



# **Finnair Group Half-Year Financial Report 1 January – 30 June 2018**

17 July 2018

# Finnair Group Half-Year Financial Report 1 January–30 June 2018

**Q2 comparable operating result improved by 27.6 per cent to 47.9 million euros**

## April–June 2018

- Revenue increased by 12.9% to 715.0 million euros (633.4)\*.
- Available seat kilometres (ASK) grew by 17.9%.
- Passenger load factor (PLF) decreased by 1.2 points to 82.5%.
- Comparable operating result was 47.9 million euros (37.5). Operating result was 39.9 million euros (89.1).
- Net cash flow from operating activities was 203.2 million euros (162.2), and net cash flow from investing activities was -32.8 million euros (-136.5).\*\*
- Unit revenue (RASK) decreased by 4.2%. Unit revenue at constant currency decreased by 3.0%.
- Unit cost (CASK) decreased by 5.0%. Unit cost at constant currency excluding fuel decreased by 9.9%.
- Earnings per share were 0.19 euros (0.50).

## January–June 2018

- Revenue increased by 13.7% to 1,350.4 million euros (1,187.7)\*.
- Available seat kilometres (ASK) grew by 18.4%.
- Passenger load factor (PLF) increased by 0.1 points to 82.7%.
- Comparable operating result was 51.8 million euros (28.5). Operating result was 45.9 million euros (79.1).
- Net cash flow from operating activities was 281.2 million euros (186.1), and net cash flow from investing activities was -86.7 million euros (8.6).\*\*
- Unit revenue (RASK) decreased by 3.9%. Unit revenue at constant currency decreased by 2.4%.
- Unit cost (CASK) decreased by 5.4%. Unit cost at constant currency excluding fuel decreased by 7.3%.
- Earnings per share were 0.18 euros (0.41).

\* Unless otherwise stated, comparisons and figures in parentheses refer to the comparison period, i.e. the same period last year.

\*\* In Q2, net cash flow from investing activities includes 16.0 million euros of investments in money market funds or other financial assets maturing after more than three months. In H1, these increased in net terms by 6.1 million euros. These redemptions are part of the Group's liquidity management.

## Outlook

Outlook issued on 16 February 2018

Global airline traffic is expected to grow strongly in 2018. Finnair expects increased competition as existing and new operators increase capacity, particularly on routes linking Europe with Asia and North America.

Finnair plans on increasing its capacity by more than 15 per cent in 2018, with most of this growth coming in the first half of the year. Passenger volume is expected to grow broadly in line with capacity while revenue growth is expected to be slightly lower.

In line with its disclosure policy, Finnair will issue guidance on its full-year comparable operating result as part of its half-year report in July.

#### New outlook issued on 17 July 2018:

Global airline traffic continues to grow strongly in the second half of 2018. Finnair expects increased competition as existing and new operators increase capacity, particularly on routes linking Europe with Asia and North America.

Finnair estimates that its capacity increases by more than 15 per cent in 2018. Passenger volume is expected to grow broadly in line with capacity while revenue growth is expected to be slightly lower.

The substantial increase in the price of jet fuel will impact Finnair's result especially in the second half of 2018. Finnair estimates that its comparable operating result in 2018 will be broadly at the previous year's level (2017: 170.4 million euros), if current fuel prices and exchange rates prevail and assuming no material changes in business environment.

#### **CEO Pekka Vauramo:**

The second quarter of the year was a good period for Finnair overall. Our comparable operating result rose to 47.9 million euros, a new record for the period, in spite of the increase in jet fuel price. Our capacity grew broadly in line with our expectations, nearly twice as fast as the market as a whole. Our Net Promoter Score, which measures customer satisfaction, increased to 50 (Q2 2017: 47). Everyone at Finnair deserves to be recognized for their fine performance in a period of rapid growth.

The result improvement achieved shows that we have been successful in implementing our growth strategy. Demand followed our capacity growth fairly well in all traffic areas and our passenger load factor was at a good level. Passengers volumes increased particularly in Asian traffic. The effect of the FIFA World Cup in Russia was evident on our European and North American routes in June. We broke our monthly passenger records in May and June. Also travel services revenue developed well, whereas the growth of ancillary sales and cargo revenue was slower than we expected.

The safety and well-being of our customers and employees are key priorities for us as we strive to be the best airline for service, quality and customer and employee satisfaction. We continuously develop our operations in order to be competitive in the expected market growth in air travel between Asia and Europe.

#### **Business environment in Q2**

Traffic growth in Finnair's main markets was clearly faster than in the comparison period. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations increased by 10.3 per cent (6.0), while direct market capacity between Finnair's Asian and European destinations grew by 10.4 per cent (5.6) year-on-year. In European traffic, Finnair's market share decreased slightly to 56.5 per cent (59.5), and increased in Asian traffic to 6.4 per cent (5.6).<sup>1</sup>

Demand in traffic between Asia and Europe increased somewhat slower than market capacity growth. Finnair's Asian traffic, on the other hand, grew faster than the market. Its capacity additions well absorbed by the markets, and passenger loads were good on the Asian routes. Demand for flights between Asia and Europe increased across the Finnair network from practically all origins to almost every destination. Demand and capacity growth remained balanced in North Atlantic traffic.

