



CIVIL AVIATION ADMINISTRATION
FINLAND

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



1 9 9 6

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CIVIL AVIATION ADMINISTRATION

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

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Report of the Director General

During the year under review, the overall development of air traffic was favourable: in terms of passenger movements the increase was 8.2% which is 2.5 times the growth rate of the GNP. The only troubling aspect is that the 4% rise in international scheduled traffic is fairly modest even when compared to the average development of traffic elsewhere in Europe. On the other hand, charter traffic and domestic traffic showed significant increase which allowed reaching the afore mentioned 8% growth on 1995. Figures like this are most welcome to airports also from the economic point of view as increase in traffic volumes is quickly shown in lower unit costs and improved economic situation at our small airports. It is true, of course, that most small airports in Finland do not reach a balance between their expenses and revenue even in regard to the operating profit if they are viewed as separate units. In Finland, however, it would be rather theoretical to consider these airports independent units since the fact remains that the other terminal point in domestic traffic is Helsinki-Vantaa Airport, almost without exception. Moreover, more than 90% of all international traffic is,

naturally enough, also channelled through Helsinki-Vantaa.

The CAA has, for the time being, employed standard pricing policy at its airports. In internal cost accounting the smaller airports get, according to their "feeder impact", a certain share of the total revenue generated at Helsinki-Vantaa Airport. Despite this principle, some airports still remain unprofitable if regarded as separate units. However, the Council of State has set as one of the CAA's operational targets that it shall maintain and develop the Finnish airports and air navigation system as a single entity - an airport network. This objective is wholly understood within the CAA. Simultaneously, the economy and profitability of each airport is being furthered.



As stated many a time, the development of air traffic follows closely the trends of the economy, mainly the general trend of the national economy and, in particular, the growth rate of the foreign trade sectors. In 1996, the GNP of Finland grew by 3.3% and the gross production reached the level it was on before the economic recession



of the early nineties. As regards the economic growth in Finland, last year was characterised by a certain kind of run-up feeling and, towards the end of the year, the trends showed rapid improvement: during the last quarter of the year the volume of the GNP grew as much as by 5.8%. This would look very promising in regard to the growth rate of air transport which is estimated to remain on the increase also in 1997. On the other hand, however, the accelerated economic growth has not, so far at least, affected the volumes of international air traffic. On the contrary, at the end of 1996 growth was slowing down in such a way that only a 5-7% increase is now expected for 1997. The main reasons are the surprisingly weak demand for international scheduled services, particularly to Central Europe and to the other continents, and that the demand for leisure flights, which was somewhat repressed during the recession, was more or less normalised already in 1996. In consequence, in 1997 the increase in demand for leisure flights will probably stay low, at approx. 10% and in international scheduled traffic a rise of 4-5% is probable. In contrast, domestic air traffic has shown positive development in accordance with the economic trends: in the first quarter of 1996 traffic volumes grew by 5% and later, towards the end of the year, by 10%. The same rate of growth is expected to take place this year. On the other hand, this is a sign of the fact that economic growth in Finland is on a wider basis now than in the years following the recession.

In 1996, international passenger traffic of European airlines rose by 8%

- the increase was particularly strong in intercontinental traffic. The overall growth was thus much faster in Europe than here, especially in regard to intercontinental traffic which in Finland grew hardly at all while in the rest of Europe the increase was more than 10%. From this viewpoint, the economic situation in our country is somewhat surprising: the economic development is more promising here than elsewhere in Europe but the rate of growth in international scheduled traffic is significantly slower. However, given the favourable trends of the economy, we have every reason to expect that international scheduled traffic will grow a bit faster in 1997 than in the previous year.



Taking account of the price structure, the volume of demand for the CAA services rose by 8% in 1996. This enabled improvement of our economy and sufficed for securing an adequate rate of self-financing of investments and, in addition, allowed the continuation of the CAA's operational development programmes.

The economic result of the CAA was fairly good with a 4% return on the basic equity capital invested by the state. This is the first time that the CAA was able to reach this long-term goal set by the Ministry of Traffic and Communications for the state-enterprises and public utilities responsible for the national infrastructure. After depreciation, incidental income and expenses and financing costs the profit was FIM 44 positive. Moreover, as the 1996 expenses and revenues fig-

ures include still incidental expenses, which weaken the result, the operating profit can even be regarded as good.

As I stated last year, for an enterprise which is responsible for the basic infrastructure of society, a better result is not even desirable. On the contrary, the profit gained through increased demand and rationalized operations may, with good reason, be distributed to the customers by lowering the charges collected. The airports and air navigation system form an integral part of the air travel service chain. Their goal is to further the competitiveness of the air transport industry and enhance its operational environment 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. It seems, in fact, that we are able to reduce the charges of international air traffic, while those of domestic air traffic would follow the pace of inflation.



It is of great importance to the CAA that our main airport, Helsinki-Vantaa, is internationally on a par with the best European airports of its size and that the charges at the airport do not exceed the European average. As regards the Nordic region, our goal is to offer the same quality in services than our neighbours but be the most efficient and, in consequence, have the lowest prices. Pricewise this objective will not materialise very soon - nevertheless, we are confident to reach our goals in the not so far future. In ac

cordance with the present EU legislation Duty Free sales in intra-EU traffic will be abolished on July 1, 1999. This development will put pressure on raising the passenger fees. However, we believe that far smaller raises are necessary than those estimated by some other airports - there have been rumours of raises up to 30%.

The completion of the Helsinki-Vantaa Airport Gateway Terminal in October 1996 upgraded the airport's service level and enhanced its attractiveness considerably. A recent international passenger survey shows that Helsinki-Vantaa Airport's rating in the "overall attractiveness" category has risen from number 24 (1994) to number six (1996). The only problematic areas remaining in the international terminal are the check-in and baggage claim facilities the expansion of which has already begun. They will be completed by late 1999.

Growing traffic volumes also require expansion of runway capacity. The Council of State has granted the CAA a building permit for the construction of a third runway at Helsinki-Vantaa Airport. Due to the rather difficult land construction circumstances at Helsinki-Vantaa the building work will take as long as six years to complete - the runway would thus be taken into use in late 2002. It is our strategy to proceed gradually, following the growth of traffic: the preliminary works have commenced but if traffic figures start falling, the construction work may temporarily be stopped for a year or two, in a phase when the first surface structures would be built. Despite these notable investments, the CAA wishes to continue its

policy of lowering traffic charges which in turn means, of course, that the timing of the investments has to be carefully thought out and the pulse of demand conscientiously followed.

The CAA also strives to ensure that air traffic in Finland will experience as few delays as possible. Delays in Central Europe are becoming an ever-increasing problem: as many as 12%-16% of all flights are delayed due to congestion in the air space. This cost-generating problem, which also causes poor service, is tackled with international cooperation. More and more resources are allocated for resolving the difficulties in air traffic management. In the European spirit, Finland, too, has placed an annual sum of FIM 10 million to fund the solving of congestion problems although these problems do not occur in our own our airspace but elsewhere in Europe.

In Finland delays attributed to air navigation services are either very rare or, as is most often the case, take place in exceptional situations or are related to micro-level management problems. We have every opportunity to reach the goal that traffic delays caused by air traffic infrastructure be restricted to the severest winter conditions or other difficult weather conditions. However, the crossing runway system at Helsinki-Vantaa Airport may soon - after an approx. 15% increase in aircraft movements - be a serious capacity problem. We are, therefore, prepared to make the FIM 600 million runway investment described above. In addition, one of our key objectives is to ensure that smooth traffic flow

and congestion-free air space will give Finland additional competitive edge.

The runway investment, like all the other airport and air navigation operations, are funded by the users, not with the support of tax payers. Hence it is our ardent wish that the state will understand our financial needs in the next few years and restrains from claiming profit from air traffic infrastructure. To counterbalance, we are able to offer delay-free air traffic, safe air navigation and manoeuvring areas, pleasant terminals, declining airport charges as well as a nationwide, self-financing airport network for which we do not intend to claim any subsidies from the state, not even for the smallest one. In addition, the users of air traffic services will simultaneously finance e.g. the regulatory functions of aviation as well as the stylish VIP Terminal for state visits.

The prospects for 1997 are dependent on the economic outlook for our country. At the beginning of the year air traffic development figures will be approx. 4-6% and towards the end of the year traffic will increase slightly faster, perhaps by 6-7%. This volume is sufficient to keep the economy of the CAA stable and ensure that our heavy investment programme can be funded with own income and, moreover, that the price level at the airports can actually be lowered.

*Mikko Talvitie
Director General*

Civil Aviation Administration in Brief

Civil Aviation Administration

- maintains and develops the Finnish airport network and air navigation system
- offers its customers - air traffic operators and air passengers - safe and internationally competitive airport and air navigation services and develops business activities that support the core services
- has independent decision-making power over its line of activities

and investments in accordance with the demand for the services and needs of the customers

- is a state enterprise funded by the users. The operational and profit targets are set by the Council of State
- acts as the Finnish aviation authority and is thus responsible for flight safety work in Finland
- is in charge of Finnish Aviation Policy together with the Ministry of Transport and Communications and the Ministry of Foreign Affairs

Civil Aviation Administration at Your Service

The CAA Finland works for the benefit of the air transport industry and development of aviation. The first priority is to guarantee flight safety with high-quality airports and air navigation services as well as competent, skillful and reliable personnel.

The CAA strives to ensure customer

satisfaction and trust in every situation - in air navigation, manoeuvring areas, passenger terminals and landside areas. Customers' needs guide our activities and feedback is actively collected and responded to without delay. Environmental considerations will always be taken into account.

HIGHLIGHTS OF 1996

	1996	1995
	1000 FIM	1000 FIM
Turnover	840 045	745 869
Operating costs	560 241	511 874
Operating profit	282 314	235 897
Result for the accounting period	43 835	28 679
Investments, total	294 218	300 545
Land areas	565	1 660
Machinery and equipment	138 434	112 085
Airports	25 980	16 632
Buildings	119 449	154 755
Other investments	9 790	15 413
Passenger movements, total	8 245 462	7 624 890
Domestic traffic (dep+transfer)	2 322 939	2 127 264
International scheduled traffic (dep+arr+transfer)	4 372 284	4 440 412
International charter traffic (dep+arr)	1 550 239	1 056 948
International, total (dep+arr+transfer)	5 922 523	5 497 360
Other traffic (GA)	49 101	47 409
Flights, total	324 893	328 715
Domestic traffic	61 172	57 901
International scheduled traffic	69 632	65 688
International charter traffic	12 652	9 098
Overflights	10 958	10 349
International flights, total	93 242	85 135
Other civil flights	115 022	128 245
Military flights	55 457	57 434
Personnel, total (Dec. 1996)	1 629	1 590
Airports	1 188	1 154
Air navigation services centers	113	107
Head office	207	235
Internal service units	121	94

REPORT OF THE BOARD



The 1996 Board members: (from left): Mr. Samuli Haapasalo, Mr. Vilho Hänninen, Ms. Mona Björklund, Mr. Pertti Yliniemi, Mr. Matti Puhakka and Mr. Mikko Talvitie

Service, Operational, and Profit Targets in 1996

The Council of State set the following objectives as the CAA's service and other targets for 1996:

- 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 and 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 these services.
- The most important investments in 1996 are the renewal of the air navigation management system and the development projects at Helsinki-Vantaa Airport.
- The profit target for 1996 was FIM 38 million and the actual economic result for the fiscal year was FIM 44 million.



Demand for Air Transport

An Eight Percent Increase in Passenger Movements

In 1996, the number of passenger movements at CAA airports grew by 8% on 1995 and totalled 8.2 million. There were still 300,000 (2%) fewer passenger movements than in the peak year, 1990.

The total number of passengers - arriving, departing and in-transit - in international air traffic was 5.9 million which slightly exceeds the 1990 record figure. The rise on 1995 was 8%. At Helsinki-Vantaa Airport the amount of international air passengers went up by 7% and at the other CAA airports by 16%.

Scheduled passenger movements in international traffic decreased by 1.5%. In contrast, the figures for international charter traffic grew by an astounding 46%. The remarkable increase in charter traffic can partly be explained by the fact that some leisure flights that had been flown as scheduled ones in 1992-95 were changed back into charters. If this somewhat artificial measure is not taken into account, the actual growth rate of



scheduled flights was 4%. In scheduled traffic, the Baltic, Scandinavian and East European routes were the strongest growers in 1996. Also, traffic to the Far East rose significantly.

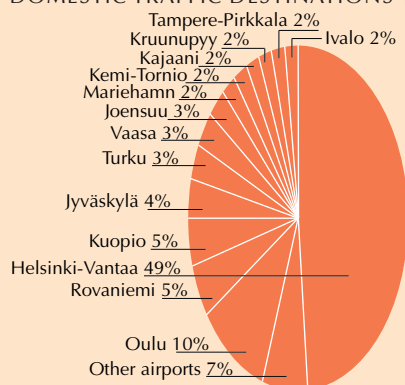
Domestic passenger movements amounted to 2.3 million which is 9% more than in the previous year. Domestic traffic grew fastest at Lappeenranta (18%), Kruunupyy (16%), Kemi-

Tornio (13%) and Jyväskylä (13%) airports which were rapid growers also the year before.

