertti Yliniemi

The above Financial Statement has been prepared in accordance with good accounting standards. A separate audit report has been issued today.

Vantaa 3 April 1996

Seppo Akselinmäki

Kalevi Alestalo

Markku Pajunen
Certified Public Accountant

AUDIT REPORT

To the Ministry of Transport and Communications

We have examined the Income Statement and Balance Sheet, the books as well as the management and finances of the Civil Aviation Administration for the fiscal year 1 January - 31 December, 1995. The Income Statement and Balance Sheet drawn up by the Board and the managing director include the profit and loss account, balance sheet and appendices with financial statement of the Civil Aviation Group.

The auditing has been conducted to the extent stipulated by good auditing standards. The principles, contents and presentation concerning the bookkeeping and Income Statement and Balance Sheet have been investigated in order to ensure that there are no essential flaws or lack of information in the Annual Report. Also in a management audit the conformity to law of the activities of the managing director and the Board has been examined on the basis of the Act on State Enterprises.

The bookkeeping of the CAA has been properly arranged and the books have been kept in accordance with proper accounting practice. The control and management of funds have been properly arranged.

The Income Statement and Balance Sheet have been drawn up in compliance with the provisions in force and good accounting practice. The Financial Statements of the CAA and CAA Group together with the appended Annual Report to be supplied to the State render a truthful account of the finances of the CAA and the attainment of the targets set by the Parliament and the Council of State.

We recommend that

- the Income Statement and Balance Sheet of the State Enterprise and The CAA Group be adopted
- the proposal of the Board for the handling of the profit shown on the Balance Sheet be adopted.

Vantaa 3 April 1996

Seppo Akselinmäki

Kalevi Alestalo

Markku Pajunen
Certified Public Accountant

REGULATORY FUNCTIONS

The Flight Safety Authority is the regulatory division of the CAA which oversees the safety of air traffic and other aviation operations as well as that of airport and air navigation services. The Flight Safety Authority prepares aviation regulations, takes care of the aircraft register, grants certificates and licences and oversees the activities of air operator's certificate holders. The Flight Safety Authority has final decision-making power in the CAA in matters concerning flight safety. In 1995, the expenses for the regulatory functions amounted to FIM 18 million and the revenues totalled FIM 4.1 million.

Aviation Regulations

The aviation regulations are more frequently than before based on the Pan-European JAR requirements (Joint Aviation Requirements) which are prepared by the European Joint Aviation Authorities (JAA). These requirements come into force in the

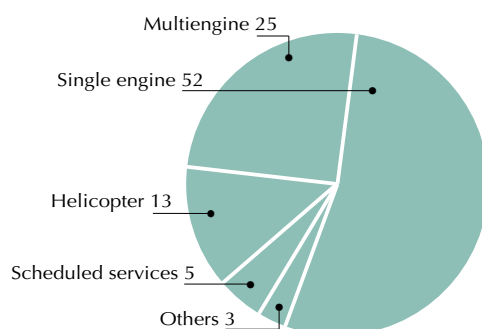
EU as they are published in the appendix to the ordinances of the European Council. The CAA participates in the preparation of the regulations and is thus able to influence the decision-making process.

The judicial status of the JAA and the cooperation model with the EU have become key issues now that the integration development of Europe progresses forcefully. National right of decision will inevitably be transferred to a supranational authority be it the EU, the JAA, which represents expertise, or to a totally new aviation authority acting under the EU. Discussions between the Commission and the JAA member states will continue — no political decisions concerning the matter have been made as yet.