---

<sup>1</sup> Based on external sources (capacity data from SRS Analyser and market share data based on DDS passenger volume estimates for April-May). The basis for calculation is Finnair's non-seasonal destination destinations.

Finnair engages in closer cooperation with certain oneworld partners through participation in joint businesses, namely the Siberian Joint Business (SJB) in flights between Europe and Japan, and the Atlantic Joint Businesses (AJB) in flights between Europe and North America. In both joint businesses, traffic grew strongly in the second quarter, and demand developed accordingly. The increased competition in Europe and North America pushed unit revenues down.

The capacity of tour operators operating in Finland increased from the comparison period. Exceptionally good May weather in Finland delayed purchasing decisions on summer holidays, but the number of bookings normalised in June. Greece, Turkey and Spain are still the most popular holiday destinations in the summer season, and the growth in package tour supply is now centred on holiday destinations in Greece and Turkey.

Capacity growth in the air cargo market slowed down in the second quarter, and market demand started to decline slightly. At the same time, the rise in unit revenue levelled off. Finnair's cargo operations continued to grow during the review period. All market areas contributed to this, and especially the cargo market in Japan showed strong growth year-on-year.

The US dollar, which is the most significant expense currency for Finnair after the euro, depreciated by 7.7 per cent against the euro. With regard to key income currencies, the Japanese yen was 6.0 per cent weaker against the euro than in the comparison period. The Chinese yuan depreciated by 0.7 per cent against the euro. The market price of jet fuel was 46.0 per cent higher in the second quarter than in the comparison period. Finnair hedges its fuel purchases and key foreign currency items; hence, market fluctuations are not reflected directly in its result.

## Financial performance in Q2

### Revenue in Q2

Revenue grew by 12.9 per cent to 715.0 million euros (633.4). Passenger revenue grew by 13.4 per cent, and also ancillary revenue and travel services showed healthy growth. The ramp-up of new cargo terminal operations was still visible in Q2 cargo revenue, which grew at a slower pace than other areas. Unit revenue (RASK) decreased by 4.2 per cent and amounted to 6.67 euro cents. The unit revenue at constant currency decreased by 3.0 per cent.

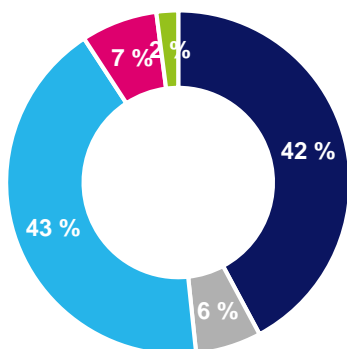
### Revenue by product

EUR million	Q2/2018	Q2/2017	Change %
Passenger revenue	577.2	509.2	13.4
Ancillary revenue	40.5	36.2	11.9
Cargo	51.6	49.4	4.4
Travel services	45.6	38.5	18.5
<b>Total</b>	<b>715.0</b>	<b>633.4</b>	<b>12.9</b>

### Passenger revenue and traffic data by area, Q2 2018

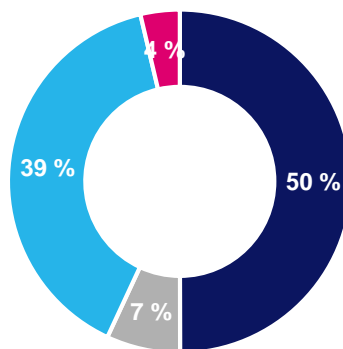
Traffic area	Ticket revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	243.4	15.3	5,356.8	24.1	4,532.5	21.8	84.6	-1.6
North Atlantic	35.6	18.9	745.6	15.2	653.7	18.4	87.7	2.3
Europe	245.0	5.9	4,220.4	11.9	3,397.5	9.4	80.5	-1.9
Domestic	41.4	2.6	396.0	10.3	262.9	11.3	66.4	0.6
Unallocated	11.8	>200						
<b>Total</b>	<b>577.2</b>	<b>13.4</b>	<b>10 718.7</b>	<b>17.9</b>	<b>8 846.5</b>	<b>16.2</b>	<b>82.5</b>	<b>-1.2</b>

**Q2 passenger revenue (M€)**



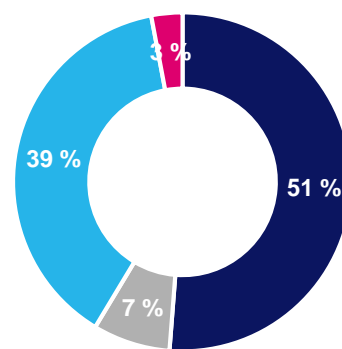
■ Asia  
■ North-America  
■ Europe  
■ Domestic  
■ Un-allocated

**Q2 capacity (ASKs)**



■ Asia  
■ North-America  
■ Europe  
■ Domestic

**Q2 traffic (RPKs)**



■ Asia  
■ North-America  
■ Europe  
■ Domestic

Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 17.9 per cent overall against the comparison period. The number of passengers increased by 12.6 per cent to 3,456,400 passengers, a new record for Q2. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 16.2 per cent and the passenger load factor (PLF) decreased by 1.2 percentage points to 82.5 per cent.