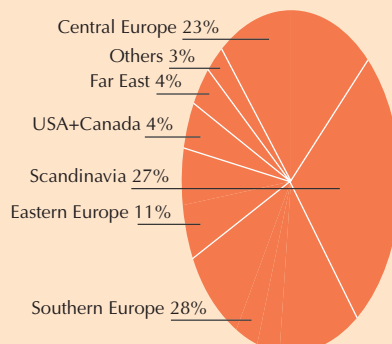
In 1996, the amount of air cargo increased by 6% to 90,000 tonnes out of which 89% was international air freight. The volume of air mail was 19,000 tonnes which is 15% more than in 1995. The share of international mail of the total was 59%.



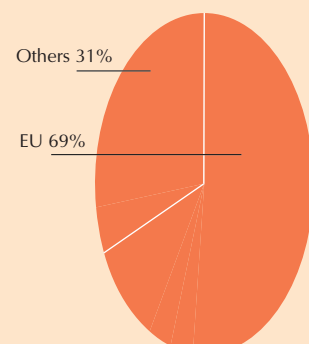
DOMESTIC TRAFFIC DESTINATIONS 1996



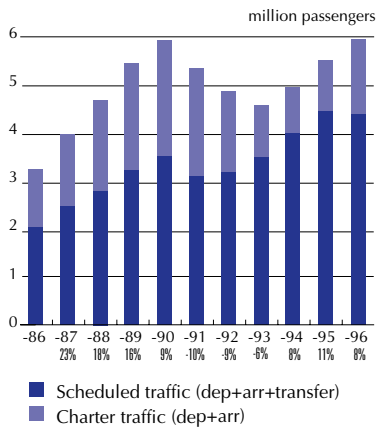
INTERNATIONAL TRAFFIC DESTINATIONS 1996



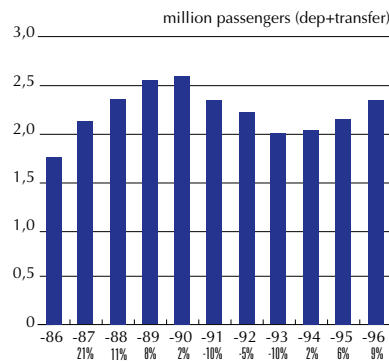
INTERNATIONAL TRAFFIC DESTINATIONS 1996



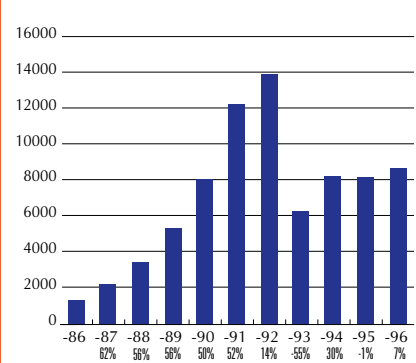
INTERNATIONAL TRAFFIC 1986-1996



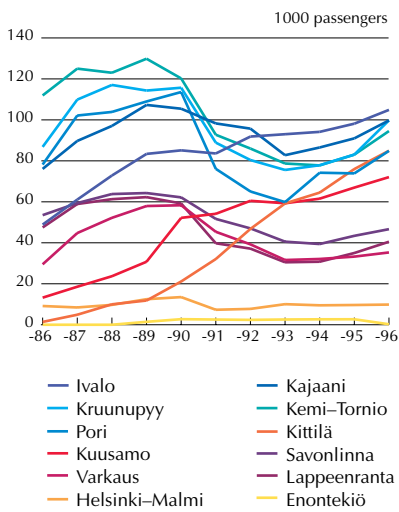
DOMESTIC SCHEDULED TRAFFIC 1986-1996



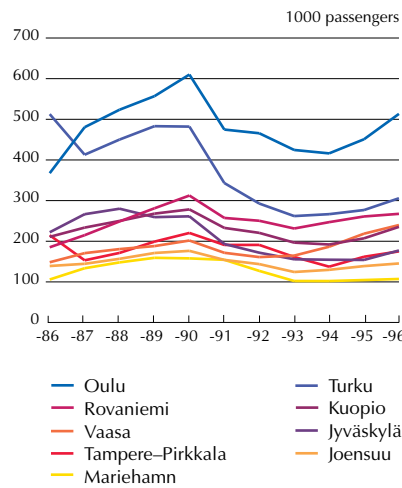
OVERFLIGHTS 1986-1996 TAMPERE FIR



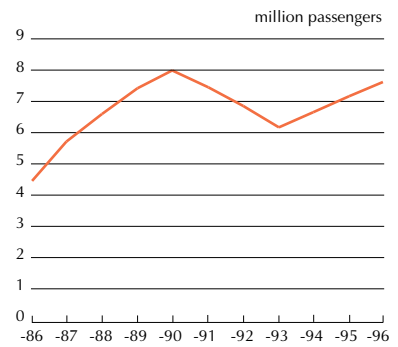
PASSENGER TRAFFIC AT AIRPORTS 1986-1996



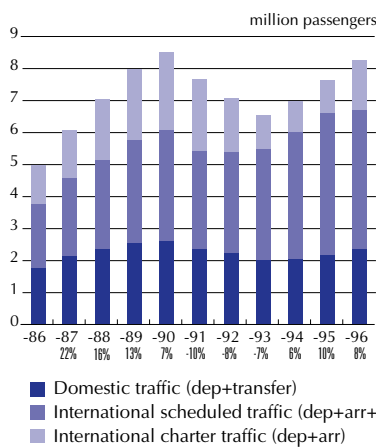
PASSENGER TRAFFIC AT AIRPORTS 1986-1996



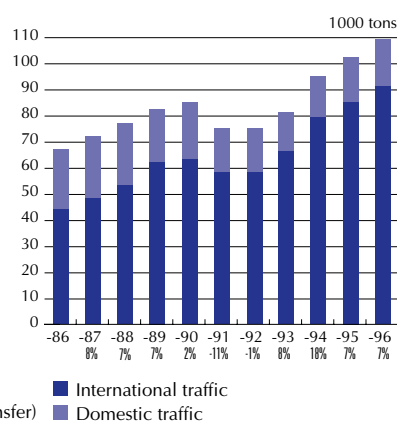
PASSENGER TRAFFIC AT HELSINKI-VANTAA AIRPORT 1986-1996



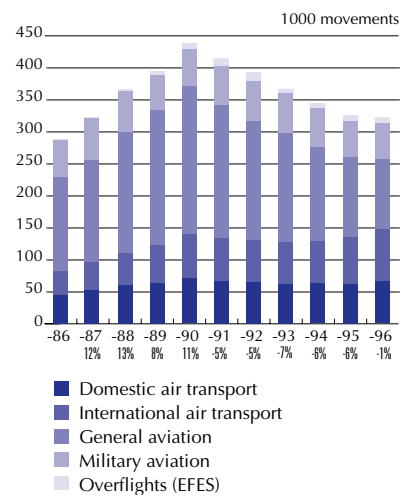
AIR TRANSPORT 1986-1996



FREIGHT TRAFFIC 1986-1996



MOVEMENTS 1986-1996

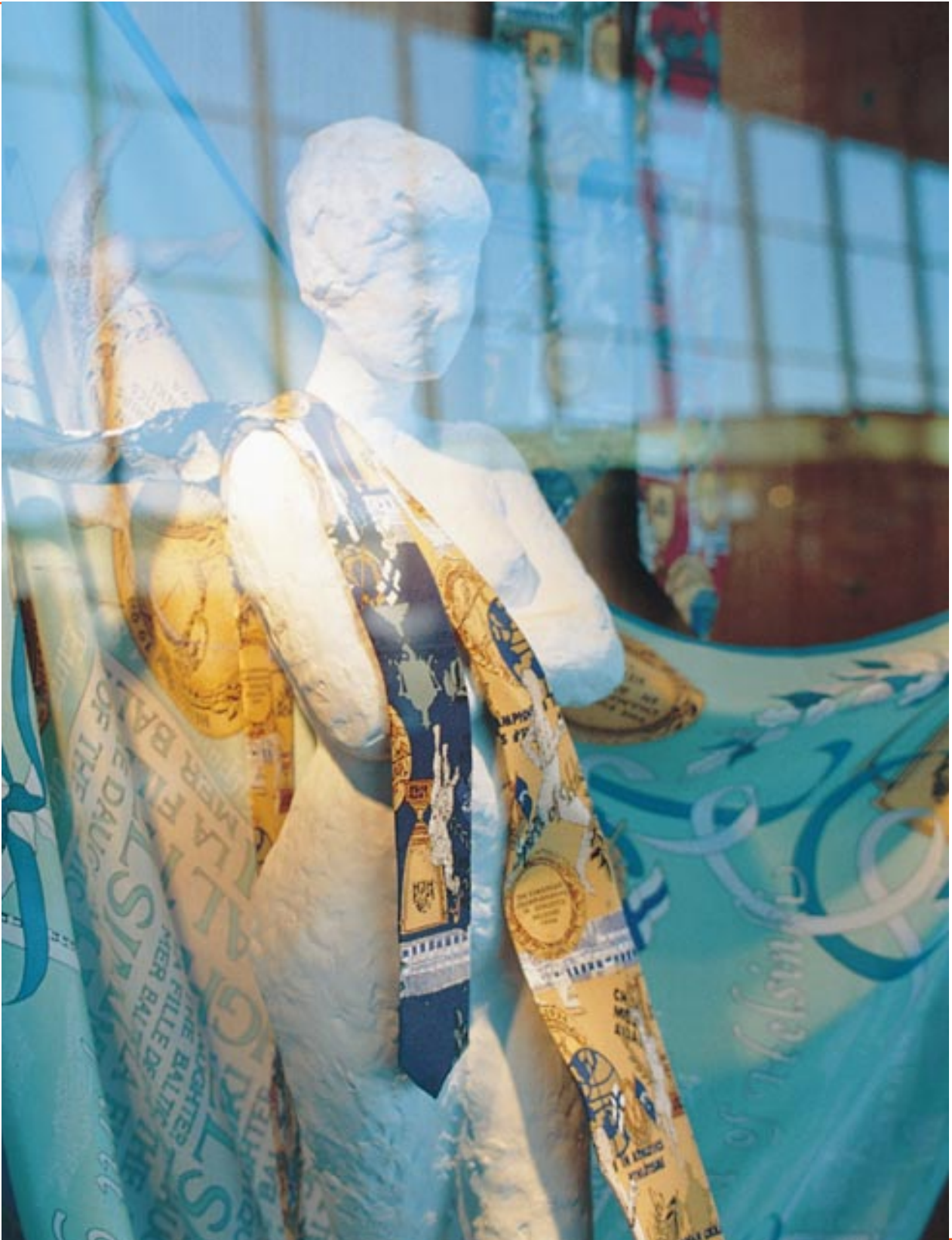


AIRPORTS 1996

	NUMBER OF PASSENGERS		NUMBER OF LANDINGS		
	Domestic	International	Air transport	Military aviation	Others
Helsinki-Vantaa	2 277 434	5 433 857	60 769	1 266	6 961
Oulu	468 405	44 910	4 856	2 287	4 773
Turku	155 705	150 041	7 776	721	10 955
Rovaniemi	237 416	30 021	2 591	8 592	3 499
Vaasa	158 761	81 098	4 089	820	4 583
Kuopio	211 120	24 260	2 617	9 423	3 337
Jyväskylä	168 228	9 057	2 921	4 112	6 632
Tampere-Pirkkala	85 148	89 955	2 935	9 105	8 156
Joensuu	131 874	13 499	2 120	126	2 539
Mariehamn	100 523	6 655	2 749	0	1 221
Ivalo	97 011	7 869	871	439	678
Kruunupyy	92 120	7 650	1 825	428	2 041
Kajaani	96 332	3 404	1 000	156	622
Kemi-Tornio	93 548	992	1 077	25	2 064
Kittilä	78 702	6 237	705	614	468
Pori	61 261	23 614	2 456	139	10 313
Kuusamo	71 042	1 021	718	12	166
Savonlinna	45 621	1 033	1 264	140	376
Lappeenranta	39 242	1 273	1 736	252	1 705
Varkaus	35 162	129	1 418	6	420
Helsinki-Malmi	5 906	3 940	0	165	32 732
Enontekiö	2 049	358	115	53	75
Kauhava	233	0	6	11 046	1 207
Utti	84	0	5	2 523	1 116
Halli	291	29	2	3 007	575

AIR NAVIGATION SERVICES CENTERS 1996

	IFR-flights	Overflights
South Finland (Tampere)	157 785	8 731
North Finland (Rovaniemi)	27 326	2 227



Helsinki-Vantaa Airport Gateway Terminal Completed:

ELEGANT EUROPEAN AIRPORT

The first phase of the Helsinki-Vantaa Airport Gateway Terminal - an extension of the international terminal that connects the international and domestic terminals - was completed in autumn 1996. The new building was ceremoniously inaugurated on October 7 by the President of the Republic of Finland Mr. Martti Ahtisaari.