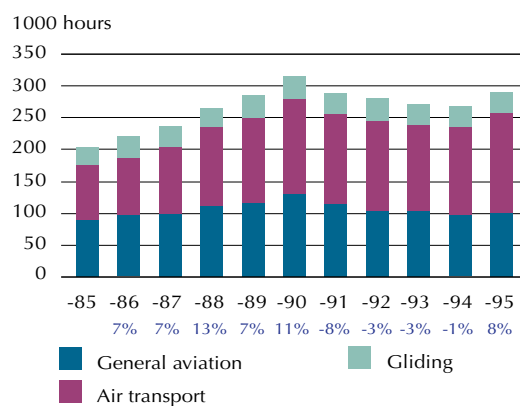
New Aviation Act And Its Impact

The new Aviation Act (281/95) and Act on Major Accident Investigation (282/95) were issued on March 3, 1995. At the same time, a separate aviation ordinance took effect. The new law takes account of the requirements of modern technology and the European integration development. The

AIR OPERATORS CERTIFICATES 1995



FLIGHT HOURS, AIRCRAFT REGISTERED IN FINLAND



most important regulations are included in the law. Other regulations regarding aviation will be issued separately as ordinances.

In 1995 a new operating licence complying to EU ordinances was introduced. The licence is required from companies that transport passengers and cargo. It will be granted to enterprises that meet the agreed economic requirements — a step towards balancing the competition in the field.

In 1996, the general arrangements for accident investigation as well as the planning, training, investigation procedures and setting up of investigating committees will be transferred to the Accident Investigation Centre which acts under the Ministry of Justice. The CAA continues inspecting the minor hazardous situations and concentrates its work efforts on the prevention of accidents and dangerous situations.

tion met with seven accidents and there were 14 incidents which involved damages to the aircraft. In two general aviation accidents two persons lost their lives. One person was seriously injured.

No accidents or serious injuries occurred in glider-flying, ultra light aviation, hot air ballooning or hanggliding. One person was killed in a parachuting accident.

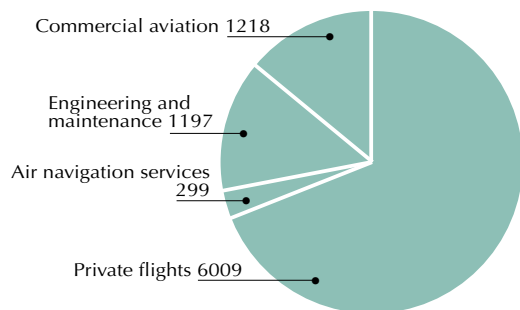
During 1995 the Flight Safety Authority paid attention to the safety of helicopter operations. Helicopters met with four accidents, a pilot was killed in one of them. In order to open up the discussion on the subject the Flight Safety Authority arranged a seminar on helicopter safety which was aimed at helicopter companies and trainers.

In the course of 1995, the CAA set up ten investigating committees, five of which completed their work in the same year.

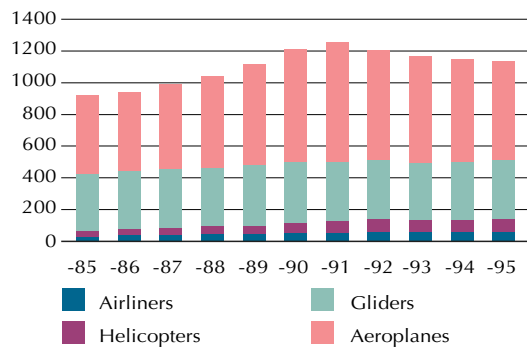
Flight Safety

1995 was a good year in regard to flight safety: no accidents, damage or injuries occurred in scheduled, charter or commuter traffic. General avia-