The maximum weekly number of flights to Asia is 97 in the summer season (87 in the summer season 2017). In Asian traffic, ASKs increased by 24.1 per cent. Capacity grew as a result of the introduction of new A350 aircraft after the review period. The growth was allocated especially to new frequencies to Tokyo, Bangkok and Hong Kong, as well as to a new year-round destination, Nanjing. RPKs increased by 21.8 per cent and the PLF decreased by 1.6 percentage points to 84.6 per cent.

Capacity on the North Atlantic routes increased by 15.2 per cent. Finnair flew to New York, added frequencies to Chicago and started flights to San Francisco earlier than in the comparison period. Flights to Miami were ended this year already at the start of the summer season at the end of March. RPKs increased by 18.4 per cent and the PLF rose by 2.3 percentage points to 87.7 per cent.

In European traffic, ASKs grew by 11.9 per cent and RPKs increased by 9.4 per cent as the PLF declined by 1.9 percentage points to 80.5 per cent. Capacity increased thanks to three new A321 aircraft that became operational after the comparison period and additional seats installed to majority of the current Airbus narrow-body aircraft. The new capacity was allocated to additional frequencies from Helsinki to other Nordic countries and destinations in Northern Europe in particular. Domestic traffic capacity increased by 10.3 per cent as Finnair added frequencies between Helsinki and destinations in Northern Finland, especially Oulu. RPKs grew in domestic traffic by 11.3 per cent and the PLF increased by 0.6 percentage points to 66.4 per cent.

Ancillary revenue increased by 11.9 per cent and amounted to 40.5 million euros (36.2), or 11.72 euros per passenger (11.79). Advance seat reservations and retail sales were the largest ancillary categories.

Available scheduled cargo tonne kilometres increased by 17.2 per cent, whereas revenue cargo tonne kilometres increased by 2.3 per cent. Average cargo yields increased by 2.7 per cent year on year. The cargo revenue increased by 4.4 per cent, amounting to 51.6 million euros (49.4).

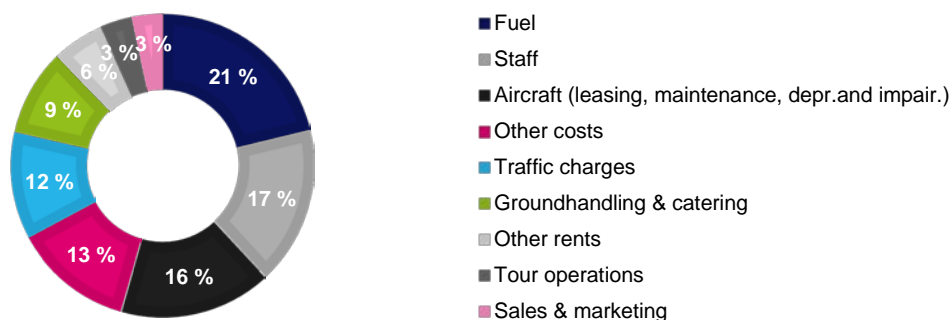
The total number of travel services passengers, including both Aurinkomatkat Suntours and Finnair Holidays' customers, grew by 16.3 per cent. The load factor in Suntours' fixed seat allotment was 95 per cent. The

number of dynamically packaged products more than quadrupled compared to last year. Travel Services revenue increased by 18.5 per cent to 45.6 million euros (38.5).

### Cost development and result in Q2

Finnair's operating expenses increased by 11.4 per cent to 685.0 million euros (614.6). Unit cost (CASK) decreased by 5.0 per cent and totalled 6.22 euro cents (6.55). CASK ex fuel at constant currency decreased by 9.9 per cent.

#### **Q2 split of operating costs (€685.0 million in total)**



Operating expenses excluding fuel increased by 7.9 per cent, and amounted to 539.6 million euros (500.2). Fuel costs, including hedging results and emissions trading costs, increased by 27.1 per cent to 145.4 million euros (114.4). Most of this cost increase was caused by the higher fuel price, but also Finnair's high capacity growth affected costs. Fuel efficiency as measured by fuel consumption per ASK improved by 3.4 per cent reflecting particularly the introduction of the more fuel-efficient A350s. Fuel consumption per RTK, which also accounts for passenger and cargo load factors, increased by 1.2 per cent.

Staff costs increased to 115.7 million euros (106.9). The growth is attributable to the significant increase in the number of personnel. Fleet growth and renewal increased aircraft leases and depreciations, whereas maintenance and overhaul costs decreased due to lower number of maintenance events than in the comparison period. Ground handling and catering costs as well as traffic charges increased at a clearly slower pace than Finnair's passenger numbers and capacity. Other costs increased mainly due to the capacity increase and to the investments made in digitalisation.

Finnair's comparable EBITDAR increased to 123.0 million euros (103.2). Comparable operating result, or operating result excluding items affecting comparability, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves improved clearly to 47.9 million euros (37.5).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to -7.6 million euros (2.6). The items affecting comparability amounted to -0.4 million euros (48.9). In the comparison period, the items affecting comparability included the sales gain from a sale and leaseback of one A350 aircraft, and one-time expenses related to the redelivery of three A340 aircraft to Airbus. The operating result was 39.9 million euros (89.1), the result before taxes was 34.7 million euros (83.4) and the result after taxes was 27.8 million euros (66.8).