With the construction project and comprehensive refurbishment of the older facilities at Helsinki-Vantaa the CAA enhances the competitiveness and improves the operational environment of air transport in Finland. The extension has raised the passenger capacity of the Helsinki-Vantaa international terminal from 5.5 million to 6.5 million. Also the range of services offered to air travellers and airline operators were substantially expanded.

The amount of gateway passengers is expected to grow rapidly at Helsinki-Vantaa in the next few years. The new terminal extension widens the range of services for passengers who will have to stay at the airport longer periods of time. In addition, the internal connection between the two passenger terminals allows easy transfers for connecting passengers.

The Gateway Terminal project included one renewed and six new passenger bridges which give comfortable access from the gates to the aircraft. Also, two new bus gates with their own lounges were built for passenger transportation by bus.

The first project phase incorporated a handsome 35-metre high air traffic control tower which is located at the outer corner of the new terminal. The tower control operations moved into the new premises at the end of 1996.

CIVIL AVIATION ADMINISTRATION AT YOUR SERVICE

Ground Traffic Services

- Parking services at airports
- Ground traffic arrangements for taxis, buses and private cars

Passenger Services

- Operation and development of terminals
- Terminal signage, guide and information services
- Baggage handling and storage facilities
- Handling of air cargo
- Security procedures of passengers and air cargo

Commercial Services

- Airport shops, restaurants, cafés and kiosks
- Duty Free shops
- Postal and banking services
- VIP Services
- Hotel and Congress services
- Car rentals

The CAA enhanced its Service Image

The elegant shopping street in the Gateway Terminal is also the terminal's main passage way. Nine new shops and boutiques as well as the airport's second Duty Free shop - a new service offered by the CAA - are situated there. The CAA-operated Helsinki Airport Duty Free has received highly positive feedback from passengers for its broad product range and good customer service. The staff consists of approx. 30 salespersons.

The shopping street leads to the triangle-shaped Gateway Hall where passengers are served by a bar and café. On the first floor there are two new airline lounges as well as a high-quality à la carte restaurant with a beautiful view to the apron area and runways. In all, there are sixteen restaurants, cafés and bars at the airport.

Another new service, Helsinki Airport Congress, is located in the Gateway Terminal. Private companies and other organizations have eagerly used the possibility to arrange a meeting, training session or even a party at the airport before or after a flight, or, between two flights. The CAA VIP Centre is conveniently situated next door to the Congress centre. The VIP Service offers individual arrival and departure services both for private companies and small-scale state visits.

The first real airport hotel in Finland, the Gateway Hotel, was opened in spring 1996 in the refurbished ground floor of the Helsinki-Vantaa

international terminal. There are 35 rooms three of which are situated in the transit area. The hotel with its 24 h breakfast service has been very popular. The hotel is located next to the redesigned ground floor service area, opened in 1995, with pharmacy, bank, post office, grocery store, self-service restaurant, as well as car rental and parking service points.

Commitment to Customer Feedback

"Good-looking", "comfortable", "clean", "they are heading in the right direction" are typical customer comments on the new Gateway Terminal. The majority of customers have expressed favourable views on the recent developments at Helsinki-Vantaa. Customer feedback is valued by the CAA and actively collected, for instance, with Your Comments leaflets and regular passenger surveys.

Helsinki-Vantaa Airport was one of the 29 airports reviewed in the latest International Air Travel Survey (IATS) made biannually at major European airports. The survey measures passengers' opinions of the overall attractiveness of the airport as well as their views on the quality of several basic services/facilities offered at airports, for instance public transport, parking, restaurants, lounges, shops as well as check-in services, availability of baggage carts and delivery of baggage.

Thanks to the total refurbishment of the international terminal and the brand-new Gateway Terminal Helsin-



ki-Vantaa's rating regarding the overall attractiveness was raised to number six in 1996 - a remarkable improvement on the 1994 survey where Helsinki-Vantaa Airport was positioned at 24. Now, our main airport was among the top 16 airports in every category surveyed! The best results were reached in restaurants, lounges, duty free shops and baggage trolleys. Also, parking, cleanliness and finding your way obtained high marks and in walking distances Helsinki-Vantaa was rated the best in Europe!

**The Construction
of the Second
Phase to begin in
Spring 1997**

The second phase of the Gateway Terminal will comprise new check-in and arrivals areas as well as new facilities for baggage handling. At the same time, ground traffic in the landside will be re-arranged and a second internal connection between the international and domestic terminals will be built. The construction work will commence in March 1997 - the project will be realized in several stages so that disturbance to airport operations will remain insignificant.

On completion of the second phase, the Gateway Terminal will become an independent terminal building for intra-EU traffic. It is scheduled for opening in late 1999, just in time for Finland's EU Presidency.



The CAA builds a VIP Terminal for State Visits

Construction work on a new VIP terminal for state visits began at Helsinki-Vantaa Airport in late 1996. The VIP terminal, due to open in September 1997, will be located next to the present business flight terminal.

The building will include lounge and VIP facilities, a press room as well

as premises for check-in and security procedures. Also, the apron will be expanded so that aircraft the size of an MD-11 may be parked in front of the terminal.

The VIP terminal will be built and financed by the CAA. The costs will total approx. FIM 17.5 million.



A New Passenger Terminal at Tampere-Pirkkala Airport

Tampere-Pirkkala Airport's new passenger terminal was opened in May 1996. All passenger facilities, such as check-in, baggage handling, restaurant and duty free shop, are located on the same floor. Departing and arriving passengers use a finger-like annex which leads to the apron and aircraft. The capacity of the new airport building is estimated to suffice for several years ahead. The use of widebody aircraft is now also possible as the size of the facilities and the arrangements on the apron have been

planned and realized accordingly.

The construction work was financed by using a so-called triangle model, i.e. the partners involved (the CAA, the City of Tampere with neighbouring municipalities and the Ministry of Labour) took part in the costs with equal sums. The terminal building will remain in the CAA's possession. The CAA is also responsible for the operation and maintenance of the new terminal. The total costs amounted to FIM 46.5 million.

The Triangle Model is Profitable for All Partners

The CAA used the so-called triangle model for the first time to finance the new passenger terminal at Tampere-Pirkkala Airport. The term refers to a practise where three independent partners who share the same goal take part in a project with equal financial contribution. The experiences of the partners have been so positive that the same financing model will be used in many future projects: terminal expansion works at Kruunupyy and Kuopio Airports are already in progress and there are plans for employing the triangle model also in the Turku, Rovaniemi and Kuusamo terminal projects.

The triangle model was created in a situation where the CAA decided that building a new terminal at Tampere-Pirkkala Airport would not be eco-

nomicly viable while the City of Tampere very much hoped to have a new terminal. The solution to the problem was found when the Ministry of Labour agreed to take part in the project and the costs could thus be distributed among the three financing parties. The result was a great satisfaction to all: the CAA could build a well-functioning passenger terminal, the Tampere region obtained a showpiece terminal building and the Labour Administration could improve the employment rate in the region triple the value of its contribution. The input of each partner was FIM 15.5 million.

A financing contract on the Kruunupyy terminal extension was signed in May 1996. The partners are the CAA, Ministry of Labour and the municipalities of the region. The expenses will total approx. FIM 10 million of which the share of the CAA is, this time, slightly bigger than one third, a bit more than 40%. The upgraded terminal at Kruunupyy Airport will be completed in summer 1997.

The Kuopio Airport terminal extension will cost approx. FIM 20 million. The expenses will be shared by the CAA, the Ministry of Labour and the cities of Kuopio and Siilinjärvi in accordance with the triangle model. The project will be finalized by the end of 1997.



A Third Runway to Helsinki-Vantaa Airport



At Helsinki-Vantaa Airport an aircraft lands or takes off once in every 1.5 minutes. With the present crossing runways the air traffic control is able to handle a maximum of 43 aircraft movements in an hour. During peak hours this maximum figure is daily reality to the Helsinki-Vantaa ATC.

The need for a third runway was stated in the development plans of the CAA as early as in 1978. The location permit for the runway was granted in 1992, after extensive environmental and noise studies. The Council of State granted a building and operation permit in 1996.

The construction work will begin in 1997 and the runway will be operational in 2002 provided that the present growth trend in air traffic will sustain. The actual building of the runway will not cause disturbance to the airport's normal operations. On completion, the new runway will considerably diminish the number of residents who are, at the moment, exposed to aircraft noise in the capital region.



Environmentally - friendly Winter Maintenance

In regard to safety and regularity of air traffic, winter maintenance at airports is in a key position. In our northern winter conditions a skillful and competent personnel as well as powerful and efficient equipment are basic requirements. For runway operations the most problematic situations arise when the temperature hovers around zero degrees as then the runway melts and freezes in turns making the surface extremely icy and slippery. At most airports runways are kept unfrozen the whole winter. Operating a runway with a permanent snow cover, just sanded to add friction, is only possible at few airports in North-Finland.

An Alternative to Urea

Finland was one of the first countries in the world to start employing nitrogen-free chemicals, i.e. acetates, in winter maintenance. Earlier, urea which contains a lot of nitrogen and is also known as a fertilizer, was extensively used. Little by little its adverse impacts on the surface and ground waters were discovered. Acetates were first used at Helsinki-Vantaa Airport in 1989, now they are used at 15 Finnish airports.

CIVIL AVIATION AT YOUR SERVICE

Apron Services

- Apron areas and equipment
- Marshalling and aircraft parking services as well as organizing ground handling services for aircraft
- Fire protection
- Vehicle traffic

Manoeuvring area services

- Runways and taxiways
- Safety of manoeuvring areas
- Abatement of negative environmental impacts
- Fire and rescue services





Acetate-based anti-icing chemicals dissolve rapidly. Their environmental impacts are limited to the oxygen consumption during the oxydation process which, depending on the state of aggregation of the product, is from one third to one sixth of the oxygen consumption of urea.

Use of Acetates Tenfold

From the 1989/90 winter period, when acetates were first introduced at Helsinki-Vantaa Airport, to the winter period of 1995/96, the use of urea at CAA airports has decreased to one third and the use of acetates has increased tenfold. Acetates are more costly than urea: liquid calium acetates are two to three times and granular natrium acetates five to six times more expensive. In addition, new spreading equipment have been acquired to airports for the spreading of liquid anti-icing chemicals. On the other hand, in problematic winter conditions urea may have to be spread on the runway several times during a relatively short period of time while liquid acetates have a long-lasting impact.

At Helsinki-Vantaa, Halli, Oulu, Kuu-

samo, Mariehamn, and Kittilä airports acetates are used either as the sole or the main anti-icing substance. During the winter period 95/96 Helsinki-Vantaa Airport used urea only in dedicated areas where the waste waters could be directly conducted to a water purification plant. From autumn 1996 also this practise was discarded. The CAA's ultimate goal is, in three years' time, to limit the use of urea to exceptional cases and , eventually, to reduce the overall use of urea to one third of the present usage level. The main substances in anti-icing would be acetates or equivalent nitrogen-free compounds. These goals are also stated in the CAA Environmental Programme which is currently in planning.

Advance Anti-icing Measures help diminish the Use of Chemicals

In the past couple of years airports have developed methods with which the formation of ice on runways can be prevented in advance. Thus the use of chemicals can be reduced. When

moistness is removed from the runway surface by brushing, there will be considerably less ice on the runway even when the temperature drops below zero.

With the help of runway sensors and ice warning systems spreading of chemicals can be timed in the optimum way which, again, helps diminish the unnecessary use of chemicals and spreading vehicles. Runway sensors have been installed at all CAA airports and ice warning systems are employed at Helsinki-Vantaa, Turku, Tampere-Pirkkala, and Oulu airports.

Maintenance Equipment Actively Developed

For several years, a group of experts from the CAA Head Office and different airports have worked together with vehicle manufacturers in order to develop maintenance vehicles and equipment for airports, e.g. new runway sweepers have been developed to replace the old ones from the 1970's. At the moment the group works on the development of snow blowing equipment.



Helsinki-Vantaa Winter Maintenance to reach a Top Position in Europe

As traffic volumes grow, the airport maintenance is constantly faced with new challenges which have to be reacted to in less and less time. In snowy winter days runways have to be cleaned fast to avoid traffic delays. During winter 95/96, the CAA allocated extra resources for winter maintenance operations at Helsinki-Vantaa Airport in order to retain the capacity and ensure the safety of air traffic at the airport. The primary goal is to place Helsinki-Vantaa among the best European airports also in regard to winter maintenance.

Efficiency was furthered, for instance, by employing more maintenance personnel and acquiring new equipment. In the autumn 1996, the number of period workers was almost doubled. Existing equipment and ma-

chinery was complemented with new vehicles for towing, runway sweepers as well as a powerful snow blower. For apron operations a second suction vehicle for collecting glycol residue and a special brush which is connected to a common road grader instead of a lorry were taken into use. The brush prototype has been developed in cooperation with a Finnish manufacturer.