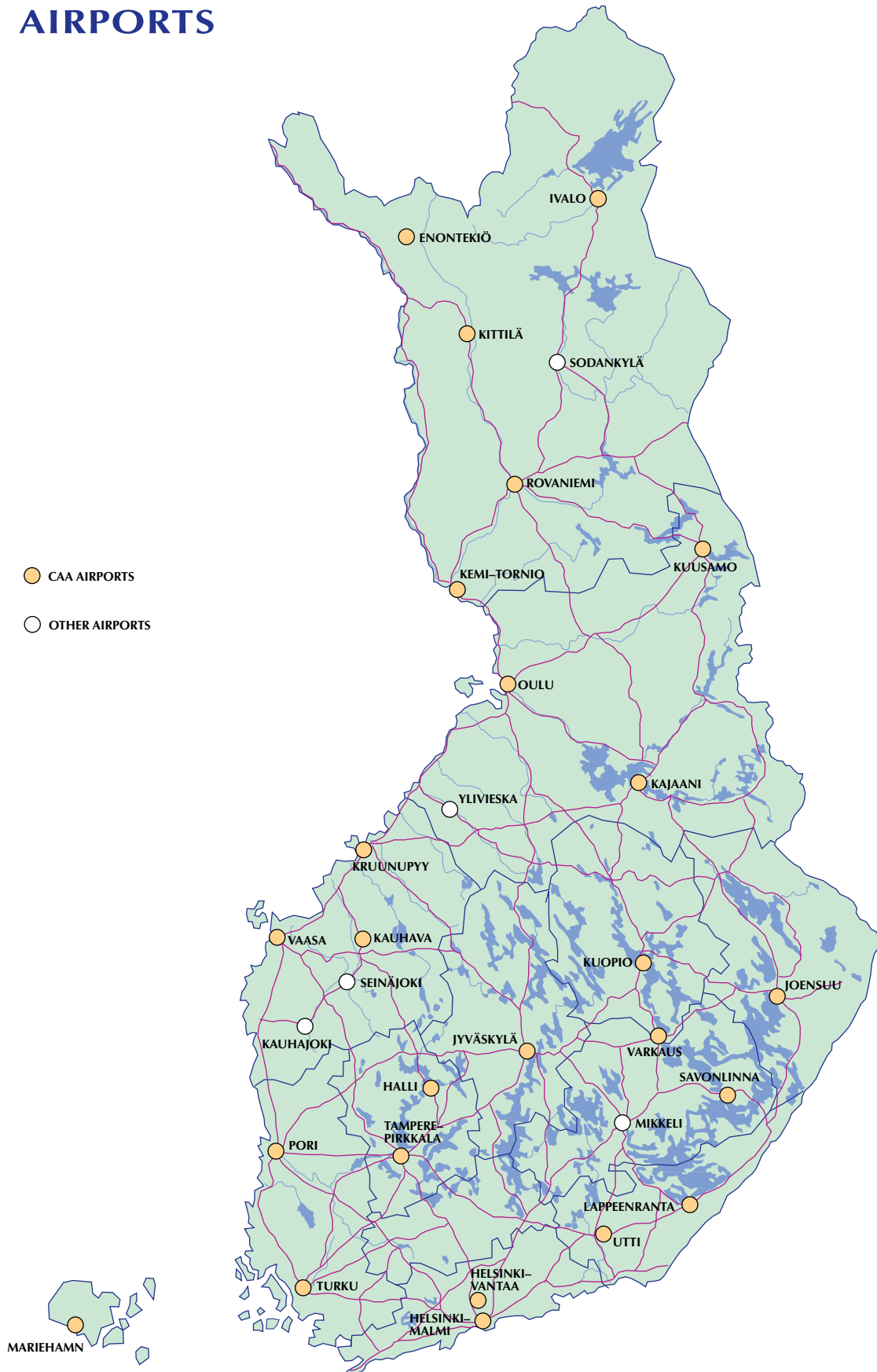
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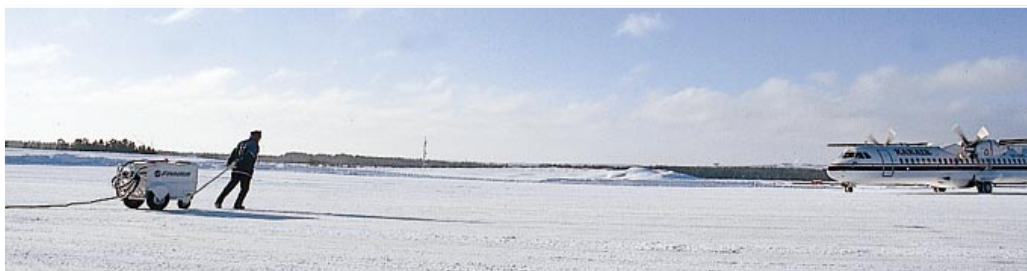


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