## Financial performance in H1

### Revenue in H1

Revenue grew by 13.7 per cent to 1,350.4 million euros (1,187.7). Passenger revenue grew by 13.9 per cent; ancillary revenue and travel services also showed healthy growth. The ramp-up of the new cargo terminal operations was visible in cargo revenue, which grew at a slower pace than in other areas. Unit revenue (RASK) decreased by 3.9 per cent and amounted to 6.62 euro cents (6.90). The unit revenue at constant currency decreased by 2.4%.

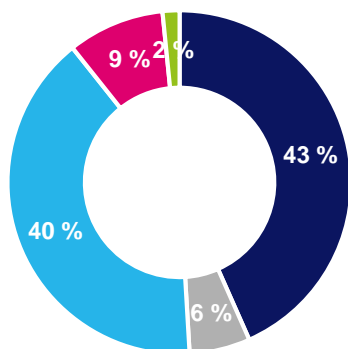
### Revenue by product

EUR million	1-6/2018	1-6/2017	Change %
Passenger revenue	1,061.8	931.8	13.9
Ancillary revenue	79.6	70.0	13.8
Cargo	92.1	88.6	4.0
Travel services	116.8	97.3	20.0
<b>Total</b>	<b>1,350.4</b>	<b>1,187.7</b>	<b>13.7</b>

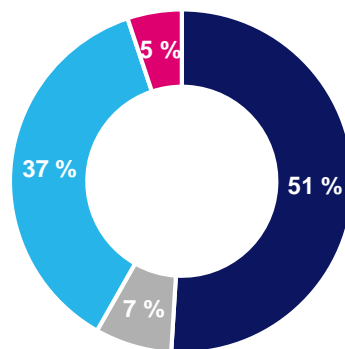
### Passenger revenue and traffic data by area, H1 2018

Traffic area	Ticket revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	460.4	18.8	10,394.1	24.8	9,006.4	24.5	86.6	-0.2
North Atlantic	60.6	15.0	1,473.7	17.6	1,243.7	21.2	84.4	2.5
Europe	427.2	7.4	7,472.9	10.5	5,931.1	10.4	79.4	-0.1
Domestic	96.7	4.5	1,043.8	18.8	681.1	13.5	65.3	-3.0
Unallocated	16.9	>200						
<b>Total</b>	<b>1,061.8</b>	<b>13.9</b>	<b>20,384.4</b>	<b>18.4</b>	<b>16,862.3</b>	<b>18.5</b>	<b>82.7</b>	<b>0.1</b>

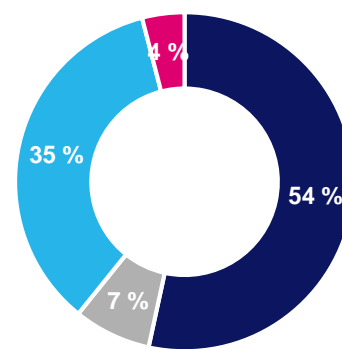
H1 passenger revenue (M€)



H1 capacity (ASKs)



H1 traffic (RPKs)



- Asia
- North-America
- Asia
- North-America
- Asia
- North-America
- Europe
- Domestic
- Europe
- Domestic
- Europe
- Domestic
- Un-allocated

Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 18.4 per cent overall against the comparison period. The number of passengers increased by 14.1 per cent to 6,473,900 passengers, which is the new record for this period. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 18.5 per cent and the passenger load factor (PLF) increased by 0.1 percentage points to 82.7 per cent.

The maximum weekly number of flights to Asia was 89 in the winter season 2017/2018 (78 in the winter season 2016/2017) and it is 97 in the summer season 2018, which started in late March (87 in the summer season 2017). In Asian traffic, ASKs increased by 24.8 per cent. Capacity grew as a result of the introduction of new A350 aircraft after the review period. The growth was allocated especially to new frequencies to Tokyo, Bangkok, Hong Kong, Singapore and Chongqing, but in Q1 also to Goa, a new seasonal destination for Finnair, and in Q2 to Nanjing, a new year-round destination for Finnair. RPKs increased by 24.5 per cent and the PLF declined by 0.2 percentage points to 86.6 per cent.

Capacity on the North Atlantic routes increased by 17.6 per cent. Finnair flew in H1 to New York, and in Q1 also to Miami and new seasonal destinations Puerto Vallarta, Puerto Plata and Havana, and in Q2 to Chicago and San Francisco. RPKs increased by 21.2 per cent and the PLF rose by 2.5 percentage points to 84.4 per cent.

In European traffic, ASKs grew by 10.5 per cent and RPKs increased by 10.4 per cent as the PLF decreased by 0.1 percentage points to 79.4 per cent. Capacity increased thanks to new A321 aircraft that became operational after the comparison period and additional seats installed to majority of the current Airbus narrow-body aircraft. The new capacity was allocated to additional frequencies from Helsinki to other Nordic countries and destinations in Northern Europe in particular. In Q1, Finnair also operated direct flights to Finnish Lapland from London, Paris and Zürich. Domestic traffic capacity increased by 18.8 per cent, mainly as Finnair prepared for the growth of international passenger demand for travel to Lapland during the winter season. RPKs grew in domestic traffic by 13.5 per cent and the PLF declined by 3.0 percentage points to 65.3 per cent.