Another important acquisition at Helsinki-Vantaa in 1996 was a new kind of frictionmeter vehicle. With the help of the vehicle's data transmission system information on the runway conditions can be communicated through a radio modem to the ATC without delay. The ATC has thus realtime information on the runways always at hand.

Finland joined CFMU

Aircraft arriving in and departing from Finland fly on the most popular flying altitudes across the main air traffic flows in Central Europe. With the internalization process of air navigation services in the 1990's, it has become increasingly important to take care that aircraft have a smooth, delay-free access from Finland to the congested European airspace. This is the reason why the CAA signed a collaboration contract with the CFMU (Central Flow

Management Unit) which became operational in spring 1996. The CFMU, located in Brussels and maintained by Eurocontrol, follows the amount of traffic, compares it to the capacity of the ATCs controlling different areas and gives, when necessary, traffic restrictions or alternative routings, so that ATC overflows can be avoided and traffic should run smoothly and safely.

Air Navigation is Cooperation

In 1996, Finland officially joined the EATCHIP project which was initiated by the ECAC (European Civil Aviation Conference) in 1989. The CAA has been involved in the project from the very beginning. The EATCHIP, coordinated by Eurocontrol, aims at enhancing the more efficient use of the European airspace and harmonizing the operation of European area control units with technical and operational standardization.



Airport and En-Route

Air Navigation Services

- Air Traffic Control Systems and Equipment
- Air Traffic Services
- Meteorological and AIS Briefing Services
- Flight Rescue Services
- Monitoring Noise and Air Pollution

Transpolar Route opens for Scheduled Traffic

Intense discussions on the problems of the European air navigation services were carried out on the political level throughout the year. The 35 ECAC nations, including Finland, made a so-called INSTRAT strategy to fight air traffic congestion. The strategy comprises, for instance, viewing the Pan-European planning and decision-making mechanisms. One of the main objectives is to re-organise the Eurocontrol to further increase its efficiency.

In spring 1996, the European Union published a White Booklet on air navigation which includes proposals for solving ATC problems. According to the Booklet, the EU Commission should join the Eurocontrol if the organization's scope of authority is to be enlarged. Discussions on the development principles of European air navigation services and on the mutual power relations between the ECAC, EU and Eurocontrol are still going on.

The Nordic countries continued their NHIP programme which aims at harmonizing the air navigation systems of the Nordic countries. Another objective is to build a flexible route network in the Nordic region.

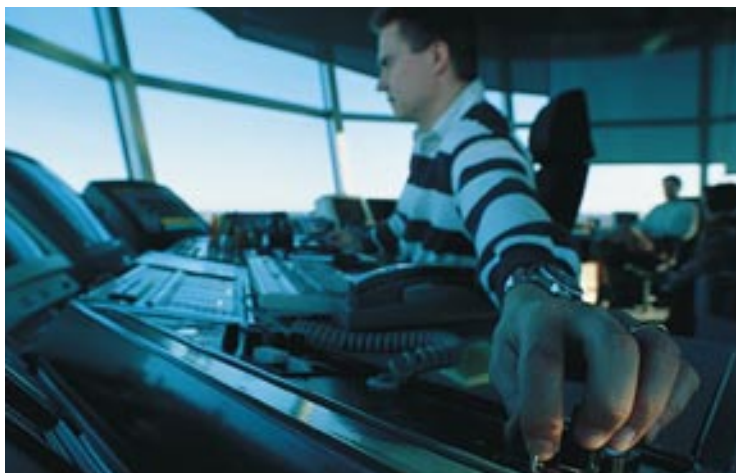


Finland made an agreement with the Russian Federation on the Transpolar route in 1995. The route has been used with certain restrictions since August 1996. Regarding flight time, the Transpolar route is the shortest airway between several Western European cities and Far Eastern destinations. Shorter flight time offers many advantages to airlines, for instance, substantial savings in fuel costs. In the Finnish airspace the route can be used freely, but using the Russian airspace requires, for the time being, a special permit which is issued by the Russian aviation authorities to each carrier separately.



ATC Renewals

During the past few years, the CAA has renewed several ATC units across the country. In 1996, the Tampere area control moved from the Air-Force-owned underground premises to the new facilities built for the Air Navigation Services Centre for South Finland. The change markedly improved the working conditions of the personnel and facilitated the technical maintenance of the systems in use. Helsinki-Vantaa Airport tower control unit moved to the new ATC tower located in the Gateway Terminal on December 31, 1996. Also at Joensuu Airport a new ATC building was taken into use.



FATMI Project Continued

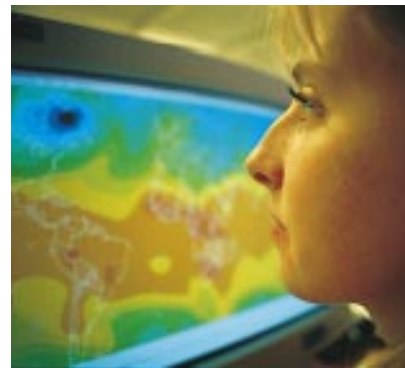
In 1996, the largest European suppliers of air navigation systems agreed on joint ventures that also affected the schedule of the CAA FATMI (Finnish Air Traffic Management Integration) Project. The programme is somewhat delayed because the English main supplier has not been able to solve the problems concerning the manufacturing of the basic software and compatibility of the different systems on time. However, the CAA has decided to continue the project in accordance with the original objectives but with new realization alternatives. The system is scheduled to be taken into operational use stage by stage, beginning in 1998. One part of the project, a voice communication system, became operational in early 1997.

Weather Observation Service progresses

The SAWOS automation project on weather observation was nearly completed at the CAA airports by the end of 1996. In consequence, the CAA will have a nationwide weather observation network able to produce realtime weather reports.

In addition, Helsinki-Vantaa Airport acquired a satellite system that

provides weather information directly from the weather forecast centre based in London. Thanks to this so-called SADIS system covering the whole world the transmission of weather information is now faster, more reliable and more versatile than before.



High-quality Training improves the Safety of Air Transport

In recent years, the CAA has re-organised the training scheme of air traffic controllers, renewed the regulations concerning permits and licences and developed relevant brush-up training. A new regulation issued by the Flight Safety Authority took effect in August 1996. It aims at standardizing and developing the training of air traffic controllers and AIS briefing personnel.

In the CAA's Air Navigation Services Institute more than one hundred training weeks were carried out in 1996. A basic air traffic controller course was completed in February 1997, and a new course for air traffic

controllers and AIS briefing personnel, which began in September 1996, will continue until March 1997. There are 22 ATC students and 7 AIS briefing students participating in the course. Approx. 300 persons applied for the course.

A major part of ATC training is carried out with the help of the Institute's state-of-the-art ATC simulator which was taken into use a few years ago. The performance of the simulator has fulfilled the expectations. In addition to training, the simulator may also be used for planning and testing purposes.

Close Observation of Aircraft Noise and Gaseous Emissions

The flight track and noise monitoring system at Helsinki-Vantaa Airport is unique in Finland. It is also the first continuous noise monitoring system in use in our country. The test-runs of the system commenced in November 1996 and the results have been encouraging. This comprehensive and versatile system supervises the observation of noise restrictions and facilitates the making of noise abatement plans. In addition, the reports may also be used in airspace planning.

A special report on the night-time traffic at Helsinki-Vantaa was published in May 1996. The report showed that the new night-time flight operation principles taken into use in June 1994 have been effective: the noise load has diminished, particularly around the Tikkurila residential area.

New noise studies were carried out at Turku and Lappeenranta airports. Further studies are being made in collaboration with the Finnish Air Force at the so-called joint airports.

A study on the gaseous emissions of air traffic, road traffic and ground handling equipment was conducted at Helsinki-Vantaa Airport in 1996. The results could also be used in another study, carried out by the Meteorological Institute, regarding the spreading of nitric oxides in the Helsinki

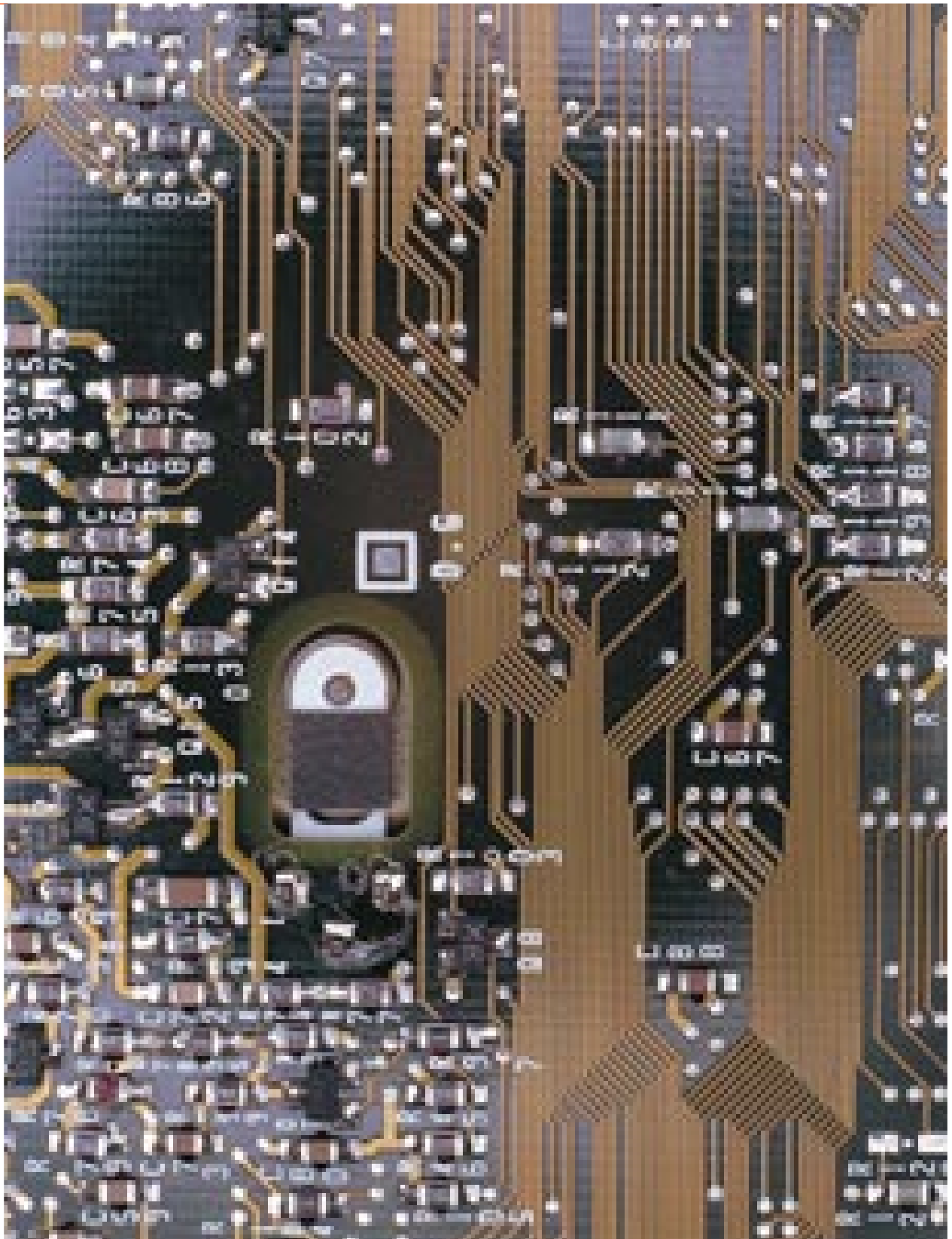


Metropolitan region.

The Ministry of Transport and Communications has initiated a database project, called LIPASTO, concerning the energy consumption and exhaust gas emissions of all the traffic sectors.

In regard to air traffic, the CAA's 1995 application model on aircraft emissions can be used in the follow-up.

The CAA applied for an environmental permit for the runway extension at Vaasa Airport in 1996.



Quality System - an Efficient Tool for Everyone

In 1996, the CAA initiated systematic development of quality assurance. Instead of the earlier, more project-like quality work, the CAA now aims at creating a system that is meant to be an efficient tool for everyone working in the CAA.

The first measure was to prepare a system for reporting on observations and nonconformities which gives the decision-makers reliable information on the organization's development needs, deviations and risk factors of the future. One of the objectives is to improve flight safety and enhance the cooperation of the CAA units. The system was taken into test use at Kuopio and Rovaniemi airports in the autumn. It will be operational nationwide in the course of spring 1997.





International Aviation Policy

Bilateral Air Transport Agreements

In 1996, the bilateral air transport agreements between Finland and India, Macau and Ukraine took effect. Agreements with Kazakhstan, Uzbekistan and the Republic of Korea were signed and agreements with Vietnam and Indonesia were parafied. Furthermore, Finland negotiated with several states on changes and applications concerning older agreements.

