

Market Study



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Instruction

Assignment

In accordance with the contracted proposal dated 13 February 2026, SBHC, acting as external consultant, has completed the requested Advisory Services (the “Report”) in relation to the Ruka & Kuusamo Hotel Market.

Scope of Work

Location Analysis

- Macro Location Overview
- Accessibility Analysis
- Demand Generators
- Assessment of Development Opportunities
- Interviews with relevant stakeholders

Hotel Market Overview

- Analysis of supply and analysis of relevant future supply
- Analysis of demand
- Review of the hospitality market performance

Projections

- Detailed projections of potential market performance for the near future

Purpose

This report has been prepared to assist the Client in determining and attracting further hotel development into the region

Basis of work

This assignment has been undertaken on both fieldwork & deskwork basis, including market inspection and some hotel inspections. The Report is subject to the assumptions taken throughout the report and the Terms and Conditions attached in Appendix.

Data Availability

This Report has been prepared based on information provided by the Client, local authorities, Statistics Finland, Ruka & Kuusamo Tourist Association, other publicly available statistics and our own research.

We have relied upon the Information and reserve the right to amend the Report in the light of any further information discovered. We stress that in the event of a future change in trading potential or actual levels of trade, the projections could also vary. We have assumed that the received information is correct at the time of preparing the report, complete and can be substantiated by an independent audit.

Market Inspection

A fieldwork trip and inspection of the market were undertaken in physical presence between February 24-26, 2026. We conducted primary research following the site visits and prior to the fieldwork trips and completed our analysis following our findings.

Currency

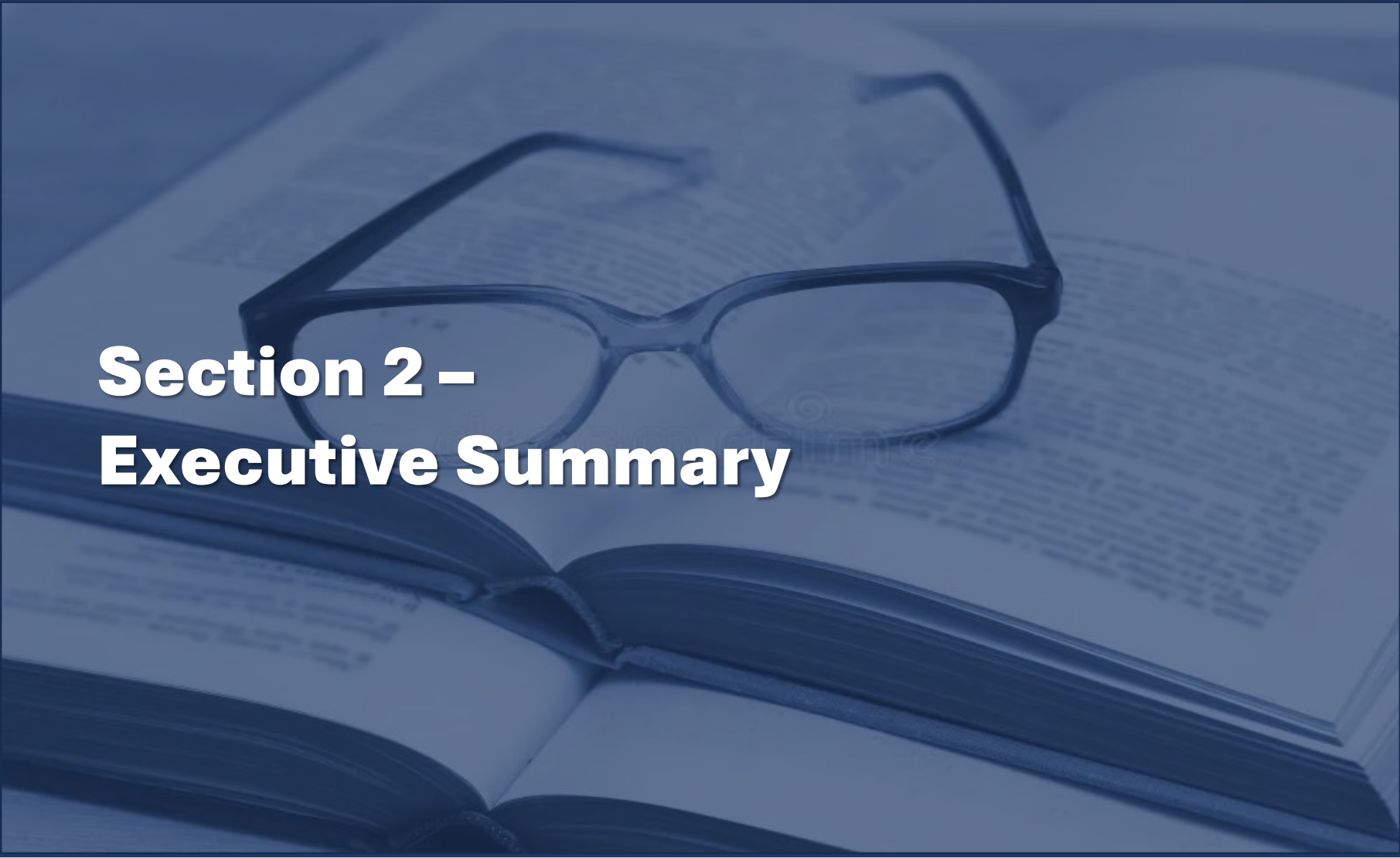
Financial results presented in this Report are expressed in Euros (€).

Other

We confirm that we have no undisclosed interest in the market under consideration in this Report, and our employment and remuneration are not contingent upon our findings and conclusions.

Definitions and Abbreviations

A&G	Administration & General	k	1,000 (number)
ADR/ARR	Average Daily Rate / Average Room Rate	km	Kilometre
AGOP	Adjusted Gross Operating Profit	km ²	Square kilometre
approx.	Approximately	M	Million
ARI	Average Rate Index	m ²	Square metre
bn	Billion	MICE	Meetings, Incentives, Conferencing, Exhibitions
c.	Circa	min	Minutes
CAGR	Compound Annual Growth Rate	N/A	Not available
C&B	Conference & Banqueting	NOI	Net Operating Income
e.g.	For example (<i>exempli gratia</i>)	PAR	Per Available Room
EIU	European Intelligence Unit	pax	Person approximate
etc.	Etcetera	POR	Per Occupied Room
F&B	Food & Beverage	POM	Property Operations and Maintenance
FF&E	Furniture, Fixtures & Equipment	pp	Percentage point
GDP	Gross Domestic Product	RevPAR	Revenue per Available Room
GIA	Gross Internal Area	RGI	Revenue Generation Index
GOP	Gross Operating Profit	SWOT	Strengths, Weaknesses, Opportunities, Threats
h	Hour	SBHC	Scandinavian & Baltic Hotel Consulting
i.e.	That is (<i>id est</i>)	USALI	Uniform System of Accounts for the Lodging Industry
ICCA	International Congress and Convention Association	VAT	Value Added Tax
IT/ICT	Information Technology	YoY	Year on Year
		YTD	Year To Date



Section 2 – Executive Summary

Review of the Kuusamo Hotel Market

Positive evaluation of the Kuusamo hotel Market

ACCESSIBILITY	The Kuusamo & Ruka hotel market is well accessible with most transportation modes. Kuusamo airport is located just 25km south of Ruka, and is being serviced by both domestic and international flight connections. Domestic connections are daily and international connections few times per week during the peak season, December-April. The Market can be easily reached Via national road network, well-maintained, high-level roads connect Ruka to the national grid. Ruka can also be reached by train via Rovaniemi and Kemijärvi, from wheret there is daily buss connections to the market.	Ruka & Kuusamo Market Projections Summary 2026-2028					
		2023	2024	2025	2026	2027	2028
		HISTORICAL			FORECAST		
	Occupancy	46 %	48 %	48 %	49 %	48 %	43 %
	ADR (€)	107	114	114	116	120	128
	RevPAR (€)	49	55	54	57	58	55
Source: SBHC Research & Analysis							
SUPPLY & DEMAND	The current market in Kuusamo region consists of c. dozen hotels with some 700 rooms. The local hotel market is still recovering from the pandemic and is slightly behind in sold rooms (-6% in comparison to 2019), occupancy hovering around 48% and ADR up at €114 (+20% to 2019). In comparison to 2024, occupancy remained at 48%, ADR went up by 2%. Co-op Koillismaa is construc-ting a new 212-room Sokos hotel which is expected to open in October 2027. The market is heavily weighted towards domestic mid-market supply with very limited supply of limited service / select service hotel products, or full-service sector supply. The market doesn't support any international brands neither.						
MARKET OPPOR-TUNITIES	We consider the market to provide clear opportunities for some new hotel capacity development to take place. First of all, we consider the market to lack internationally branded operations attracting more demand from foreign customers. There seems to be shortages at least in the limited- and full-service sectors, accompanied with opportunities at proper apartment hotels. At the moment, vast majority of the hotel capacity centres at the mid-market quality, leaving opportunities at other segments open. Also, there are enough chalet type of accommodation available at the region, but no internationally branded apartment hotels with larger apartment sizes capable of competing with chalets, but with hotel level quality and services						
CONCLUSION	Given the development of the new Sokos hotel, the Ruka hotel market is too centralized, just on mid-market hotel products. We expect the market to grow strongly, especially the international demand. Occupancies are expected to remain in the late 40s/early 50s, given the current supply pipeline. The ADR levels are relatively low, and we would expect them to increase strongly to support further potential supply.						