Ancillary revenue increased by 13.8 per cent and amounted to 79.6 million euros (70.0), or 12.30 euros per passenger (12.34). Advance seat reservations and retail sales were the largest ancillary categories.

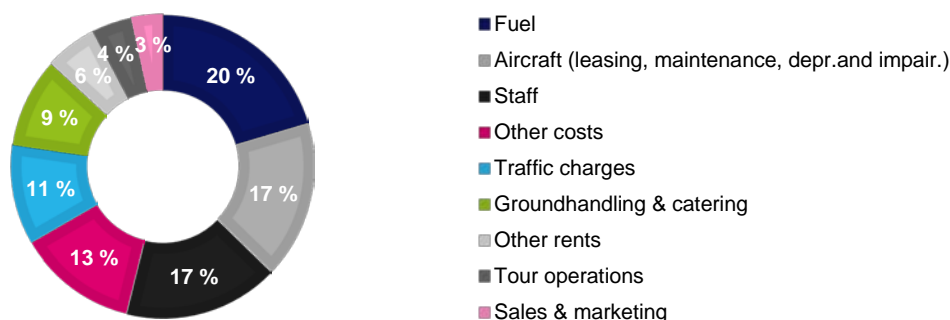
Available scheduled cargo tonne kilometres increased by 14.0 per cent, whereas revenue cargo tonne kilometres increased by 2.0 per cent. Average cargo yields increased by 2.2 per cent year on year. The cargo revenue increased by 4.0 per cent, amounting to 92.1 million euros (88.6).

The total number of travel services passengers, including both Aurinkomatkat Suntours and Finnair Holidays customers, grew by 15.4 per cent. The load factor in Suntours' fixed seat allotment was 96 per cent. Finnair Holidays, a new leisure travel concept combining the best of independent travelling and package holidays, was introduced in Estonia in March, following the Finnish and Swedish launches 2017. Travel Services revenue increased by 20.0 per cent to 116.8 million euros (97.3).

#### Cost development and result in H1

Finnair's operating expenses increased by 11.5 per cent to 1,336.2 million euros (1,198.2). Unit cost (CASK) decreased by 5.4 per cent and totalled 6.37 euro cents (6.73). CASK ex fuel at constant currency decreased by 7.3 per cent.

#### **H1 2018 split of operating costs (€1,336.2 million in total)**





Operating expenses excluding fuel increased by 9.4 per cent, and amounted to 1,063.3 million euros (972.2). Fuel costs, including hedging results and emissions trading costs, increased by 20.7 per cent to 272.8 million euros (226.0). The strong rise in fuel price and Finnair's higher volumes explain the majority of this cost increase. Fuel efficiency as measured by fuel consumption per ASK improved by 3.7 per cent reflecting particularly the introduction of the more fuel-efficient A350s. Fuel consumption per RTK, which also accounts for improvements in the passenger and cargo load factors, improved by 0.2 per cent.

Staff costs increased to 222.1 million euros (197.4). The growth is attributable to the significant increase in the number of personnel. Fleet growth and renewal increased aircraft leases and depreciations, whereas maintenance and overhaul costs decreased. Ground handling and catering costs remained at the same level as in the comparison period as the increase in costs resulting from the growth in volumes was compensated by the decline in costs resulting from the acquisition of Finnair Kitchen in April 2017 and the consequent structural shift of some catering costs to staff costs. Other costs increased mainly due the capacity increase and to the investments made in digitalisation.

Finnair's comparable EBITDAR increased to 201.3 million euros (153.3). Comparable operating result, or operating result excluding items affecting comparability, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves totalled 51.8 million euros (28.5).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to -5.6 million euros (6.1). The items affecting comparability amounted to -0.3 million euros (44.4). In the comparison period, the items affecting comparability included the sales gain from a sale and leaseback of one A350 aircraft and one-time expenses related to the redelivery of three A340 aircraft to Airbus. The operating result was 45.9 million euros (79.1), the result before taxes was 36.7 million euros (73.5) and the result after taxes was 29.3 million euros (58.8).

### **Balance sheet on 30 June 2018**

The Group's balance sheet totalled 3,103.1 million euros at year-end (31/12/2017: 2,887.1). Advance payments related to A350 aircraft and the purchase of one A320 aircraft in the period increased the non-current assets by 30.6 million euros. Trade and other receivables totalled 318.1 million euros (31/12/2017: 319.8). They include an approximately 60 million euros receivable from Airbus that is related to the sale of two A340 aircraft back to Airbus in 2017 and which will be received in 2018.

The profitable result and changes in the fair value of derivatives used in hedge accounting increased shareholders' equity, whereas the dividends paid in April that totalled 38.4 million euros had an opposite effect. Shareholders' equity totalled 1,050.6 million euros (31/12/2017: 1,015.7), or 8.21 euros per share (7.95). The changes in accounting principles recognized in equity related to implementations of IFRS 15 Revenue from Contracts with Customers and amendment of IFRS 2 Share-based Payment. The impacts were insignificant.<sup>2</sup>

Shareholders' equity includes a fair value reserve that is affected by changes in the fair values of jet fuel and currency derivatives used for hedging as well as actuarial gains and losses related to pilots' defined benefit plans according to IAS 19. The value of the item at the end of June was 108.8 million euros after deferred taxes (31/12/2017: 63.0).