International Organizations

Finland participated in the work of an ICAO (International Civil Aviation Organization) committee on planning the air traffic routings and their operation in the airspace of the former Soviet Union.

Finland was an active participant in the ECAC (European Civil Aviation Conference) project for developing the long-term strategy of air traffic management (ATM) systems. With the air traffic harmonization and integration project EATCHIP and the traffic flow management unit CFMU the European countries strive at increasing the efficiency of the use of the airspace.

The projects are coordinated and carried out by Eurocontrol with which Finland signed an agreement on participating in the costs of the projects.

The JAA (Joint Aviation Authorities), an associate member of the ECAC, studied the possibilities for improving the general safety level of the foreign aircraft operating air services to and from the 35 ECAC member states.

Nordic Collaboration

The Nordic countries negotiated intensively on joining the Schengen Agreement. The agreement has a considerable impact on air travel and airport arrangements. Finland, Sweden and Denmark signed the official agreement on joining in December 1996 and, at the same time, Iceland and Norway became associate members. The most likely date for implementing the Schengen procedures will be at the end of 1999.

The annual Nordic aviation directors' meeting was held in Visby, Sweden. The participants discussed the outlines of a common policy on participation in the work of international organizations. Particular importance was placed on the strategic operation programme with which a continuous

Nordic representation in the ICAO Council is ensured. Other topics included European air navigation services and safety of air traffic.

Also other inter-Nordic meetings concerning the different sectors of air transport were held throughout the year.



Administration

Internal Development Work Continued

The development seminars for the whole CAA personnel were completed in summer 1996. The project, started in spring 1995, is an attempt to enhance internal cooperation and customer service within the organization. The reworked feedback from the seminars helped in the definition of the CAA's common values, strategies, business idea, vision and management principles. The results were collected into a booklet which was distributed to the personnel in late 1996. The booklet Feet on the Ground, Thoughts in the Clouds gives both managers and employees resources for thinking and acting in a more customer-orientated way in their everyday work. It also encourages the staff to try and reach the objectives that have been set together.

Ideas generated in the course of the development programme will be put into practice at the airports in 1997. Each airport will define its own need for development, form the development project and report on the results to the head office.

New Pay System Finalized

The new, performance related pay sys-

tem was further developed in the CAA in 1996. The central principles of the system were negotiated with the CAA staff organizations in order to prepare new collective bargaining agreements. The new pay system was ready for use at the turn of the year 1996 /1997.

In the new system all extras and raises except those for special working conditions have been removed. The salary will be based purely on how demanding the task is as well as on the individual performance of the employee. Each task has been evaluated with a scoring system. The individual performance will be assessed on the basis of the work performance of the employee and on how the goals set by the superiors have been carried out. The leadership skills of the managers will be en-

hanced by different training programmes to ascertain fair and objective assessment of the work performance of the employees.

I n t e r n a l S e r v i c e U n i t s

The internal service units of the CAA are units with profit responsibility. Their primary customers are the CAA airports and the departments of the head office but they may also have external customers.

Accounting is the operational unit for financial administration. It takes care of the accounting tasks for the whole CAA and partly for Helsinki-Vantaa Airport, and is responsible for traffic invoicing nationwide. During the year under re-





view, the Accounting unit strived to take the new data management system into operational use: the errors in the system were corrected and, consequently, the tailor-made software application could be taken into use in the beginning of 1997.

Airport Technics is a service unit which acts under the Airports Department. Its tasks include planning and construction of buildings and aerodrome areas at airports. The most important assignments in 1996 were the construction of the first phase of the Helsinki-Vantaa Gateway Terminal as well as the planning of the second phase and the third runway.

ANS Technics is an internal service unit functioning under the Air Navigation Services Department. The primary tasks of ANS Technics are installation and maintenance of air navigation systems. Major projects in 1996 included the installation of FATMI radio stations at the Finnish airports as well as the installation of the Helsinki-Vantaa and Joensuu Airport tower controls and the secondary radar at Savonlinna.

The **ANS Institute** is in charge of the training of Finnish air traffic services personnel. In 1996, more than one hundred training weeks were carried out. A basic air traffic controller course was completed in February 1997, and in September 1996, a new course for air traffic controllers and AIS briefing personnel began. Furthermore, several further and brush-up training courses were arranged. In addition, the ANS Institute

markets and sells training courses to foreign ATC professionals. In 1997, Latvian air traffic controllers will be trained on a course commissioned by the Euro-control organization.

The CAA Subsidiaries

Kiinteistö Oy Lentäjätie 1, a mutual housing company, was founded in 1992. The shares are owned by the CAA (73%), Finnair (20%) and the State Real Property Authority (7%). The office and crew centre building, constructed by the company, was completed in 1994. It is located close to the international terminal at Helsinki-Vantaa Airport. The main operator of the building is Finnair. The impressive steel and glass structure also contains premises for the new Helsinki-Vantaa approach control.

Finland Airport Services Ltd is a 100% CAA-owned company which produces and develops commercial services at Finnish airports. The company is most visible at Helsinki-Vantaa Airport where it is responsible for the bus transportation of passengers from the terminals to aircraft and vice versa as well as for the collection and distribution of baggage trolleys.

Kiinteistö Oy Turun Lentorahti is a mutual housing company wholly owned by the CAA. The company owns a cargo terminal building at Turku Airport. The CAA/Turku Airport leases the terminal facilities for varied air traffic operations.



Personnel

At the end of 1996, the number of CAA Group employees was 1,671 (1995: 1,662).

In 1996 the CAA employed an average of 1,604 persons (1995: 1,599). The number of persons in operational jobs was 1,584 (1995: 1,565) and in investment programmes 20 (1995: 34). Out of the total, 38 persons were on unpaid leave.

At the end of the year, the personnel of the CAA totalled 1,629 employees which is 39 persons more than in the previous year. The number of operational staff was 1,613 and staff employed for investment programmes 16.

Staff working at the CAA airports amounted to 1,186 (1995: 1,165). A total of 113 (1995: 105) persons worked in the air navigation services centres, 121 (1995: 85) in the internal service units and 207 (1995: 243) in the head office.

In 1996, the wages and salaries paid to the personnel of the CAA Group totalled FIM 281 million. The salaries and fringe benefits paid to the Company Board and the Managing Director amounted to FIM 1,057,000. The wages and salaries paid to the personnel of the CAA proper added up to FIM 277 million. The amount of salaries and fringe benefits paid to the CAA Board and the Managing Director was FIM 757,000.

PERSONNEL AT AIRPORTS AND AIR NAVIGATION SERVICES CENTERS 1996

Helsinki-Vantaa	510
Rovaniemi	61
Tampere-Pirkkala	60
Kuopio	59
Oulu	58
Jyväskylä	53
Turku	51
Vaasa	38
Pori	32
Kemi-Tornio	26
Joensuu	26
Mariehamn	24
Kruunupyy	24
Helsinki-Malmi	22
Kajaani	21
Ivalo	21
Lappeenranta	20
Kauhava	17
Savonlinna	17
Kuusamo	13
Kittilä	10
Halli	9
Utti	7
Varkaus	5
Enontekiö	4
South Finland (Tampere)	95
North Finland (Rovaniemi)	18



CAA FINLAND GROUP ORGANIZATION

BOARD

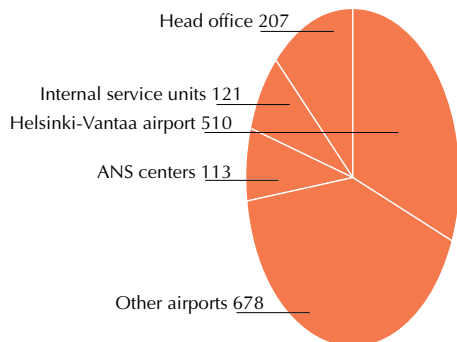
CAA Board of Directors 1996

- Mr. Mikko Talvitie, Chairman
- Mr. Samuli Haapasalo, Deputy Chairman
- Ms. Mona Björklund
- Mr. Matti Puhakka
- Mr. Pertti Yliniemi
- Mr. Vilho Hänninen

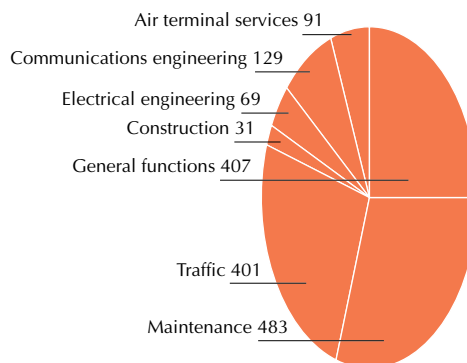
**DIRECTOR
GENERAL**

HEAD OFFICE	HELSINKI-VANTAA AIRPORT	AIRPORT GROUPS		AIR NAVIGATION SERVICES CENTERS	FLIGHT SAFETY AUTHORITY
PR&Information, Internal Auditing	Airports Dept.	Rovaniemi	Oulu	Southern Finland	
International Affairs Div.	Air Navigation Services Dept.	Vaasa	Kuopio		
Economics & Financing Div.	Admin. Dept.	Turku	Jyväskylä	Northern Finland	
		INTERNAL SERVICES UNITS		SUBSIDIARY COMPANIES	
		Accounting	Airports Technics	Suomen lento- asemapaalvelut Oy	
		ANS Technics	ANS Institute	Kiinteistö Oy Lentäjantie 1	
				Kiinteistö Oy Turun lentorahti	

PERSONNEL 1996



PERSONNEL 1996



I N C O M E D I S T R I B U T I O N O F T H E C A A

	1996		1995	
	Million FIM		Million FIM	
Turnover and other business activity income	842,6		747,8	
Production expenses of the services	-197,2		-167,5	
Financing income	17,1		24,5	
Other income and expenses	0,0		13,0	
Amount to be distributed	662,5	100%	617,8	100%
Preliminary taxation	96,1		94,7	
Social security fee	10,9		10,5	
Unemployment insurance fee	5,3		7,5	
Real estate tax	4,1		3,9	
Other public expenditures	1,9		1,2	
1. Public expenditure	118,3	18%	117,8	19%
Wages	276,7		259,0	
Preliminary taxation	-96,1		-94,7	
Contribution to pension fund	52,5		52,5	
Social security and unemployment insurance fees	(-16,2)		(-18)	
Other personnel costs	4,3		3,2	
Education	7,4		6,5	
2. Personnel	244,8	37%	226,5	37%
Financial costs	24,4		27,4	
3. Financiers	24,4	4%	27,4	4%
Fixed assets	231,2		217,3	
Changes in reserves	-1,1		0,0	
Undivided profit	43,8		28,7	
4. Infrastructure development	273,9	41%	246,0	40%
Amount to be distributed in relation to the number of movements and passengers				
Number of movements	324 893		328 715	
Number of passengers	8 245 462		7 624 890	
Amount to be distributed (FIM)				
per movement	2 036		1 879	
per passenger	80		81	



Economic Result

Development of Air Transport

In 1996, the air transport industry was, again, able to enjoy the enduring favourable development that began in 1995. Growing national economy and improved economic situation of the citizens had a positive effect on passenger figures particularly in domestic traffic and international charter traffic.

The amount of domestic passenger movements was at its lowest in 1993 after which it has increased year by year. The growth figures for 1995 were almost doubled in 1996 resulting in a 9.2% increase. However, the number of domestic air travellers in 1996 was still lower than in the period preceding the depression.

During the year under review, international traffic increased by 7.7% on 1995. Regarding 1996, dividing international passenger movements into the traditional scheduled and charter categories leads to an erroneous result as those charter flights that were transformed into scheduled ones in 1992 (as a result of a special tax imposed on charter flights) were changed back into charters during 1996. When the 1996 figures are looked at from this viewpoint, i.e. when the leisure flights which have been operated as scheduled ones are added to the charter traffic figures, the

amount of passengers travelling to holiday resorts in the South increased, in fact, by 26%. In contrast, the growth rate of the actual scheduled traffic showed signs of slowing down. The 10% increase in 1995 was diminished into a 4% growth in 1996. The number of Gateway passengers was 253,650. The amount was almost the same as in 1995.

The number of commercial air traffic operations grew by 7.4% on 1995. Domestic operations increased by 6% and international operations by 10%. As there were no notable changes in the aircraft types used in 1995 and 1996, the raise in operation volumes signified increased offer of new routes and air services for the passengers.

As from 1990, the figures for military and general aviation operations have been falling steadily, in 1996 the drop was 8% on the previous year.

The Transpolar route, the most direct airway from Europe to the Far East, was partly opened for scheduled traffic in August 1996. During the last quarter of the year, two air carriers were able to operate air services on the route. Opening of the Transpolar route raised the amount of flights over Finland by 6%.