Section 3 – Location Analysis



Macro Location – Kuusamo Municipality

General Overview

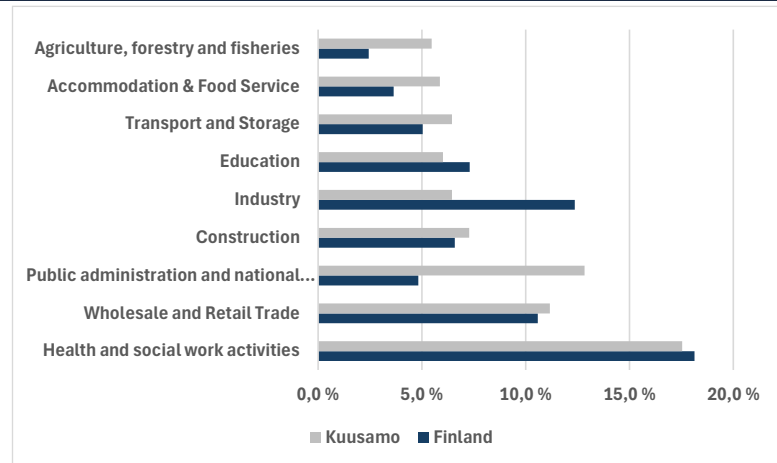


- **Ruka**, one of the most attractive ski resorts, is **located** at the northern tip of **Kuusamo Municipality**, located in the north-eastern corner of Pohjois-Pohjanmaa. With an area of c.5,800sq km, it is a large municipality in Finland with a tiny population of just c. 15,000 people (total population of Lapland is c. 180,000).
- Despite its relatively low population base, the municipality attracted some 280,000 overnight and 178,000 arrivals **in 2025**, slight declines of -5,3% and -4,4% respectively. However, note that the number of international overnights grew by 15,1% in 2025.
- The resort sits just north of Kuusamo, some 40km more south than Rovaniemi & Arctic circle), enabling its visitors to experience both –polar night and polar day. Northern lights are majestic play on nature, best visible between September until March.
- Besides the skiing, the destination offers an unforgettable nature experience & Christmas season with **Santa Claus** and the **reindeer**, a broad selection of winter activities ranging from **husky safaris** to well-being packages, ancient Lappish culture and wild natural landscape extending around the resort.
- The resort offers over 100km of cross-country skiing tracks and approximately 200km of snowmobile routes in addition to the 42 ski slopes, making Ruka one of the largest winter activity resorts in Northern Europe.
- The resort skiing season starts as early as the beginning of October and lasts till May (c. 200 days), making it **one of the longest seasons in the winter destinations in the world**. In late November, Ruka hosts the Ski World Cup, attracting the highest-profile skiers from around the World & Nordic region.
- Whilst most (c. 80% of annual international and some 55% of total overnights) of the tourism is concentrated in the main winter/skiing season (Nov –Apr), there is still a substantial demand in the remaining months, as there is an array of outdoor activities to enjoy in the off-season (hiking, cycling, fishing, water activities, observing Ruska (leaves change colours before falling) in Mid-September and more). It is also the season where there is a lot of potential for increase.

Key Fact- Kuusamo

POPULATION:	Kuusamo 15,000, Rovaniemi 65,000, Lapland 180,000	
AREA:	5,800 sq km, Lapland 110,000 sq km	
GDP / CAPITA	Northern Lapland €58,000 Rovaniemi €39,000 Finland €48,000	
KEY SECTORS:	Mining, Tourism, Reindeer Herding	

Employment By Sector (TOL 2008) Kuusamo vs Finland 2023



Macro Location - Kuusamo Municipality

General Overview continue...



- Besides living out of hotel & restaurant segments (representing almost 6% of the workforce with 340 people), the municipality has a versatile economic structure. As suspected for a small municipality, slightly over represented sectors are health & social work at 18%, followed by wholesale & retail at 11% and industry at 12% of number of employees.
- One of the largest employers is a sawmill **Pölkky Oy**, with €160m turnover and 360 staff members (activities in Finland in Kuusamo, Taivalkoski and city of Kajaani), Pölkky is **part of Austrian based Pfeifer Group**, with production in 13 sites at four countries in Europe, with a turnover €1,5bln and employing some 2,600 staff members.
- Forestry is well presented at Kuusamo, with some large domestic & international forest companies having their satellite operations in the region
- Rukakeskus Oy**, the main ski slope and ski equipment renting company, is one of the large employer in the municipality, employing close to 150 people with an annual turnover close to €25m in 2025. The company is the locomotion of Ruka region tourism.
- Koillismaa Co-Op, part of the S-Group, is responsible for the most of the retail and grocery business in Kuusamo area. With a turnover of c.€110m and employing some 300 staff, the company is large force in the regions economy. The company is also behind the new Sokos hotel €37m investment.
- Reindeer herding** is a traditional way of life in Lapland, and still, some estimated 1,000 households will earn their primary income from this, alongside agriculture and forestry. There are over 200,000 reindeer in Lapland, so more than its population!
- In general, Lapland benefits from one of the world's cleanest air. Temperatures may vary from harsh winter below -35°C to summer's high close to +30 °C. Based on statistics over the past 100 years, the lowest levels of snow have been around 50cm, and the highest levels have been 120cm
- One of the best winter conditions have also attracted international car manufacturing industry to create winter driving schools for testing cars, tyres and also attract drivers to learn this rare skill in their ice driving courses (attracting hundreds of car enthusiast to attend these expensive courses. Four-time rally world champion Juha Kankkunen's driving school in Kuusamo is one of the many in Lapland.

Key Facts - Kuusamo



PFEIFER



OVER 200,000 REINDEERS IN LAPLAND



DUE TO VERY LITTLE LIGHT POLLUTION, THE BEST LOCATIONS TO SPOT AURORA BOREALIS

Macro Location – Kuusamo Municipality & Ruka

Good Accessibility by various modes of transportation



Travelling distance in the Lapland wilderness can be quite long. Despite this, Ruka is quite well served and connected.



Air

Ruka can be reached via Kuusamo (25km) and Rovaniemi (150km) airports. Kuusamo currently has direct daily flights to Helsinki (1h 45min) and holiday flights to Germany (Frankfurt & Dusseldorf), to the UK (London) and Greece (Rhodos & Creta) during the season, over a year Kuusamo receives c. 150 charter flights. Rovaniemi airport has over 20 direct flights from elsewhere in Europe and also several daily connections from Helsinki. Over the season, Rovaniemi airport accommodates several hundred charter flights.



Train

Lapland can also be quite well reached by train from southern Finland. There are frequent services from south to cities of Oulu and Rovaniemi (20 and 11 services per day, travel times around 6h-8h and 8h 30min respectfully). There are also several cities from where one can travel to Lapland with cars transported in the train. Service covers eastern Lapland via Kemijärvi (100km, driving distance c.110km 1h 30min), Rovaniemi(155km, driving distance 200km, driving time c2h 30m.).



Buss / Car

In reaching Ruka, the final stretch of travel will be usually covered by bus or passenger cars. There is daily buss service from Kuusamo airport to Ruka almost every 10 minutes during the season, at the cost of c. €16, with a travel time of c.30min. There is also daily buss connection from Kemijärvi-Ruka (c.100km) at the cost of €17 for single fare. There is also a local Ruka Ski Bus, serving with three different lines covering Ruka region and Kuusamo, covering the whole season from early November until beginning of May.

There are several car rental agencies at Kuusamo airport to serve the needs of tourists who want to rent a car. Road network is divided into four categories (highway, primary and regional, and connectors, all maintained by the government and local municipalities), and Ruka can be easily reached via the network of well-maintained roads, travel time from the airport is just 30min, from Rovaniemi c. 2h 30min (200km) and from Oulu 3h (240km), depending on travel volume and weather conditions.



Macro Location - Kuusamo Municipality

Kuusamo Airport – Gateway to Northern Finland & Lapland



Kuusamo Airport is located c.25km to the south of Ruka, with an approximate travel time of just 30 minutes to Ruka village centre, and is one of the leading entry points for the Eastern Northern Finland market. The airport is expected to break the 130K passenger barrier during 2025/26. The number of international passengers has almost doubled since 2019, while domestic demand has slightly declined.