### **Cash flow in H1 and financial position**

Finnair has a strong financial position, which supports business development and future investments. In H1, net cash flow from operating activities amounted to 281.2 million euros (186.1). The increase in cash flow was,

---

<sup>2</sup> More information is available in Note 17. Changes in Accounting Principles.

among other things, attributable to the decrease in working capital. Net cash flow from investments amounted to -86.7 million euros (8.6).

The equity ratio on 30 June 2018 stood at 33.9 per cent (31.1) and gearing was negative at -39.1 per cent (-23.1). Adjusted gearing was 60.7 per cent (74.1). Adjusted interest-bearing debt amounted to 708.8 million euros (781.4) and interest-bearing net debt was negative at -410.5 million euros (-198.3).

The company's liquidity was strong during the review period. The Group's cash funds at period-end amounted to 1,119.3 million euros (979.7). Finnair has an entirely unused 175 million euro unsecured syndicated revolving credit facility, intended for use as reserve funding. The arrangement has a maturity date in June 2019.

Finnair has a 200 million euro short-term commercial paper program, which was unused at the end of the review period. Net cash flow from financing amounted to -62.7 million euros (78.6). Financial income was -1.4 million euros (0.1) due to negative interest rates, while financial expenses were -7.9 million euros (-5.7).

### **Capital expenditure in H1**

Capital expenditure excluding advance payments totalled 85.5 million euros (330.8) and was primarily related to fleet investments. Cash flow from investments totalled -124.5 million euros, including advance payments. Net change in financial assets maturing after more than three months totalled -6.1 million (94.7). Cash flow from investments amounted to -86.7 million euros (8.6).

Cash flow investments for financial year 2018 are expected to amount to some 330 million euros including advance payments. Investment cash flow includes both committed investments as well as estimate for planned but not yet committed investments.

In H1, Finnair continued to add seating capacity to the majority of its Airbus narrow-body fleet by modifying galley areas in the front and rear of the aircraft. This renewal will be implemented in full by the end of Q3 2018. Finnair also continues to introduce Wi-Fi connectivity to these aircraft during 2018.

The current favourable state of the credit markets and Finnair's good debt capacity support the financing of future fixed-asset investments on competitive terms. The company has 38 unencumbered aircraft, which account for approximately 66 per cent of the balance sheet value of the entire fleet of 1,146 million euros.

### **Fleet**

#### Finnair's operating fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly owned subsidiary of Finnair. At the end of June, Finnair itself operated 55 aircraft, of which 19 were wide-body and 36 narrow-body aircraft. Of the aircraft, 26 were owned by Finnair Aircraft Finance Oy, 21 were on operating leases and eight on finance leases.

There were no changes in Finnair's operating fleet in Q2. At the end review period, the average age of the fleet operated by Finnair was 9.4 years.

Fleet operated by Finnair* 30.6.2018	Seats	#	Change from 31.12.2017	Own**	Leased (Operating leasing)	Leased (Finance leasing)	Average age 30.6.2018	Ordered
<b>Narrow-body fleet</b>								
Airbus A319	138/144	8		7		1	17.1	
Airbus A320	165/174	10		8		2	15.9	
Airbus A321	209	18		4	12	2	7.4	
<b>Wide-body fleet</b>								
Airbus A330	289/263	8			5	3	8.7	
Airbus A350	297/336	11		7	4		1.8	8
<b>Total</b>		<b>55</b>	<b>0</b>	<b>26</b>	<b>21</b>	<b>8</b>	<b>9.4</b>	<b>8</b>

\* Finnair's Air Operator Certificate (AOC).

\*\* Includes JOLCO-financed (Japanese Operating Lease with Call Option) A350 aircraft.

### Fleet renewal

At the end of March, Finnair operated eleven A350 XWB aircraft delivered between 2015–2017. In Q1, Finnair decided to advance the deliveries of two A350 aircraft. According to the current delivery schedule, Finnair will receive the remaining eight A350 XWB aircraft as follows: one in Q4 2018, two in 2019, two in 2020, two in 2021 and one in 2022. Finnair's investment commitments for property, plant and equipment, totalling 875 million euros, include the upcoming investments in the wide-body fleet.

Finnair added seven new Airbus A321 narrow-body aircraft to its fleet in 2017, all on operating lease agreements. The eighth A321 aircraft will be added to the fleet in Q3 2018, also on an operating lease agreement. Earlier in the year, Finnair also purchased one operating-leased A320 aircraft that it had previously leased, and whose lease term was to expire during this year. In Q2, Finnair also initiated a project studying the renewal of its aging narrow-body fleet.

Finnair has the possibility to adjust the size of its fleet based on outlook due to the staggered maturities of its lease agreements.

### Fleet operated by Norra (purchased traffic)

Nordic Regional Airlines (Norra) operates a fleet of 24 aircraft for Finnair on a contract flying basis. All of the aircraft operated by Norra are leased from Finnair Aircraft Finance.