The 1996 key development figures for air transport in Finland:

Passengers, international traffic	7,7%
Passengers, domestic traffic	9,2%
Landings, commercial air transport	7,4%
Landings, general and military aviation	-8,1%
Overflights	5,9%
Gateway passengers	-0,5%

Pricing Policy

In the long run, one of the goals of the CAA's pricing policy is to reduce the real aeronautical charges. When the pricing decisions for 1996 were made the expected rate of inflation was rather low so that reaching the pricing objectives required fairly modest

raises in the charges.

The pricing strategy of the previous years was pursued and the changes in price structure were furthered by diminishing the difference between domestic and international traffic charges.

The central aeronautical charges were revised in the following way:

Charge type	Domestic Traffic	International Traffic
Passenger fee	0 %	0 %
Landing charge	3 %	0 %
Terminal navigation service charge	5 %	5 %
Navigation charge	0 %	0 %

The impact of the revised charges on the most common aircraft types were 1.5% in domestic traffic and 0.1% in

international traffic. The present price level equals the European average and is competitive in regard to the charges

in use at other Nordic airports.

When the Transpolar route from Europe to the Far East was opened for scheduled traffic in August 1996, the CAA reduced the navigation charges for overflights in order to induce more air carriers to try and obtain operation rights from the Russian authorities to the Transpolar route. However, the tariff changes did not have any significant impact on the number of overflights although at the end of 1996 one new carrier started operating on the route.

Economic Result

Economic Result of the CAA Group

In addition to the CAA proper, the CAA Group includes the following subsidiaries: Kiinteistö Oy Lentäjätie 1, Finland Airport Services Ltd. and Kiinteistö Oy Turun Lento- rahti which was founded in 1996. The first fiscal period of Kiinteistö Oy Turun Lento- rahti will terminate on December 31, 1997. The accounts of the company are included in the figures for the CAA Group for the period of July 1 - De- cember 31, 1996 (six months).

The economic result of the CAA Group was FIM 42.7 million. The turn- over of the Group reached FIM 840.1 million and other income from busi- ness activities totalled FIM 2.5 mil- lion. The operating costs were FIM 559.7. million. The invest- ments for 1996 amounted to

FIM 304 million. At the end of 1996 the amount of long-term loans was FIM 418.7 million.

Economic Result of the CAA

The 1996 profit target set for the CAA by the Council of State was FIM 38 million. The profit target reflected the expectations for the 1996 development of air traffic volumes. The economic result was FIM 44 million.

The positive result, which exceeded the profit target, was in part due to the surprisingly favourable development of air transport and the fact that the financial items proved more profitable than estimated in the 1996 budget.

The turnover of the CAA amounted to FIM 840 million and other income from business activities to FIM 2.5 million. The turnover increased more than expected, by 12.6%, which can mainly be attributed to the positive

development of air traffic in 1996. In addition, income from the CAA's commercial activities showed strong growth - a direct result of the increased business activities at Helsinki-Vantaa Airport and its new Gateway Terminal.

The total amount of operating costs in 1996 was FIM 560.2 million - a rise of 9.5% on 1995. The increased expenditure was mainly caused by the operation of the new Gateway terminal and, in particular, the opening of the CAA Duty Free shop. Also the many development projects under way contributed to the rise in expenditure. However, the latter costs are short-term by nature and will not lead to permanent growth of expenses. The operating costs also include FIM 6.9 million of bonus pays to the personnel.

Investments

In the state budget for 1996 the limit set for the CAA's investments was FIM 450

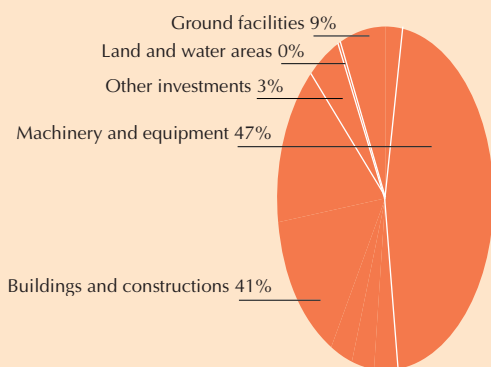
million. The actual investments amounted to FIM 294.2 million in 1996.

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

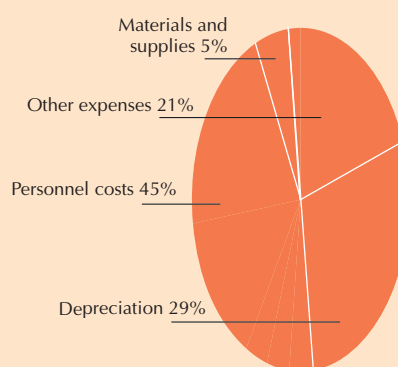
	FIM million
Land and water areas	0.6
Buildings and constructions	119.4
Machinery and equipment	138.4
Ground facilities	26.0
Stock and shares	5.7
Intangible rights	2.2
Other long-term expenditure	1.9

The most important investment project completed in 1996 was the Helsinki-Vantaa Gateway Terminal which was taken into use in October 1996. The costs, which could be distributed over the period of 1994-1996, totalled FIM 240 million. The other investments were mainly ordinary replacement investments focused on construction and equipment.

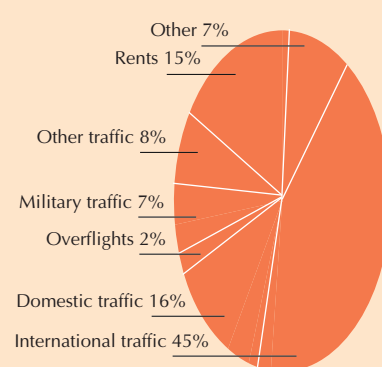
INVESTMENTS 1996



EXPENSES 1996



INCOME 1996



Financing

The state raised the basic equity capital of the CAA by FIM 25 million in 1996. This raise was the last installment of the state's contribution to the CAA, planned in 1991 when the National Board of Aviation was transformed into a state enterprise, the Civil Aviation Administration. In the budget the CAA was also granted the right to take on long-term loans up to FIM 300 million. The actual amount of long-term loans taken in 1996 was FIM 150 million which was used for financing the investment projects described above and for repayments of old loans.

The net financial items were FIM -7.3 million. The main reason for the unexpectedly positive result of the tre-

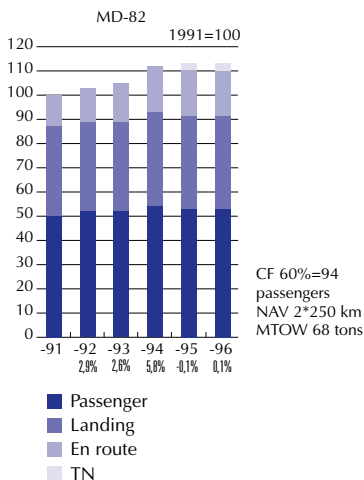
asury activities was that, throughout the year, the cash position was more advantageous than estimated. The liquidity status was the result of the improved cash flow of business activities and the fact that the actual level of investment costs was lower than projected.

At the end of 1996, the CAA's long-term loans totalled FIM 293.2 million.

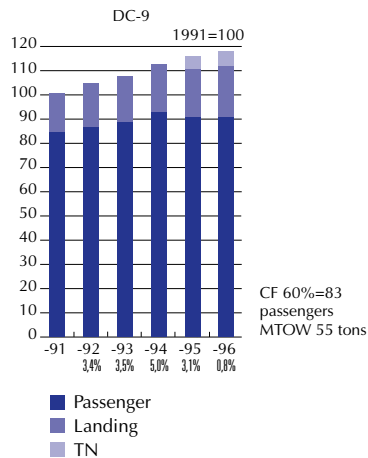
Productivity

Thanks to the increased volume of air transport the productivity of the CAA grew by 4% on 1995. The mean number of personnel working years was 12 personal working years (+0.7%) more than in the previous year.

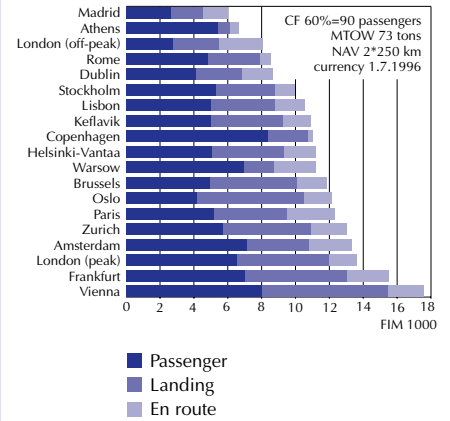
AIR TRAFFIC CHARGES IN INTERNATIONAL TRAFFIC 1991-1996



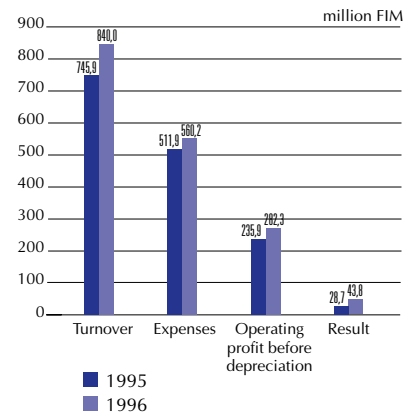
AIR TRAFFIC CHARGES IN DOMESTIC TRAFFIC 1991-1996



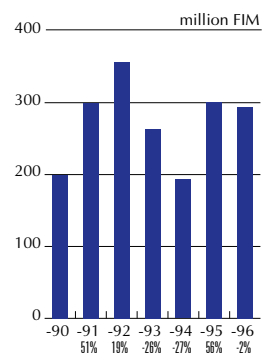
AIR TRAFFIC CHARGES 1.7.1996 MD-83



COMPARISON OF THE RESULT 1995-1996



INVESTMENTS 1990-1996



Income statements

1 . 1 . 1 9 9 5 – 3 1 . 1 2 . 1 9 9 6

	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
TURNOVER	840 116	746 107	840 045	745 869
Other revenue from business activity	2 509	1 902	2 509	1 902
EXPENSES				
Materials and supplies				
Purchases during fiscal year	45 143	27 590	45 143	27 399
Decrease (+)/increase (-) in inventories	-1 886	7 729	-1 886	7 729
Services bought from other companies	123 981	111 012	130 106	110 400
Personnel costs	358 074	344 741	352 115	341 446
Rents	4 596	1 855	6 165	3 015
Other costs	29 779	19 426	28 598	21 885
EXPENSES	559 687	512 353	560 241	511 874
OPERATING PROFIT BEFORE DEPRECIATION	282 938	235 656	282 313	235 897
PLANNED DEPRECIATION				
Buildings and constructions	75 833	63 941	72 697	61 036
Machinery and equipment	88 999	76 904	86 807	74 626
Ground facilities	66 054	64 438	66 015	64 401
Intangible rights	4 018	6 011	4 018	6 011
Other long-term expenditure	1 648	11 245	1 648	11 245
TOTAL DEPRECIATION	236 552	222 539	231 185	217 319
OPERATING PROFIT	46 386	13 117	51 128	18 578
FINANCING INCOME AND EXPENSES				
Interest income	13 562	16 944	12 978	16 319
Other financing income	6 632	10 635	4 151	8 154
Interest expenses	-20 919	-24 475	-14 238	-16 891
Other costs of borrowed capital	-2 640	-3 498	-10 184	-10 503
	-3 365	-394	-7 293	-2 921
RESULT BEFORE INCIDENTAL INCOME AND EXPENSES AND TAXES	43 021	12 723	43 835	15 657
INCIDENTAL INCOME AND EXPENSES				
Incidental income		13 021		13 021
Incidental expenses				
		13 021		13 021
RESULT BEFORE MINORITY SHARE	43 021	25 744	43 835	28 678
Direct Taxes	45			
Increase (-)/decrease (+) in optional reserves				
Minority Share	-249	19		
PROFIT FOR THE FISCAL PERIOD	42 727	25 763	43 835	28 678