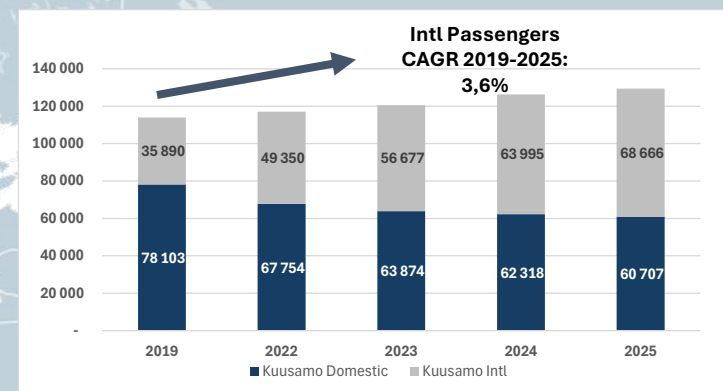
Northern Finland airports, including Rovaniemi, have gone through an €100m refurbishment program over the past decade. Improvements were mainly concentrated on security systems, passport control and lifting up the interior design and upgrading the restaurant services, and in Rovaniemi in particular, extending the terminal building.

The Rovaniemi airport received over 1,1m passengers, making it the second busiest airport in the country. Total demand went up by strong 18% in 2025, while international share grew up by whopping 44%, and has grown over five times over 2019, when international share of passengers were just 18%, and now in 2025 54%

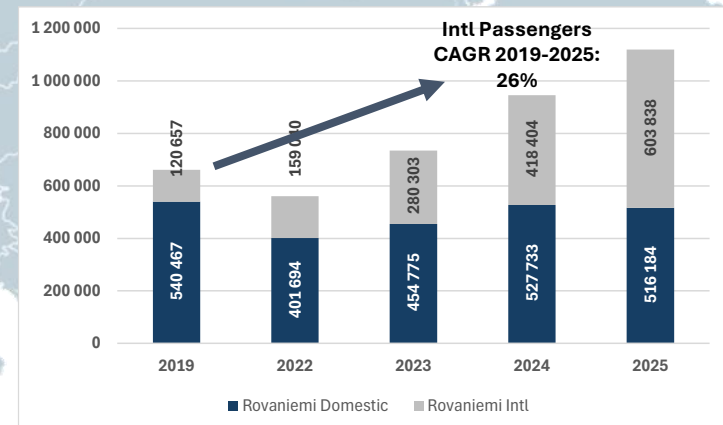
Direct Flies to Ruka 2025/2026						
Helsinki	London	Berlin	Hamburg	Manchester	Riga	Frankfurt
Amsterdam	Rotterdam	Dusseldorf	Zurich			

Air Baltic has just announced that it will start providing direct flights to Ruka from London, Berlin, Hamburg, Manchester, and Riga during the season in 2026. This is expected to bring additional c.11,000 arrivals to Ruka & Kuusamo region. Finavia and tour operators are discussing adding new direct routes to Lapland and Ruka as demand is on the rise.

Kuusamo Air Passengers per 2019-2025



Rovaniemi Air Passengers per 2019-2025



Micro Location – Kuusamo Municipality

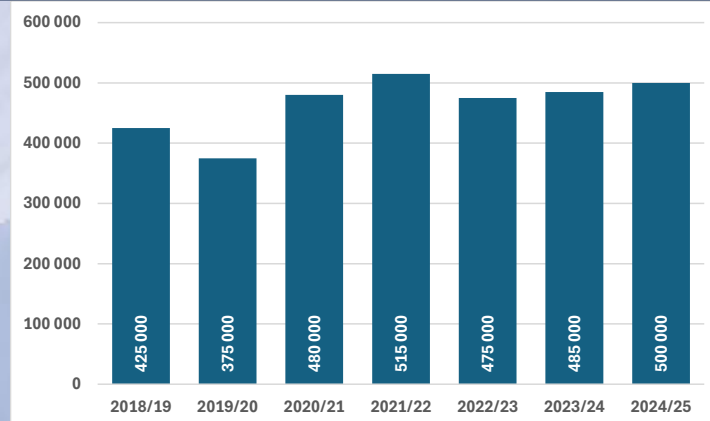
Demand Generator – Ruka Ski Resort



- With **40 slopes** and recorded c. **500,000 skiing days** (tickets purchased for a day of skiing, i.e. 2-day access equals two skiing days) in **2024/25 skiing season, Ruka is the second most visited ski resort in Finland, generating c.€16m in ski lift ticket sales.**
- Besides the ski slopes at Ruka / Kuusamo, the ski resort has **100 km** (additional 170km elsewhere in Kuusamo) of **maintained cross-country skiing tracks**, of which 20 km (plus another 20km elsewhere) are illuminated. Furthermore, some of the slopes are illuminated for night skiing, and the greatest vertical drop is c. 200m, with the longest slope stretching to 1,5 km, slopes altogether for 9,0km
- **Snow scootering** is increasing trend for passing time, and the resort offers **200km of maintained and marked tracks** to enjoy, plus another 400km base!
- While elsewhere in Europe, a regular ski season lasts approximately four months, from December to March, Ruka benefits from it starting as early as in October and lasting till the begging of May, resulting in c. **over 200 ski days per year**. Some of that is attributed to the arctic climate, some to the pre-stored snow from the previous year, which enables to open some of the slopes as early as in October and closing as late as mid May!. **At the time of writing this report, snow depth was reported at 45-50cm.**
- Resort is very popular among both skiing segments:
 - cross-country skiers have ample amount of varying tracks with opportunity for rest stops within small café's & indoor facilities with fireplaces
 - Downhill skiers have 40 slopes catering for different quality levels, from the beginners to a more advanced levels. There are also some off piste opportunities for fri-style skiing.
 - **Ruka is also hosting the famous televised Nordic FIS World Cup event annually in November!**



Ruka Skiing Days – 2018/19 – 2024/25



Micro Location – Kuusamo Municipality

Demand Generator – Lapland is Winter Wonderland!



PICTURES AT THE COURTESY OF RUKA & KUUSAMO TOURIST ASSOCIATION

Micro Location – Kuusamo Municipality

Demand Generator – Lapland is a Winter Wonderland!



PICTURES AT THE COURTESY OF RUKA & KUUSAMO TOURIST ASSOCIATION



Ruka offers several opportunities to enjoy the winter, the nature and animals in fantastic ways, creating truly magical condition and experiences for many international clientele. The region provides one of the longest snow season in whole Europe (over 200 days!)

Micro Location – Kuusamo Municipality

Searching Potential New Demand Generators

While the nature and winter have been the main attractions for the visitors to Ruka & Kuusamo region there is a search for widening the repertuar for demand generator and events to attend in the region.

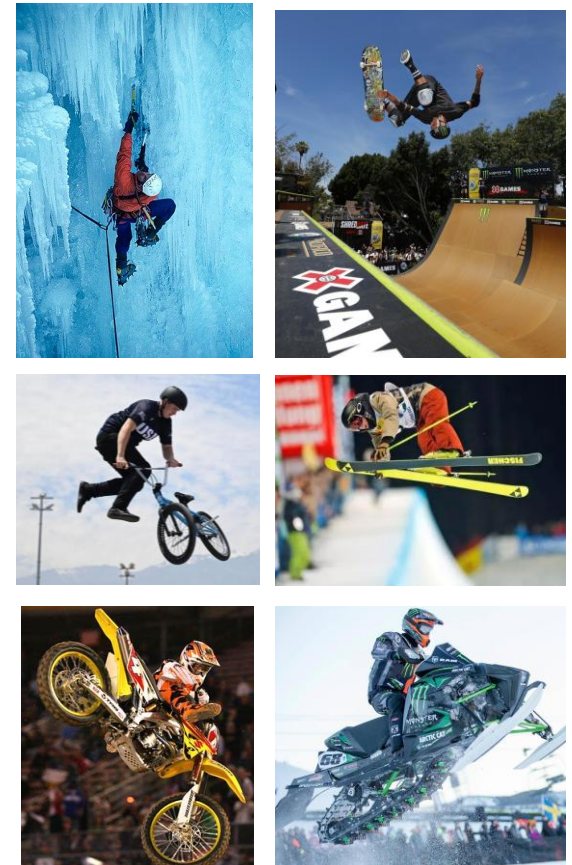
The X Games are a series of action sports events founded by ESPN Inc. and aired on ESPN networks and ABC. In late 2022, ESPN sold the long-running property to MSP Sports Capital, a private equity firm co-founded by Jahm Najafi and Jeff Moorad, though the event is still aired on ESPN and ABC despite the ownership change.

The X Games have been held all over the world and typically include extreme sports such as:

- skateboarding, skiing, snowboarding, ice climbing
- BMX, freestyle motocross, mountain bikes, rally & Off-road.