Fleet operated by Norra*	Seats	#	Change from 31.12.2017	Own**	Leased (Operating leasing)	Average age 30.6.2018	Ordered
ATR	68-72	12		6	6	8.9	
Embraer E190	100	12		9	3	10.0	
<b>Total</b>		<b>24</b>	<b>0</b>	<b>15</b>	<b>9</b>	<b>9.5</b>	

\* Nordic Regional Airlines Oy's Air Operator Certificate (AOC).

### **Customer Experience and Transformation**

In Q2, Finnair continued its investments in developing and improving its customer experience and digital tools and processes.

In April, Finnair offered its passengers the option to select and pre-order their favorite Sky Bistro hot meals (on longer European flights) and Fresh and Tasty cold meals (on selected flights to Northern Finland). Finnair also introduced a new "Seat and Meal" ancillary package on some European flights. The package contains a

delicious meal including a drink, a seat in the front of the Economy Class cabin and boarding among the first customers.

Finnair also introduced a Light economy class fare, which includes hand baggage only, on its Helsinki–New York route. The change was part of a joint effort by Finnair and its Atlantic Joint Business (AJB) partner to offer more options and aligned fare types for their customers on selected North Atlantic routes.

The renewal of Finnair’s business class service, with the aim of making it more personal and able to cater to the individual needs of passengers, continued in Q2. This renewal supports Finnair’s objective of offering the best long-haul business class service compared to other European airlines in 2020. Finnair also continued to work on the development of the customer experience on European and domestic flights – a project initiated earlier in Q1.

Moomin-themed services and products aimed at families with children were launched earlier in the year, and they have been complemented with small Moomin-themed giveaways for child travellers from Q2 onward.

Additionally, Finnair continued to offer electronic newspapers on its long-haul flights and, in the area of additional services, Finnair trialled offering last-minute travel class upgrades in-flight on some of its routes, and the sale of Sky Bistro products through its inflight entertainment system on some long-haul flights. Finnair also rolled out a new insurance concept, a travel cancellation cover, for its passengers.

Finnair’s arrival punctuality was 84.1 per cent (86.7). The Net Promoter Score measuring customer satisfaction increased to 50 (47).

In recognition of Finnair’s efforts to create new digital ancillary revenue streams throughout the passenger journey, in June 2018 Finnair won the Future Travel Experience Ancillary Gold Award for the second year in a row. In addition to the aforementioned ancillary product and service concepts introduced and tested in Q2, other examples of ancillary concepts introduced by Finnair include the AI chatbot “Finn” to help sell bags and seats via social media, new ground transportation partnerships, and Finnair’s Nordic Sky Portal, which enables passengers to browse and purchase a wide variety of products in Finnair’s inflight entertainment system, and to arrange for them to be delivered to their home address while traveling.

The development of digital tools for personnel continued during the review period. During 2018, Finnair will roll-out iPhones for its entire staff, with applications to support communication and work. In Q1, a new mobile application for Finnair personnel for reporting occupational safety observations was introduced. In June, Finnair launched a new SkyGuest application to its cabin crew members. This tailor-made application delivers passenger data in digital format and supports offering more personalized service to customers. A new Crew app, for its part, facilitates the management of inflight entertainment system on flights. In the past, SkyPay application has been introduced to cabin crew to smoothen payment transactions on flights.

Investments made in digital tools and channels were visible as growth in the number of users of Finnair’s digital services and growth in the number of flight tickets purchased through these channels. The average number of monthly visitors totalled 2.1 million visitors (2.4).<sup>3</sup> The number of active users of the Finnair mobile application increased by 62.3 per cent to 256,560. During the period under review, direct sales in Finnair’s digital channels represented 23.5 per cent (23.4) of all tickets sold and 52.9 per cent of ancillary sales (55.7).

## **People experience**

In H1, Finnair employed an average of 6,260 (5,254) people, which is 19.2 per cent more than in the comparison period. The number of personnel in ongoing operations grew by 14.4 per cent when compared to the same period last year. This number does not include the LSG personnel who transferred to Finnair Kitchen Oy in April 2017. At the end of June, the number of employees in an employment relationship was 6,527 (30/6/2017: 5,753, 31/12/2017: 5,918). The number of personnel increased by 609 during the review period,

---

<sup>3</sup> The measurement method was changed in Q2 2018 due to EU GDPR.

mainly as a result of new pilots and cabin crew joining the company. The attrition rate decreased in H1 by 0.7 points to 3.0 per cent (3.7).

Development of competencies, leadership, new ways of working and wellbeing at work were the focus of the development of the people experience. Comprehensive training for new flight crew members continued. The utilisation of digital tools and the development and management of flexible working methods remained at the core of the development work. In the area of wellbeing at work, the strengthening of occupational safety proceeded as planned.

In H1, LTIF (Lost Time Incident Frequency), which measures the frequency of accidents at the company level, went down to 10.2 (13.6). The number of absences due to sickness remained at the same level as in the comparison period and was 4.42 per cent (4.23).

### **Own shares**

In Q2, Finnair did not exercise the authorisation granted by the AGM 2018 to acquire or dispose its own shares. In Q1, Finnair transferred, using the authorisation granted by the AGM 2017, a total of 102,529 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 123,430 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2015–2017 in March.