Balance sheet

1 . 1 . 1 9 9 5 – 3 1 . 1 2 . 1 9 9 6

	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Intangible assets				
Intangible rights	7 158	8 496	4 838	6 176
Other long-term expenditure	638	555	638	555
	7 796	9 051	5 476	6 731
Tangible assets				
Land and water areas	211 799	215 572	211 799	215 572
Buildings and constructions	1 224 173	1 002 366	1 101 364	891 421
Machinery and equipment	391 805	337 531	382 979	326 662
Ground facilities	665 381	702 946	664 794	702 320
Unfinished products and advances	150 166	318 014	150 201	318 048
	2 643 324	2 576 429	2 511 137	2 454 023
Securities and other long-term investments				
Stock and shares	815	110	28 360	22 654
FINANCING ASSETS				
Current assets				
Materials and supplies				
Finished and semi-finished products	2 277	391	2 277	391
	2 277	391	2 277	391
Accounts				
Accounts receivable	67 670	60 460	68 159	60 664
Accrued revenue and deferred payments	59 560	48 412	59 568	48 694
Other accounts	70	137	60	166
	127 300	109 009	127 787	109 524
Financial assets and other long-term investments				
Other financial assets	320 059	202 507	310 059	192 507
Cash and money in bank account	6 365	2 993	250	2 943
	326 424	205 500	310 309	195 450
	3 107 936	2 900 490	2 985 346	2 788 773
LIABILITIES				
OWN EQUITY				
Restricted equity capital				
Basic equity capital	1 097 236	1 072 236	1 097 236	1 072 236
	1 097 236	1 072 236	1 097 236	1 072 236
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	92 878	67 115	102 909	74 230
Profit/loss for accounting period	42 727	25 763	43 835	28 678
	1 397 736	1 355 009	1 408 875	1 365 039
MINORITY SHARE	6 299	6 049		
RESERVES				
Optional reserves				
Transition reserves	12 827	12 827	12 827	12 827
Compulsory reserves		1 086		1 086
	12 827	13 913	12 827	13 913
CURRENT LIABILITIES				
Long-term				
Loans from the State	13 246	15 139	13 246	15 139
Loans from financial institutions	405 500	255 000	280 000	140 000
	418 746	270 139	293 246	155 139
Short-term				
Loans from the State	1 892	1 892	1 892	1 892
Loans from financial institutions	10 000	54 783	10 000	55 483
Advances	6 463	1 263	6 463	1 263
Accounts payable	61 177	37 130	61 034	37 215
Accrued expenses and deferred revenue	73 725	73 780	72 375	72 302
Other short-term loans	21 835	14 296	21 398	14 291
	175 092	183 144	173 162	182 446
	3 107 936	2 900 490	2 985 346	2 788 773

F i n a n c i n g s t a t e m e n t

1 . 1 . 1 9 9 5 – 3 1 . 1 2 . 1 9 9 6

	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
BUSINESS ACTIVITIES				
Income financing				
Operating profit	282 939	235 656	282 314	235 897
Financial income	-3 364	-394	-7 293	-2 921
Compulsory reserves increase(+)/decrease(-)		13 021		13 021
Incidental income and expenses				
Income tax	-46			
Total	279 529	248 283	275 021	245 997
Change in working capital				
Short-term receivables, increase (-), decrease (+)	-18 577	-7 774	-20 149	-9 607
Interest-free short-term debt, increase (-), decrease (+)	34 431	-1 464	35 500	-177
Total	15 854	-9 238	15 351	-9 784
CASH FLOW IN BUSINESS OPERATIONS	295 383	239 045	290 372	236 213
INVESTMENTS				
Land and water areas	565	1 660	565	1 660
Buildings and constructions	134 487	155 115	119 449	154 755
Machinery and equipment	138 544	112 366	138 434	112 085
Ground facilities	25 980	16 632	25 980	16 632
Stock and shares	306		5 706	200
Intangible rights	2 150	6 167	2 150	6 167
Other long-term expenditure	1 934	9 017	1 934	9 046
Total	303 966	300 957	294 218	300 545
SALE OF FIXED ASSETS	381	673	381	660
CASH FLOW BEFORE FUNDING	-8 202	-61 239	-3 465	-63 672
FUNDING				
Long-term loans increase (+)/decrease (-)	148 608	-51 169	138 108	-51 169
Short-term loans increase (+)/decrease (-)	-44 783	22 156	-44 783	22 156
Increase in basic equity capital	25 000	30 200	25 000	30 000
Total	128 825	1 187	118 325	987
INCREASE (+)/DECREASE IN LIQUID ASSETS	120 623	-60 052	114 860	-62 685
LIQUID ASSETS				
Liquid assets 1.1.	206 201	266 253	195 450	258 135
Liquid assets 31.12.	326 825	206 201	310 310	195 450
CHANGE IN LIQUID ASSETS	120 624	-60 052	114 860	-62 685

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 1996 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 and the other companies of the CAA Group, Kiinteistö Oy Lentäjätie 1, Finland Airport Services Ltd as well as Kiinteistö Oy Turun Lentorahti. The real estate company Kiinteistö Oy Turun Lentorahti was founded in 1996 and its accounts have been included in the figures for the CAA Group for the period of July 1 - December 31, 1996 (six months). The CAA has been granted a permit to carry out electricity network operations in the sense mentioned in the Electricity Market Act. The Act requires that the permit holder shall present, in the Notes to the Financial Statements, separate financial statements on the electricity network and sales operations.

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 profit of the Group shown as separate item on the balance sheet.

2. Salaries and wages	GROUP		CAA	
	1996	1995	1996	1995
Performance based	FIM thousand	FIM thousand	FIM thousand	FIM thousand
Board of directors and managing director				
Salaries and remuneration	1 057	944	757	676
Other salaries	258 597	246 176	254 401	244 032
Bonus pay	5 500		5 500	
Holiday pay	12 947	11 206	12 855	11 142
Change in holiday pay	1 938	3 235	1 789	3 106
Fringe benefits	215	192	208	192
Total	280 254	261 753	275 510	259 148
3. Social security payments				
Pensions	53 344	52 954	52 549	52 519
Unemployment insurance payments	5 330	7 495	5 283	7 471
Personnel costs concerning bonus	1 397		1 397	
Other personnel costs	17 674	16 162	17 315	15 930
Total	77 745	76 611	76 544	75 920

The holiday pay reserves for 1996 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 the 1996 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 19.4% (1995: 20.2%).

In 1996 the CAA Group employed an average of 1,647 (1995: 1,622) persons and the CAA an average of 1,604, (1995:1,599). The number of personnel in operational jobs averaged 1,584 (1995: 1,565) and in investment projects 20 (34 in 1995).

At the end of the financial year the number of personnel employed by the CAA Group was 1,671 (1995: 1,662). The number of permanent employees at the CAA was 1,499 (1995: 1,449) and that of fixed-term personnel 130 (1995: 141). For the first time in the history of the CAA, the personnel will receive bonus pay for the fiscal year 1996.

The capitalization share of the social security payments concerning investment salaries has been expanded during the fiscal year. The additional capitalization share was 0.7 million.

Notes to the financial statements

4. 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.

Economic life and depreciation percentages were as follows:

	Years	Depreciation %	
Intangible assets			
Intangible 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	8 - 20	6,7 - 15 %	Bal.-red.-met.
Earth structures	10 - 40	2,5 - 10 %	Straight-line

Intangible assets

Other long-term expenditure

A total of FIM 1.5 million has been booked as expenditure consisting of planning costs.

Tangible assets

Buildings and structures

In connection with the replacement and renewal investments of the international terminal at Helsinki-Vantaa Airport and the passenger terminal at Tampere-Pirkkala, an additional depreciation of FIM 10.2 million was made for 1996, related to the terminal sections that were removed. The land acquisitions made in previous years have included constructions unsuitable for profitable use. Their terminal value of FIM 5.1 million has been booked as expenditure.

The economic life of buildings and structures as well as the related machinery and equipment acquired during 1991-96 when the Civil Aviation Administration has been operating as a state enterprise has been shortened. As a result, planned depreciation in 1996 increased by FIM 3.9 million.

Machinery and Equipment

The economic life of machinery and equipment related to the power plant operations which are separated from the CAA Financial Statements, has been revised to comply with the practice employed in the electricity field (from 15 to 20 years). Computer hardware and related equipment (<FIM 15,000 in value per computer terminal) have been booked as expenditure (FIM 4,6 million).

The economic life of some equipment/systems of the Air Navigation Services Department has been shortened from 15 to 8 years. This measure increased the planned depreciation by FIM 2.4 million.

Investments/projects in progress

For 1996, an additional depreciation totalling FIM 4.4 million has been made on the investment costs of certain projects in progress. The expenditure consists of general planning and administration costs. In the air navigation sector, a total of FIM 3 million of project training costs concerning the nationwide ATC guidance system has been booked as expenditure.

Notes to the financial statements

Changes in balance sheet items	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
Intangible rights				
Acquisition cost, Jan1	17 013	16 721	14 693	14 401
+ Increase during financial year	2 545	2 052	2 545	2 052
- Decrease during financial year	- 1 048	- 1 760	- 1 048	- 1 760
Acquisition cost, Dec 31	18 510	17 013	16 190	14 693
- Accrued planned depreciation, Dec 31	- 11 353	- 8 516	- 11 353	- 8 516
Book value Dec 31	7 157	8 496	4 837	6 177
Other long-term expenditure				
Acquisition cost, Jan1	5 502	10 384	5 502	10 384
+ Increase during financial year	1 731	1 740	1 731	1 740
- Decrease during financial year	- 1 458	- 6 622	- 1 458	- 6 622
Acquisition cost, Dec 31	5 775	5 502	5 775	5 502
- Accrued planned depreciation, Dec 31	- 5 137	- 4 948	- 5 137	- 4 948
Book value Dec 31	638	555	638	555
Land and water areas				
Acquisition cost, Jan1	215 572	213 912	215 572	213 912
+ Increase during financial year	546	2 584	546	2 584
- Decrease during financial year	- 4 319	- 923	- 4 319	- 923
Acquisition cost, Dec 31	211 799	215 572	211 799	215 572
Buildings and constructions				
Acquisition cost, Jan1	1 199 625	1 182 206	1 084 095	1 067 036
+ Increase during financial year	295 209	126 137	280 171	125 776
- Decrease during financial year	- 6 560	- 108 718	- 6 560	- 108 718
Acquisition cost, Dec 31	1 488 274	1 199 625	1 357 706	1 084 095
- Accrued planned depreciation, Dec 31	- 264 101	- 197 259	- 256 342	- 192 674
Book value Dec 31	1 224 173	1 002 366	1 101 364	891 421
Machinery and equipment				
Acquisition cost, Jan1	909 891	866 774	895 332	852 480
+ Increase during financial year	138 026	82 231	137 874	81 923
- Decrease during financial year	- 43 392	- 39 114	- 43 386	- 39 070
Acquisition cost, Dec 31	1 004 525	909 891	989 820	895 332
- Accrued planned depreciation, Dec 31	- 612 720	- 572 360	- 606 841	- 568 670
Book value Dec 31	391 805	337 531	382 979	326 662
Ground facilities				
Acquisition cost, Jan1	1 066 954	1 048 571	1 066 268	1 047 892
+ Increase during financial year	27 456	21 248	27 456	21 243
- Decrease during financial year		- 2 866		- 2 866
Acquisition cost, Dec 31	1 094 410	1 066 954	1 093 724	1 066 268
- Accrued planned depreciation, Dec 31	- 429 029	- 364 007	- 428 930	- 363 948
Book value Dec 31	665 381	702 946	664 794	702 320

Notes to the financial statements

	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
Stock and shares				
Acquisition cost Jan 1.	110	308	22 654	22 454
+ Increase during financial year	706	- 198	5 706	200
- Decrease during financial year				
Acquisition cost Dec 31	816	110	28 360	22 654
TOTAL				
Acquisition cost Jan 1	3 414 666	3 338 875	3 304 117	3 228 558
+ Increase during financial year	466 219	235 795	456 029	235 518
- Decrease during financial year	- 56 776	- 160 003	- 56 770	- 159 960
Acquisition cost Dec 31	3 824 109	3 414 666	3 703 376	3 304 117
- Accumulated planned depreciation Dec 31	-1 322 339	-1 147 090	-1 308 604	-1 138 756
Book value Dec 31	2 501 770	2 267 577	2 394 772	2 165 361
Total depreciation on fixed assets (FIM 1,000)				
- planned depreciation			197 187	185 170
- additional depreciation			26 119	22 925
- work in progress			7 879	9 225
Total depreciation as state enterprise in 1996 and 1995			231 185	217 320
5. Stock and share				
		Book value		Book value
Telephones	110	110	110	110
Stock and shares	681		681	
Other stock and shares	25		25	
Subsidiary shares				
Kiinteistö Oy Lentäjäntie 1			22 145	22 145
Finland Airport Services Ltd			400	400
Kiinteistö Oy Turun Lentorahti			5 000	
Total stock and shares	816	110	28 361	22 655
6. CAA Group companies				
			1996 FIM thousand	1995 FIM thousand
Kiinteistö Oy Lentäjäntie 1			953	- 72
Finland Airport Services Ltd			313	- 191
Kiinteistö Oy Turun Lentorahti			285	
7. Increase and decrease in shareholders' equity items				
Restricted shareholders' equity				
At year start	1 072 236	1 042 236	1 072 236	1 042 236
+/- increase/decrease	25 000	30 000	25 000	30 000
At year-end	1 097 236	1 072 236	1 097 236	1 072 236
Non-restricted shareholders' equity				
At year start	1 262 131	1 262 131	1 262 131	1 262 131
Profit/loss for previous years	92 878	67 115	102 909	74 230
Profit (+)/loss (-) for financial year	42 746	25 763	43 854	28 679
At year-end	1 397 755	1 355 009	1 408 894	1 365 040
Total shareholders' equity	2 494 991	2 427 245	2 506 130	2 437 276

Notes to the financial statements

	GROUP		CAA	
	1996 FIM thousand	1995 FIM thousand	1996 FIM thousand	1995 FIM thousand
8. Appropriations to reserves				
Optional				
Transition reserves	12 827	12 827	12 827	12 827
Compulsory	-	1 086	-	1 086
9. Funds allocated from state budget				
Funding received against performance				
Compensation from the Air Force			59 000	59 001
Compensation from the Frontier Guard			570	550
Compensation from the Meteorological Institute			2 280	3 086
Compensation for Rescue services			4 305	4 432
			<u>66 155</u>	<u>67 069</u>
Other funding received				
For investment projects			37 900	96 965
For operations			17 568	26 355
For personnel training			6 089	2 765
Receipts in advance			470	
			<u>62 027</u>	<u>126 085</u>
10. Personnel remunerated from state budget funds				
Number of personnel			106	173
Wages and fees (FIM thousand)			9 014	9 912
11. Pledges, charges over property and liabilities				
Absolute guarantee on behalf of Kiinteistö Oy Lentäjätie 1.			115 000	115 000

12. Economic result of the Flight Safety Authority / regulatory functions in 1996

For the fiscal year 1996, the turnover of the regulatory functions was FIM 3.8 million. The turnover consists mainly of fees and charges for airworthiness inspections of aircraft and related licences and permits. In addition, the Flight Safety Authority collects fees for the air operator certificates.