Participants compete to win bronze, silver, and gold medals, in addition to prize money. X Games events also feature music and culture elements like live music performances, athlete autograph sessions, and interactive, family-friendly exhibitions. After the humble beginning already in 1995 , the X games has gone almost viral. The X Games gained media exposure due to their big name sponsors, top-tier athletes, and consistent fan attendance. X Games is very appealing for slightly younger audience such as Generation X and Millennials, which are the two demographics most highly valued by marketers. Winter Games version was launched in 1997, and games are now organised twice a year, Winter & Summer Games!

The concept has also gone global, and In May 2011, since then Games have been **organised several times also in Europe and in the Nordic**. Typically, the Games will last for a few days and are attracting large crowds to follow them and join the ancillary event around the Games. Over the recent years events have been **attracting closer to 50-100,000 attendees** in these events, and TV-audiences anything between 10-15m people. **Now organisation has been formed to draft a submission to apply for the X Games to Ruka**, which would be huge boost for the seasons, both winter and summer, and definitely would lift Ruka further into the international destination for visit.



Micro Location – Kuusamo Municipality

Demand Generators – Ruka – also a Summer Destination !



- Trekking in one of the several National Parks is great way to enjoy the Lapland nature and the summer. The country has 41 parks in Finland scattered around the country, totalling over 10,000km² and attracted over 6,7m visitors in 2025.
- There are tens of various trekking paths around Ruka area to be enjoyed by foot and increasingly also by electric mountain bikes. Some of the most famous of the nearest National Parks is Valtavaara- Pyhävaara 2,5km² park, opposite the Saarua village (established already in 1990, attracts annually close to 120,000 visitors, Riisitunturi (est. 1982, 77km², some 30km from Ruka) attracts c.60,000 visitors and finally Oulanka Park (est. 1952, 290km², 55km) 180,000 visitors.
- Ruka area has one of the most versatile summer market of the Lapland destinations, in addition to the traditional winter activities, holiday makers can among others enjoy of fishing, canoeing, river rafting, mountain biking, summer bob sledging, stand up paddleboarding (SUP), frisbee golf, golf, mountain roller coast (opened in Sep 2025 and attracted already some 60,000 visitors!) and just endless walks in the beautiful nature
- Despite common belief, summers can be very hot in Lapland, and it hasn't uncommon that temperatures will reach comfortable 20-25 °C, and in some days may reach even +30°C!
- Metsähallitus, the governing body from the government responsible for the upkeeping and ownership of the national parks, has a long-term plans to improve the parks and make visitation to these even more attractive with better marking & maintenance of the paths, signalling, adding services and dialogue with municipalities.

Visitation Kuusamo Region National Parks 2021-2025						
National Park	2021	2022	2023	2024	2025	2025/21
Valtavaara	155 300	134 100	124 400	106 400	117 000	
		-14 %	-7 %	-14 %	10 %	-25 %
Riisitunturi	89 900	62 300	61 200	58 800	60 500	
		-31 %	-2 %	-4 %	3 %	-33 %
Oulanka	253 300	176 400	175 800	187 400	179 400	
		-30 %	0 %	7 %	-4 %	-29 %
All Parks	8 163 700	7 339 800	7 574 900	6 905 600	6 668 700	
		-10 %	3 %	-9 %	-3 %	-18 %

Source: Metsähallitus, SBHC Resraech & Analysis



PICTURES AT THE COURTESY OF RUKA & KUUSAMO TOURIST ASSOCIATION



Micro Location – Kuusamo Municipality

Demand Generators – Not all is just about skiing! A sample of events...



Sample of Kuusamo Region Events 2025/26

Event:	# of Pax:	Period:	Segment:	Intl Element:	Comments:
Domestic Bands Performing (57 concerts in 2026!)	500-3,000	Throughout Year	Music	✓	Dozens of Domestic Artist performing at Ruka
River Floating (with survival suite)	50-100	Winter	Survival		River Drafting / Floating in Survival Suite
Finnish Freestyle Skiing Championships	500	Spring	Skiing		
Solina Sessions	100	Spring	Skiing		Snow Boarding Event led by World Champion Enni Rukajärvi
Grey Slope	10,000	Spring	Party	✓	Finland's largest after ski party
NUTS - Bear's loop	4,000	Spring	Sports	✓	Finland's largest Trail Running Event
DH Swim	500	Summer	Sports	✓	Down the stream swimming competition
Pond Hockey Tournament	3,000	Winter	Sports		Probably World's Largest Friendly Ice Hockey Tournament with 324 Teams!
Polar Night Light Festival	39,000	Winter	Art & Party	✓	World's Northernmost Light Show and Installation
Solstice Festival	8,000	Summer	Music & Party	✓	Famous Mid-Summer Festival near Arctic Circle attracting also foreign visitors
FIS Ruka Nordic - World Cup	30,000	Winter	Sports	✓	Skiing World Cup, attracting international television audience

Source: Ruka Kuusamo Tourist Associations, SBHC Research & Analysis

Ruka & Kuusamo arrange a number of festivals & events attracting thousands of domestic and international participants on an annual basis. There is huge potential for events with additional internationally branded accommodation services in the region. It has been estimated that the regional economic impact of the above vents exceeds €12m per annum.



Micro Location – Ruka Development Sites: Overview

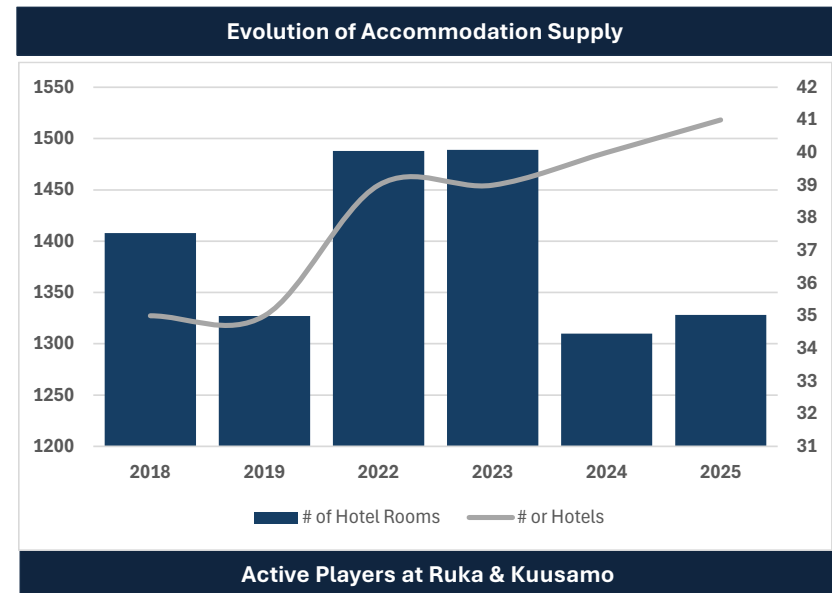
		Low	High				
Site & Location	Suitability	The proposed hotel sites are in general all well suited for hotel development, although sites 2 and 3 are in a slight slope will be situated just off Levi Hissitie on a flat site facing the south ski slope of Levi fell. To the north of the site is Levi fell and south ski slope while to the south is the Levi village centre just 50m away. To the west of the site is the Zero point gondola ski lift and ski rental centre, beyond which is a public car parking area. To the east of the site is a small pond beyond which some 100m away is Levi Spa Hotel guestroom wing. Generally, the site is considered very good for hotel & resort development.					
	Visibility	Although the general idea is to make the resorts blend into the surrounding areas and forest, due to their anticipated heights between 3 and 5 storeys, they will quite often be well visible from a distance, making them easier for clients to spot from further away. From a customer perspective, signing the resorts along the roads leading to them would be desirable.					
	Accessibility	Vast majority of the international demand for the potential resorts are going to be arriving to Ruka with buss transportation or passenger car (taxi or private hire) via Road E63 from the Kuusamo airport direction, a designated E Road, well maintained by the municipality, provides easy year around access to the southbound to Ruka airport, or northbound to Kemijärvi and beyond to Rovaniemi, with a driving time of c. 2 hours 30 mins, depending on weather and traffic conditions). There are frequent airport shuttle buss transportation between Ruka and Kuusamo airport, and daily connections between Rovaniemi airport and Ruka.					
Demand Generators	Leisure	In general, Ruka offers relatively facilities for the leisure attractions, especially for exploring the nature by skiing, snow scootering, hiking & biking, boating & fishing, and visiting the surrounding National Parks (Oulanka, Valtavaara-Pyhä and Riisitunturi) and using the municipality, provides easy year around access to the southbound to Ruka airport, or northbound to Kemijärvi and beyond to Rovaniemi, with a driving time of c. 2 hours 30 mins, depending on weather and traffic conditions). There are frequent airport shuttle buss transportation between Ruka and Kuusamo airport, and daily connections between Rovaniemi airport and Ruka.					
	Business	Currently, the market offers mediocre facilities for the corporate or MICE segments with only Scandic Rukahovi having ample conference space (c. 400sqm), we consider demand from this segment to raise, should facilities for it be presented, especially the sub-sector of Incentive travelling. Proposed Hotels should take this into account in their plans for facilities.					
Hotel Market Opportunity	Competition	There is limited competition in the local market at limited- and full-service segments. We don't anticipate much direct competition for these as the current market lacks capacity in these, and the near-future addition to capacity will be again in the mid-market segment (Sokos Hotel). Furthermore, as an increasing number of guests are coming from abroad, it would make absolute sense to have new capacity internationally branded to benefit from loyalty program and recognition among the clientele.					
	New Supply	According to the municipalities, there is little new supply in discussions. The 212-room Sokos hotel is under construction in Ruka Village, expected to open its doors in the 2027 winter season. Thus, the risk from new supply & competition is relatively low for hotel-style business. If new supply of internationally branded capacity would be developed at the under-represented segments, we would consider it to steal business from the current market, capitalize on unaccommodated demand during the peak season and induce new demand, and reallocate some demand from the villa/chalet style market.					
Total		32/35 Points or 90% – Very Good Suitability of the Sites for Hotel Development					

Section 4 – Hotel Market Overview

Hotel Market in Kuusamo Municipality & Ruka– Supply

Supply Dominated by few larger establishments and a large number of cottages

Overview	The graph at the right represents the evolution of accommodation establishments and rooms in Kuusamo municipality. Note that the majority of the room supply is concentrated in few properties, and in general the average operation size is tiny at 32 room. This size doesn't allow economies of scale to function properly, nor does it allow traditional separation of roles where there is usually a real estate investor and a professional operating company operating the hotel. It is important to note that the statistics include accommodation establishments with only more than ten rooms per establishments; thus, some smaller units and cottages/chalets are left out. There are approximately 5,000 beds in chalets at Ruka and its surroundings. It is easy to see that there has hardly been any change to supply side over the recent years, Kuusamo municipality has hovered around 40 properties with c1,300 rooms. As Kuusamo municipality includes also other areas than just Ruka, but our interest lies mainly with Ruka, and the market gaps that exists in the market.
Branding & Positioning	There are very few branded properties in Ruka; Rukahovi Hotel (215R) is part of Scandic hotels and two Ski Inn Villages (together 188 rooms / apartments) is part of local domestic operation, Scandic is clearly operating in mid-market segment, where as Ski Inn probably more in full-service segment due to room sizes. Holiday Club operates their unit at Kuusamo, some 20km south of Ruka with a Spa hotel with 105 rooms. Other than these players, the market is very heterogenic and hotel operations independent locally managed, often extended family businesses.
Outlook	Despite strong increase in overnights by the international visitors, there has not been increase in supply in Ruka municipality or Kuusamo region. A notable undersupply of hotel operations has sparked interest from local co-op, and 212- room Sokos hotel is under construction at the Ruka Village, west side of the Ruk. Based on our research, and discussions with professionals in the industry, they consider that the Lapland market could double in size over the next five years.



Active Players at Ruka & Kuusamo

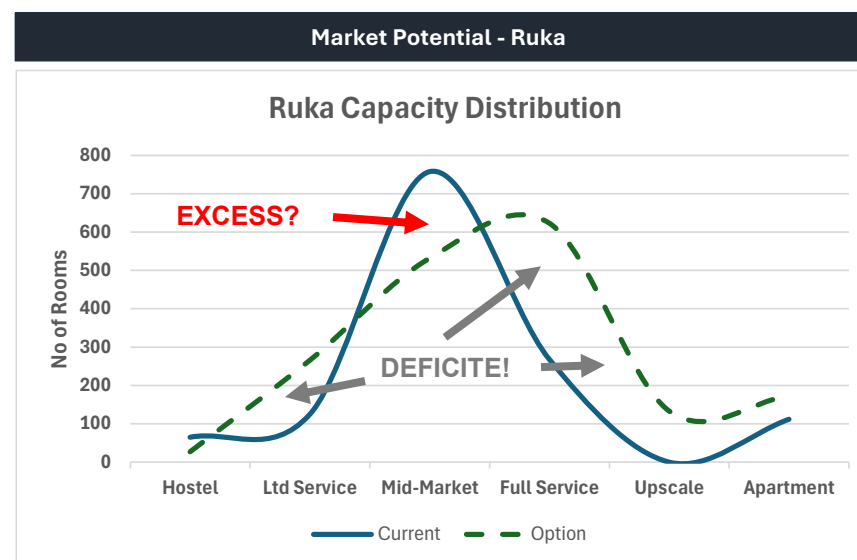
Coun try:	54 hotels, 50,000 Rooms	2 hotels 188 Rooms	7 Spa Resorts 1,100 Rooms	46 hotels 10,000+ Rooms
Ruka	Rukahovi 215R	Ski Inn Village 88R Ski inn Valley 100R	Kuusamon Tropiikki	Sokos Hotel 212R to open in 2027

Current Hotel Market - Ruka New Supply

More mid-market supply under construction although clear opportunities lie in other segments



We have been advised that, currently, the only confirmed new supply is the new 212-room Sokos hotel under construction at the Ruka West Village. This domestically branded mid-market is expected to open in Autumn 2027.



We consider that the local co-op's decision to develop more mid-market capacity is a bit strange. In our opinion, there is already overcapacity in the mid-market segment, while there is a clear deficit in the limited- and full-service segments, as well as in the apartments segment. There is no need to continue developing more villas when one could develop an apartment hotel to offer a more spacious, independent holiday experience for many, with hotel-level services and in one location? Furthermore, there are no international brands present to attract international guests to stay at Ruka! This clearly reflects the domestic characteristics of Ruka market, where both domestic operators lack of their own alternative products to be used.

Ruka Hotel Market – Potential New Supply

Brief analysis of three indicated sites available for potential hotel development

Kuusamo municipality has requested a brief commentary on the below 3 potential hotel development sites presented below.



1. **Ski Stadium** – the xxx sqm plot located next to the existing stadium area would provide an excellent opportunity for a **limited-service** style operation, whereby most of the guest are not likely to allocate a large proportion of their travel budget on hotel overnight. The government's plans include the possibility of locating the Olympic Coaching Centre at the Ski Stadium premises.

2. **Vuosseli road curve** – alongside the road leading to Vuosseli and Saarua Village, currently occupying an xxx sqm plot within undeveloped forested area. Naturally beautiful plot, but at the moment not benefiting from key infrastructure. We would consider this plot best suited for either a **full-service or apartment hotel development**, providing the hotel guest a wider selection of F&B and other ancillary services that one could expect from a hotel of this position, before the surrounding area will become more developed with additional services

3. **Saarua Village** – The east side of Ruka village is about to develop rapidly, the updated zoning will be in place shortly, and the plan calls for an 11,000 sqm hotel to be developed at the site opposite the gondola ski lifts. We consider that this site is best used by a **full-service hotel operation**, providing needed F&B services also on the east side of Ruka, and serving the approximately 1,000-person market, consisting of future villa occupiers from other accommodation services to be developed at Saarua Village.

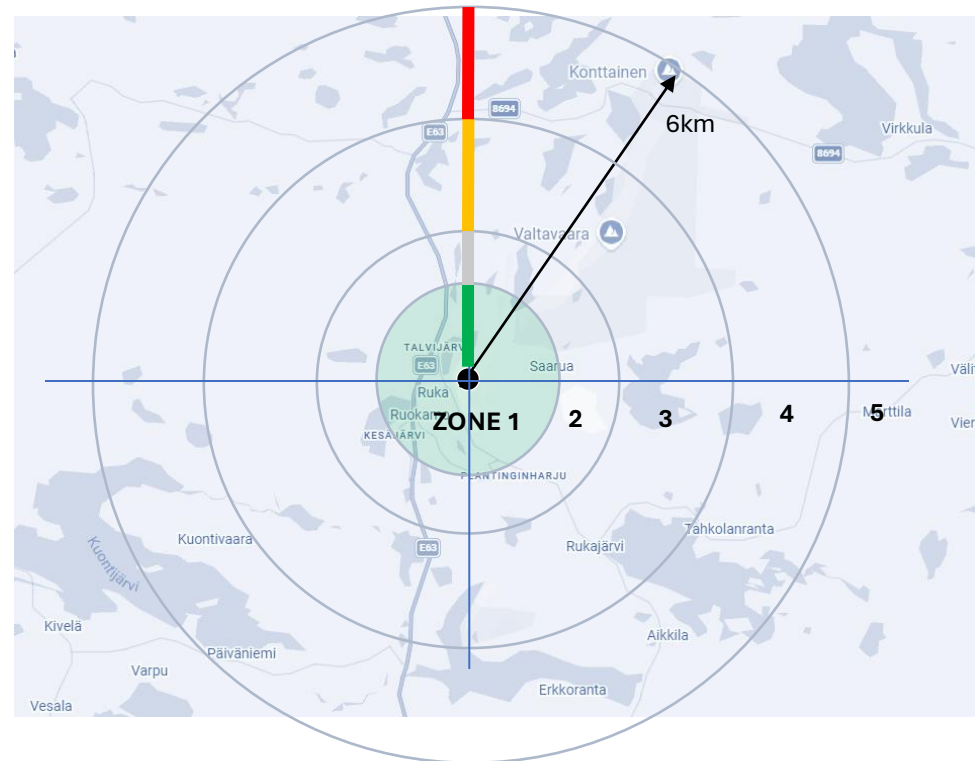
4. **Uttuaho** – New xxha yet unzoned area that could facilitate new 2,500 beds for accommodation, and potential location even for a Spa Resort. New ski lift connections will be extended to the area, and a variety of new services are expected to cater to it.