The expenses totalled FIM 16 million of which salaries form the main part (FIM 14.1 million). The deficit will be covered by the revenue from the other activities of the CAA.

At the end of the fiscal year, the number of personnel was 55. During 1996, two persons were transferred to the Accident Investigation Centre which functions under the Ministry of Justice.

13. The CAA in the state budget of 1996

In the state budget the preliminary profit target set for the fiscal year was FIM 27 million.

The actual profit for 1996 was FIM 43.8 million.

In 1996 the CAA raised FIM 140 million of new loans from the capital market. In the budget the CAA was granted the right to take on long-term loans up to FIM 300 million.

In the budget the investment costs were estimated to total FIM 265 million while the actual investments amounted to FIM 293 million in 1996.

Notes to the financial statements

Key figures for 1996

CAA

	1994 Result	1995 Result	1996 Budget	1996 Result
Turnover (FIM million)	673,2	745,9	750,0	840,0
- change%	6,8	10,8	0,6	12,6
Operating profit (FIM million)	190,4	235,9	231,0	282,3
-operating profit % on turnover	28,3	31,6	30,7	33,6
Profit (FIM million)	22,9	28,7	27,0	43,8
- profit % on turnover	3,4	3,9	3,6	5,2
Return on investment % 1)	1,7	1,3	1,5	1,8
Gearing ratio % 2)	87,0	87,9	85,0	84,8
Investments % on turnover	28,6	40,9	34,6	34,9
Number of personnel	1580	1599	1605	1629

Formulae:

1) Net profit + financing income - financing expenses / investment (balance sheet total / interest-free debt)

2) Own equity + reserves / balance sheet total

14. Separation of the CAA electricity network operations for 1996

In accordance with the Electricity Market Act (386/95), the share of network and sales operations have to be separated from other electricity business activity in regard to bookkeeping.

Distribution principles of common costs and balance sheet items

Other expenses

A share of Helsinki-Vantaa Airport's general costs has been allocated to the electricity network operations of the power plant operating at the airport in relation to its running costs. In addition, a share of the CAA Group/head office expenses has been allocated to the electricity network operation in relation to the running costs of Helsinki-Vantaa Airport.

Financing Income and expenses

The financial items of the electricity network operations have been formed by proportioning them to the values of the fixed assets of the airports.

Changes in balance sheet items

The fixed assets allocated to the electricity network operations (equipment and buildings) form the opening balance sheet of the electricity network operations. In the liabilities the assets have been divided into basic equity capital and other equity of the opening phase.

	FIM thousand	
Buildings and constructions	Acquisition cost Jan. 1	641
	Increase during fiscal year	
	Acquisition cost Dec. 31	641
	- Accumulated planned depreciation Dec 31	-464
	Book value Dec 31	177
Machinery and equipment	Acquisition cost Jan. 1	41 412
	Increase during fiscal year	3 647
	Acquisition cost Dec. 31	45 059
	- Accumulated planned depreciation Dec 31	-30 554
	Book value Dec 31	14 505

Notes to the financial statements

Accounts receivable

The accounts receivable have been calculated by proportioning the turnover of the electricity network operations to the turnover of the CAA.

Other receivables

The financial receivables from the CAA accrued during the fiscal year.

Current liabilities (long-term loans)

The share of the electricity network operations of the long-term loans has been defined in relation to the fixed assets.

Short-term liabilities

The accounts payable are formed by the acquisitions allocated to the electricity network operations. The accrued charges and deferred credits include the holiday pay reserves according to the holiday pay accumulated since the beginning of the year (9 months) and salaries divided into periods on accrual basis.

Personnel

During the fiscal year, the average number of personnel was 8.

Return on investment %

The return % on investment regarding the electricity network operations was 11.8%.

$$100 \times \frac{\text{(result before extraordinary income and expenses+interest expenses and other financing expenses)}}{\text{Restricted equity capital}}$$

Income statements

	POWER PLANT			
	NETWORK OPERATIONS 1996 FIM thousand		SALES OPERATIONS 1996 FIM thousand	
TURNOVER	7 049		18 040	
Other revenue from business activity				
EXPENSES				
Materials and supplies				
Purchases during fiscal year	120		30	
Decrease (+)/increase (-) in inventories				
Services bought from other companies	1 153		15 604	
Personnel costs	1 336		261	
Rents	195			
Other costs	672		13	
EXPENSES	3 477		15 908	
OPERATING PROFIT BEFORE DEPRECIATION	3 571	50,7 %	2 132	11,8 %
PLANNED DEPRECIATION				
Buildings and constructions	59			
Machinery and equipment	1 885			
TOTAL DEPRECIATION	1 944			
OPERATING PROFIT	1 628	23,1 %	2 132	11,8 %
FINANCING INCOME AND EXPENSES				
Interest income	80			
Other financing income	25			
Interest expenses	- 87			
Other costs of borrowed capital	- 16			
TOTAL	2			

Notes to the financial statements

POWER PLANT

	NETWORK OPERATIONS		SALES OPERATIONS	
	1996		1996	
	FIM thousand		FIM thousand	
RESULT BEFORE INCIDENTAL INCOME AND EXPENSES AND TAXES	1 630		2 132	
RESULT BEFORE TRANSFERS AND TAXES	1 630		2 132	
PROFIT FOR THE FISCAL PERIOD	1 630	23,1 %	2 132	11,8 %

Balance sheet

ASSETS

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Tangible assets	
Buildings and constructions	177
Machinery and equipment	14 505
	14 682

FINANCING ASSETS

Accounts	
Accounts receivable	573
Accrued revenue and deferred payments	
Other accounts	2 277
	2 850

ASSETS TOTAL 17 532

LIABILITIES

OWN EQUITY

Basic equity capital	7 800
Other equity	5 200
Profit/loss for previous accounting periods	
Profit/loss for accounting period	1 630
	14 630

RESERVES

CURRENT LIABILITIES

Long-term	
Loans	1 872
	1 872
Short-term	
Accounts payable	80
Accrued expenses and deferred revenue	950
	1 030

LIABILITIES TOTAL 17 532

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 43.8 million is left in the Civil Aviation Administration's profit and loss account.

Vantaa 7 April 1997

Mikko Talvitie

Pekka Hurtola

Seppo Simola

Tuulikki Petäjaniemi

Mona Björklund

Matti Puhakka

The above Financial Statement has been prepared in accordance with good accounting standards.

A separate audit report has been issued today.

Vantaa 16 April 1997

Seppo Akselinmäki

Kalevi Alestalo

Markku Pajunen

Audit report

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, 1996. 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 statements of the Civil Aviation Administration 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 financial statements. 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 and the Act on Civil Aviation Administration.

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

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 have familiarized ourselves with the income statements, balance sheet and notes of the electricity network operations separated from the financial statements of the CAA in compliance with the Electricity Mar-

ket Act. They are presented in the Notes to the Financial Statements. As our statement we propose that, in the essential parts, the accounts have been drawn up in accordance with the Electricity Market Act and the stipulations and regulations given on the basis of the Act.

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

Vantaa 16 April 1997

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, deals with the airworthiness of aircraft and confirms the mortgages. In addition, it grants certificates and licences and oversees the activities of air operators' certificate holders as well as holders of other licences and permits. The Flight Safety Authority has final decision-making power in the CAA in matters concerning flight safety. In 1996, the expenses for the regulatory functions amounted to FIM 16 million and the revenues totalled FIM 3.8 million.

The general arrangements for accident investigation as well as the planning, training, investigation procedures and setting up of investigating committees were transferred to the Accident Investigation Centre acting under the Ministry of Justice on March 1, 1996. The CAA has continued inspecting the minor hazardous situations and concentrated its work efforts on the prevention of accidents and dangerous situations. Coordination of activities and cooperation with

the Accident Investigation Centre has been successful.

Aviation Regulations

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). The JAR requirements come into force in the EU with a Council ordinance. The CAA participates in the preparation and implementation of the regulations in the EU and is thus able to influence the deci-

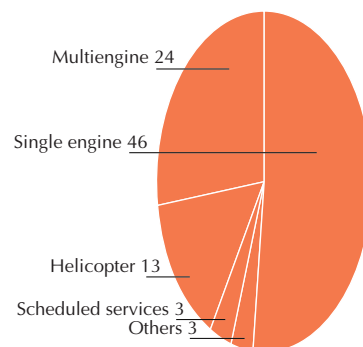
sion-making process.

The judicial status of the JAA and the cooperation model with the EU have become key issues in pace with the integration development of Europe. The Commission of the EU has made its first, preliminary proposal on the creation of a joint European aviation authority that would replace the JAA. Discussions on this issue between the Commission and the JAA member states will continue.

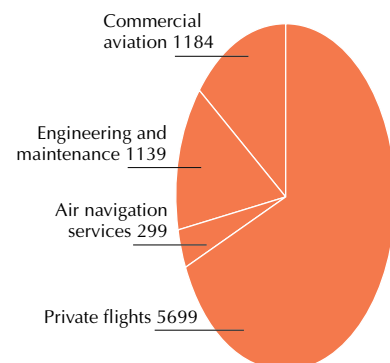
AGA Aviation Regulations

New AGA Aviation regulations con-

AIR OPERATORS CERTIFICATES 1996



LICENCES 1996



cerning airports were finalized in 1996. The 200-page collection of 13 regulations is based on international norms and recommendations on airport planning and operations. The collection includes detailed regulations on, e.g. the airport's quality control system regarding flight safety as well as on the dimensions of manoeuvring areas, obstacle restrictions, visual ground aids, maintenance, ground traffic and rescue operations.

These new aviation regulations will clarify the differentiation of roles of the flight safety authority and airport operator: the former is in charge of issuing regulations and the latter is

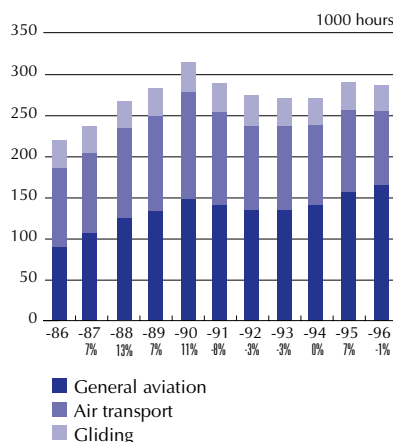
responsible for the safety of the services offered. The detailed, systematic supervision of authoritative nature can now be replaced by general supervision of the quality system and operation procedures of the airport operator.

Flight Safety

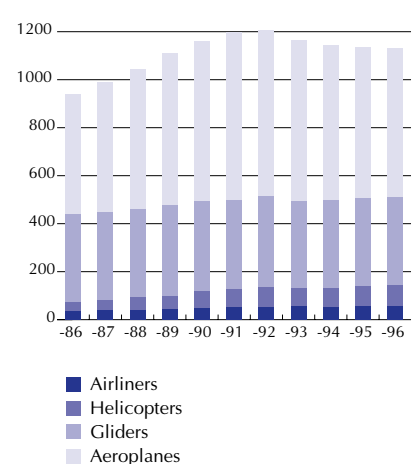
In regard to flight safety, 1996 was a satisfactory year in Finnish aviation. However, one fatal accident occurred in scheduled traffic when an Estonian ramp worker was killed as he hit the revolving propeller of a Finnish ATR aircraft at Tallinn Airport. General avi-

ation met with eight incidents involving damages and three accidents in which one person was seriously injured. Seven incidents and two accidents occurred in glider-flying resulting in serious injuries to one person and lesser ones to another person. There were six damages in ultra-light aviation and one accident where two persons were seriously injured. One person was injured in parachuting and two persons in hanggliding.

FLIGHT HOURS 1986–1996,
AIRCRAFT REGISTERED IN FINLAND



AIRCRAFT REGISTERED
IN FINLAND 1986–1996



● CAA AIRPORTS

○ OTHER AIRPORTS



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