Ruka Hotel Market – Development Potential

Opportunities beyond Zone 1 – Ruka Centre

In the following we consider opportunities beyond the central Ruka centre locations. If the key requirements such as accessibility, basic infra structures are being met, we consider certain types of development viable at these zones, comments below.

- ❑ **Zone 1- Ruka Centre & Saarua;** opportunities are most fruitful for a variety of market segments due to existing infrastructure, accessibility, and services available
- ❑ **Zone 2 (2 km)** – Still very viable locations, as long as services and infra are present at the required level
- ❑ **Zone 3 (4 km)** – Requires increasingly having infrastructure present and certain services present at the site, such as good transportation services for guests, a variety of independent F&B services at the premises, and good access to experience-led service providers.
- ❑ **Zone 4 (6km)** – Viability questionable but possible, but requires quite a high level of independence in terms of F&B services, transportation logistics, and experience-led service providers mobility
- ❑ **Zone 5 (6+ km)** – The region beyond this has potential, especially if the development opportunity would be located next to key infra, have a good logistics, would benefit from:
 - being located at a naturally beautiful spot
 - situated close to key skiing / snow scootering fareways
 - have a good quality road connection



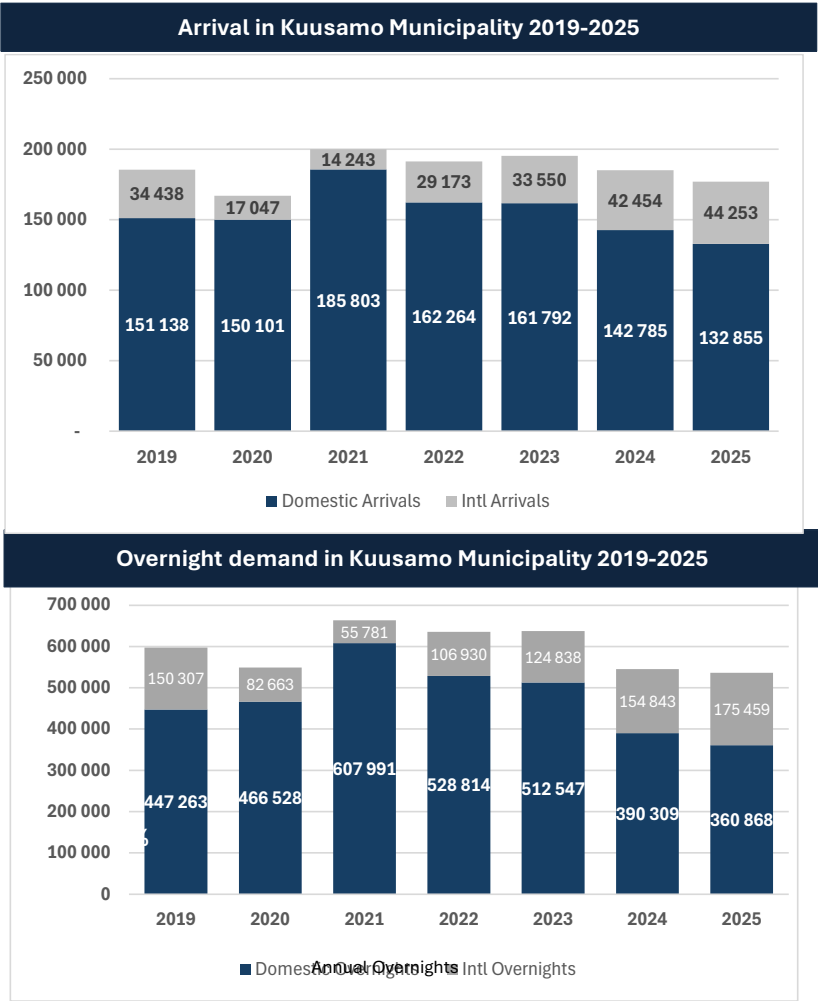
Hotel Market in Kuusamo Municipality & Ruka – Demand

International Demand well surpassed 2019 Levels

Overall, total arrival levels have declined over the past couple of years but remain broadly at the same level as in 2019 (c. 177,000), down 5%. Finland has suffered from challenging economic situation over the last two years, and this has also reflected in domestic demand, which has declined slightly, and has fallen below 2019 level (-12%). At the same time, the number of international arrivals has been rising positively, and is at an all-time high at 44,000 in 2025. This is a good growth of c.4,2% over past year, which is 29% higher than in 2019, representing CAGR of c. 4,3% over the period of 2019-2025. This trend, where the less price-sensitive international demand is replacing the slightly struggling domestic demand, is a welcome trend. Kuusamo & Ruka have remained a very domestic destination for no apparent reason, the destination is quite well accessible and remains as one of the most visited winter destinations in Finland. The domestic arrival represent still 75% of total arrivals for the region.

As the number of international arrivals is gradually rising, this will be also reflected in the number of overnight by the visitors. The volume of domestic nights commenced a decline after the peak years during the pandemic, but saw a sharp decline in 2024 & 2025, when the market saw a serious drop of c. 30%. In contrast, the number of international overnight at Kuusamo region has recovered well during the past couple years, and has surpassed the 2019 level in 2024 and 2025 (c.175,000 in 2025). This level represent 33% of the room nights, reflecting the higher average length of stay for the international clientele.

In comparison, on a whole Lapland level, arrivals have been on a rise since 2023, reaching close to 1,7m in 2025, resulting in a record almost 4,0m overnights. Arrivals grew c. 4% over 2024 while overnights grew c.1,2%. In both cases, 2019 levels have been grossly exceeded (arrivals by 18% and overnights by c.10%). International demand is growing really well, fully recovered from the pandemic by 2023, with arrivals up 14,3% in 2025 over 2024 and 56% above 2019 levels! In terms of overnights, similarly good position; pandemic surpassed in 2023; 2025 growth was healthy at 7,8%; and 2025 results were up by 34% compared to 2019. The proportion of international arrivals for the whole of Lapland (including Kuusamo) were 56% in arrivals and 58% in overnights, so Kuusamo remains underrepresented by international demand.



Hotel Market in Kuusamo Municipality & Ruka – Demand Seasonality

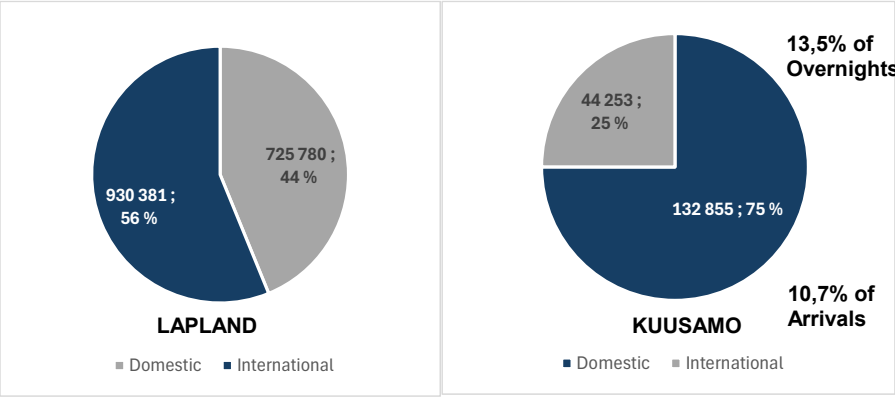
Sought-after Winter Destination for Leisure Tourists

In the pre-pandemic year, 2019, almost 54% of the registered overnight demand came in the December-April period (59% in 2025). Due to the exoticism of Lapland and it's Christmas-themed festivities, including visiting Rovaniemi and Santa Park, the busiest month is December, in which the weather is less harsh. During the five-month period (December- April), the international visitor's demand amounts to closer to 80% of their annual level. The graph on the right highlights the seasonality of the overnight demand in Kuusamo region over 2024-25 period.

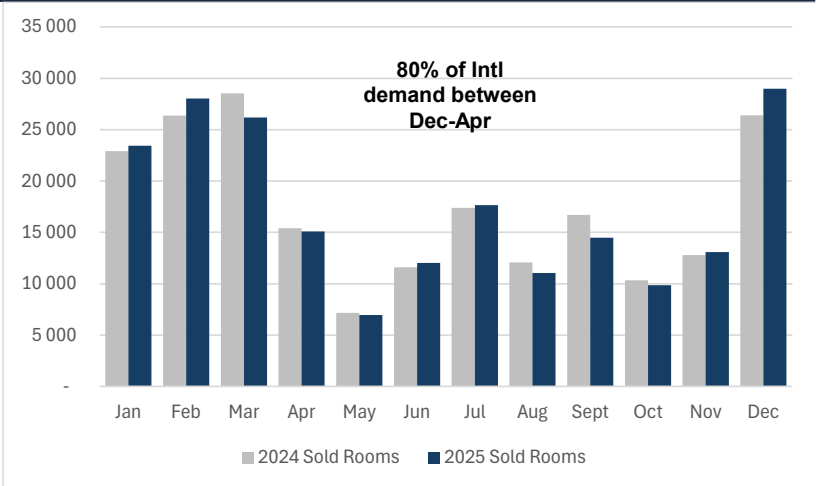
Similarly the average length of stay (ALS) is slightly longer with international clientele, as expected. In 2025, the ALS for the total Kuusamo demand was 3,0 days, while international clientele averaged close to 4,0 days, reaching closer to 5 days in Jan-Apr period, but over 5 days in Nov. The graph on the right indicates the monthly variance.

Besides the obvious winter period, domestic demand peaks during the summer period in June & July, before subduing for August and then peaks again for the Ruska period (colouring of the leaves). Kuusamo market account for some 10,7% of arrivals and 13,5% of overnights in Lapland in 2025.

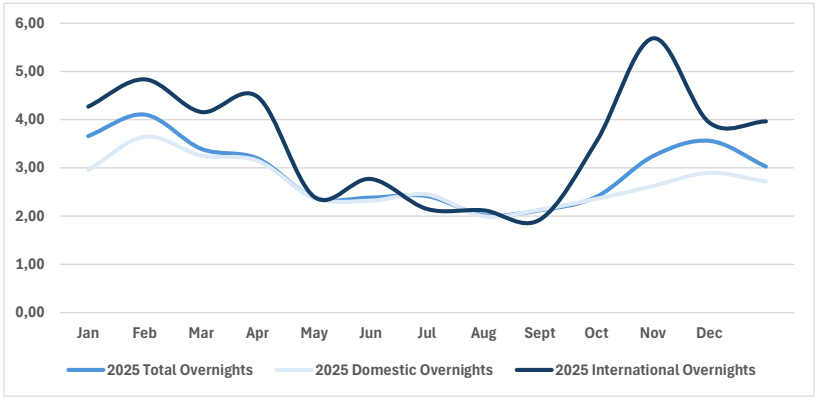
Lapland & Kuusamo Arrivals 2025



Seasonality- Sold Roomnights 2025



Monthly Length of Stay 2025 – Kuusamo region



Hotel Market in Kuusamo Municipality & Ruka – International Demand

Kuusamo market historically attracting below par international demand

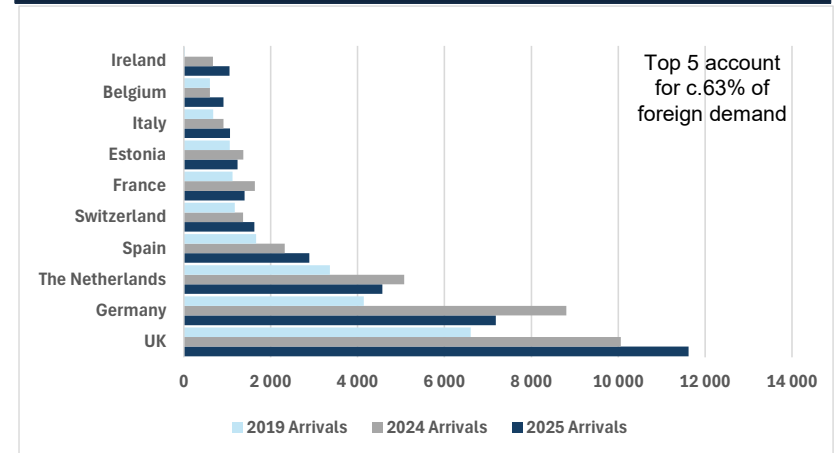
It is evident that Kuusamo & Ruka market is receiving below average international arrivals to their hotel market. It would be beneficial to understand where this international demand is emanating from, and the top international sourced are being presented at the graph on the right. The UK is leading the market with some 11,600, up by great 17% from 2024, followed by Germany (c. 7,200 arrivals, down by some 18% and on the third place The Netherlands, 4,500, down by 10%. The best rises within top sources were in 2025 by Spain and Switzerland (up by 25% and 19% respectfully)

Although the municipality and many other organisations are feverishly trying to open up new flight routes for the international demand, many other actions would need to be utilised. Increased marketing would benefit the situation, but so would international branding, as these have already well developed networks with the travel agents and other holiday arrangers.

It would also be very beneficial to understand the source markets economic situations to better understand whether clientele from these would have high propensity to consume money for holiday trips directed to international markets, such as the Nordics and Lapland. The graph on the right summarise the situation with some of the key source markets for Kuusamo and Ruka.

Some of the international source market demand shares has seen strong increase over the past three year. Given trend continues post-wars, these countries and demand from Asia might become essential source markets for Lapland and Ruka. To a large extent, the solid international growth can be attributed to Lapland being heavily promoted towards international visitors. Social media platforms where people share their images and videos from the arctic experiences, such as northern light chasing, reindeers and husky rides, etc., should not be undervalued as important demand drivers.

Top International Demand by Source Country



Economic Indicators of some Key Source Markets

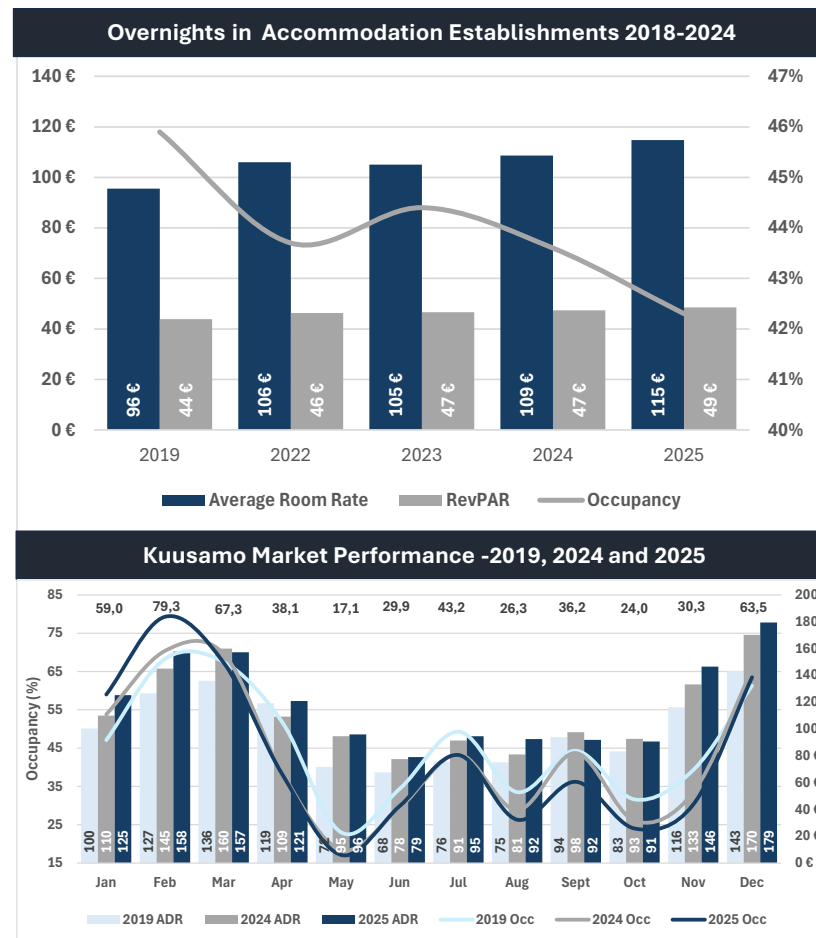
Finland 	GDP (%)	0,1	0,8	1,5	Germany 	GDP (%)	0,2	1,0	1,3
	Unemployment (%)	9,7	10,2	9,5		Unemployment (%)	3,8	3,7	3,6
	Inflation (CPI)	1,8	1,9	1,7		Inflation (CPI)	2,3	1,5	2,0
Euro Area 	GDP (%)	1,4	1,2	1,4	Netherlands 	GDP (%)	1,7	1,4	1,4
	Unemployment (%)	6,4	6,2	6,1		Unemployment (%)	4,0	4,2	4,4
	Inflation (CPI)	2,1	1,6	1,7		Inflation (CPI)	3,1	2,5	2,2
The UK 	GDP (%)	1,4	1,0	1,4	Spain 	GDP (%)	2,9	2,2	1,9
	Unemployment (%)	4,8	5,3	5,1		Unemployment (%)	10,6	10	9,6
	Inflation (CPI)	3,4	2,3	2,0		Inflation (CPI)	2,7	2,1	1,9

Source: Various European Banks Economic Outlook 2026 Reports, SBHC Research & Analysis

Ruka & Kuusamo Market - Performance Analysis

Despite slightly declining occupancy levels, fairly stable RevPAR

- **Ruka & Kuusamo hotel market displays very limited proper scale hotel operations (average size of operation is around 30 rooms), preventing the achievement of economies of scale for operation**
- Market is saturated with really small, mainly family (or extended family) operations without any brands
- The market is experiencing **typical winter market-led strong seasonality**, where a **large proportion of the income (70%) is being made over Dec-Apr** period. Occupancy levels vary between high 80% to a low below 20% level. Similarly achieved ADR keeps ranging between high €179 to a low €79, a factor of 2,27 times!
- We can also see that the managers have been able to **achieve a notable increase in ADR over the recent years, and it was in 2025 hovering around €115, up by 5,6%, and some 20% higher than in 2019.**
- **As a result, RevPAR in 2025 was up by only 2,4%, some 11% higher than in 2019**
- This gives potential indication that the market is for some reason not able to attract higher volume of clients (domestic demand down mainly due to poor economic situation of the country), and very much benefit from higher proportion of less price-sensitive international clientele.
- One has to take into account that these statistics are based on hotels than are quite different from the proposed Resort, so the validity of the results are slightly less meaningful and indicative at best.



Hotel Market Kuusamo Municipality & Ruka– Conclusion

Based on the previous pages, we have the following conclusion of the current state of the market

Key Observations

- Overall, the market is grossly dominated by midscale and upper-midscale hotels, accounting for almost 80% of the accommodation establishment stock.
- Fuelled by the rise of record-breaking international tourists' influx after the pandemic period in general, coupled with inflationary environment, hotel average room rates have mostly surpassed pre-pandemic levels significantly. However, as the vast majority of Ruka & Kuusamo market visitation is still domestic based, and the country's economy has suffered from low economic growth and high unemployment
- The local hotel market has currently a distinctly domestic character, with nearly 67% of total overnight stays generated by domestic clientele in 2025. Furthermore, the local tourist industry is primarily focused on leisure, with c. 90% of all visitors opting to travel to Lapland for vacation purposes.
- Ruka & Kuusamo's international demand relies on few international source markets: the UK, Germany, the Netherlands, Spain and Switzerland together comprises c.63% of the total international hotel arrivals.
- Despite the recent strong increase in international visitation, there is relatively low proportion of them in Ruka & Kuusamo. Increasing efforts should be directed to attract them in the future
- There are very few proposed hotel projects in progress throughout different areas of the municipality according to representatives of Kuusamo municipality. Should the efforts of attracting more international clients, together with anticipated economic growth in Finland, and the international escalations in Ukraine and Middle-East to cease, we would expect the current market conditions to improve to catalyze more projects to emerge in the coming years.
- Hoteliers experience peak occupancy and average rates from December to March / April period, during which almost 70-80% of the business will be conducted currently. There are emerging evidence of other popular areas of Lapland where operators have been able to establish emerging summer season also. The key to achieve full year operation occupancy levels close to 60% hurdle rate (often considered the point for profitable operations) would be better utilisation of the summer season, for which Lapland should provide ample of activities
- International branding would be one of the key elements in attracting enough demand for the summer period outside of the domestic demand that is already active during this period-

Section 5 – Projections of Market Performance

Ruka & Kuusamo Market – Performance Forecast

On a mid-term perspective, Ruka market is expected to grow significantly

After reviewing the historical performance of the market, and weighing in various types of indicators for the market near future performance, we have generated an estimated forecast for the Ruka & Kuusamo hotel market performance. We are stressing that we have not analysed nor taken into account in our analysis the private villas rental market.

Ruka & Kuusamo Hotel Market Performance Forecast – 2026-2029

	Historical					Forecast		
	2019	2022	2023	2024	2025*	2026	2027	2028
Hotels	11	13	13	13	13	13	14	14
Rooms	744	883	880	729	713	713	713	713
New Rooms							36	212
								0
Rooms Total	744	883	880	729	713	713	749	925
Change (%)		18,7 %	-0,3 %	-17,2 %	-2,2 %	0,0 %	5,1 %	23,5 %
Occupancy	49 %	44 %	46 %	48 %	48 %	49 %	48 %	43 %
Change (%)		-4,7 %	1,4 %	2,4 %	-0,1 %	1,0 %	-0,5 %	-5,3 %
Domestic Overnights	236 558	276 596	271 087	210 856	182 106	177 553	190 870	209 957
Change (%)		16,9 %	-2,0 %	-22,2 %	-13,6 %	-2,5 %	7,5 %	10,0 %
Intl Overnights	85 872	69 496	80 989	86 207	99 242	114 128	136 954	164 345
Change (%)		-19,1 %	16,5 %	6,4 %	15,1 %	15,0 %	20,0 %	20,0 %
Total Overnights	322 430	346 092	352 076	297 063	281 348	291 682	327 824	374 302
Change (%)		7,3 %	1,7 %	-15,6 %	-5,3 %	3,7 %	12,4 %	14,2 %
Sold Rooms	132 793	142 454	146 467	127 721	124 657	127 151	132 237	145 460
Change (%)		7,3 %	2,8 %	-12,8 %	-2,4 %	2,0 %	4,0 %	10,0 %
New Rooms						2 493	5 086	13 224
Net Average Room Rate	95	107	107	114	114	116	120	128
Change (%)		12,6 %	0,3 %	6,4 %	-0,3 %	2,0 %	4,0 %	6,0 %
Rooms Revenue	12 591 176	15 215 424	15 687 969	14 550 882	14 156 264	14 728 177	15 929 997	18 574 376
Growth (%)		20,8 %	3,1 %	-7,2 %	-2,7 %	4,0 %	8,2 %	16,6 %
RevPAR	46,4	47,2	48,8	54,7	54	56,6	58,3	55,0
Growth (%)		1,8 %	3,5 %	12,0 %	-0,5 %	4,0 %	2,9 %	-5,6 %

Source: Statistical Centre of Finland, SBHC Research and Analysis

We have the following to make comments and assumptions taken :

- Sokos Hotel opens in Oct 2027 and will induce more domestic & international demand
- Finnish economy improves, triggering an increase in domestic demand
- As more current capacity will be developed, demand that has shifted from hotels to villas, will return back
- Domestic demand is expected to reach 2019 levels in 2028/2029
- International demand continues to grow strongly due to increased marketing efforts and new flight routes opening to Ruka & Kuusamo
- Overnight mixed gradually adjusts closer to current Lapland average 50/50% split between domestic / international demand on mid-term
- More professional deployment of Revenue Management techniques and systems will strongly increase the ADR

Section 6 – Appendix

Appendix I – Conditions of Engagement

SBHC, acting as external consultants, has undertaken a Market Study (the ‘Study’ or the ‘Report’) of Ruka & Kuusamo Hotel market (the ‘Instruction’). This Study shall be provided solely for the purpose stated in the Report and shall be for the sole use of our client – **City of Kuusamo**, to whom the Report is addressed (the ‘Client’).

The Study and its conclusions are based on our knowledge of demand sources, economic and growth data, as well as the status of the competitive market at the completion of our fieldwork conducted between 24-26 February 2026. Thus, they do not make provision for any unforeseen rise or decline in local or general economic conditions.

1. The work that we have undertaken has been tailored to the Client’s particular purpose, thus, it is not suitable for any other purpose or for use by any other individual or company. This Report is, therefore, for the Client’s sole use and must not be disclosed in whole or in part to any other person without prior written agreement from SBHC, which would not be unreasonably withheld.
2. All information (including financial operating statements, estimates and opinions) obtained from parties not employed by SBHC is assumed to be true and correct. No liability resulting from misinformation can be assumed by the consultant.
3. We do not guarantee that our estimates will be attained, but they have been conscientiously prepared based on information provided to us and our research knowledge of international and national hotel markets of relevance.
4. Historical and projected tourism and financial data presented in this Report have been prepared using sophisticated computer models that work to several decimal places. However, data are presented in this Report to one or fewer decimals, and some rounding differences may therefore appear.
5. We are not required to give testimony or attendance in court by reason of this Report without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
6. We confirm that we have no undisclosed interest in the market, sites, developments, and that our employment and remuneration are not contingent upon our findings and conclusions.

SBHC