At the end of June, Finnair held a total of 207,408 of its own shares (433,367 at year end 2017), representing 0.16 per cent of the total share capital.

### **Share price development and trading**

Finnair's market capitalisation was 1,187.2 million euros at the end of June (31/12/2017: 1,642.7). The closing price of the share on 30 June 2018 was 9.27 euros (31/12/2017: 12.82 euros). In H1, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 13.22 euros, the lowest price 8.14 euros and the average price 11.18 euros. Some 43.1 million company shares, with a total value of 481.6 million euros, were traded.

The number of Finnair shares recorded in the Trade Register was 128,136,115 at the end of the period. The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 22.7 per cent (19.5 on 31 December 2017) were held by foreign investors or in the name of a nominee.

### **Authorisations granted by the Annual General Meeting 2018**

The Annual General Meeting (AGM) of Finnair Plc, held on 20 March 2018, authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge and on the disposal of own shares held by the company. The authorisation shall not exceed 5,000,000 shares, which corresponds to approximately 3.9 per cent of all the shares in the company. The authorisations are effective for a period of 18 months from the resolution of the AGM.

The AGM also authorised the Board of Directors to decide on donations up to an aggregate maximum of EUR 250,000 for charitable or corresponding purposes. The authorisation is effective until the next Annual General Meeting.

The resolutions of the AGM are available in full on the company's website <https://investors.finnair.com/en/governance/general-meetings/agm-2018>

## **Corporate responsibility**

Economic, social and environmental sustainability is integral to Finnair's overall business strategy and operations. Finnair wants to be a responsible global citizen and respond to its stakeholders' needs, including those concerned with corporate responsibility. Finnair cooperates with industry operators and the authorities in areas such as reducing the climate impacts of aviation, promoting equality and inclusion and the consideration of sustainability within the supply chain.

Finnair's corporate responsibility is reflected in its strategy and vision as well as its values of commitment to care, simplicity and courage. Its corporate responsibility strategy is crystallised in a three-pronged commitment: cleaner, caring and collaborative, and it embeds sustainability even deeper into the group strategy, brand and product development. The program measures are geared to contribute to cost containment and risk mitigation as well as value creation.

Finnair's ethical business principles are outlined in its Code of Conduct. The Code applies to all Finnair personnel and all locations. Finnair requires that its suppliers comply with ethical standards essentially similar to those which Finnair complies with in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing, including zero tolerance for corruption. Finnair is working to further integrate sustainability and ethical business conduct to an overall responsibility strategy.

Safety has the highest priority at Finnair operations. We are committed to implementing, maintaining and constantly reviewing and improving strategies and processes to ensure that all our aviation activities take place under an appropriate allocation of organisational resources. This is to achieve the highest level of safety performance and compliance with the regulatory requirements while delivering our services.

Finnair is also committed to the sector's common goals of carbon-neutral growth from 2020 onwards, and cutting emissions from the 2005 level in half by 2050. On top of that, Finnair has set an ambitious target to cut 17 per cent of carbon dioxide emissions by 2020 from the 2013 level.

As a part of Finnair's fuel efficiency program, new software was brought into use in the A350 fleet in May. This vertical flight optimization software (PACE) is located in the cockpit computers. The program aims for fuel savings, and it provides the pilot with a tool to make operations as efficient as possible. In addition to fuel and cost savings, the software also offers environmental benefits as CO<sup>2</sup> emissions drop in the same proportion.

In Q2, Finnair introduced a new Corporate Responsibility web site highlighting the most material themes in its operations. It also launched a new Responsibility channel in its inflight entertainment system, among other selections. The channel offers, for example, high-quality videos about sustainability issues and interesting material from our responsibility partners.

The key performance indicators for corporate responsibility are presented in the Key Figures table of this interim report.

## **Significant near-term risks and uncertainties**

Aviation is an industry that is sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variation and economic trends. In the implementation of its strategy, Finnair is faced with various risks and opportunities. Finnair has a comprehensive risk management process to ensure that risks are identified and mitigated as much as possible, although many risks are not within the company's full control. To exploit value creation opportunities, Finnair is prepared to take and manage risks within the limits of its risk-bearing capacity.

The risks and uncertainties described below are considered as potentially having a significant impact on Finnair's business, financial result and future outlook within the next 12 months. This list is not intended to be exhaustive.

Exceptional variations in the fuel price are passed on to customers via ticket prices or affect capacity growth in Finnair's main markets; they also pose a risk to Finnair's revenue development, as do sudden adverse changes in the foreign exchange rates and slowing growth in demand.

Capacity increases and product improvements among Finnair's existing or new competitors may have an impact on the demand for, and yield of, Finnair's services. In addition, joint operations involving closer cooperation than airline alliances and joint businesses are expected to develop further. Potential industry consolidation could have a significant impact on the competitor landscape.

The achievement of the additional revenue and efficiency improvements sought through Finnair's digital business transformation and new services involves risks, as does the implementation of Finnair's strategy and fleet renewal. Finnair's growth plan and its resourcing could generate further cost pressure and operational challenges in the short term.

The aviation industry is affected by a number of regulatory projects at the EU and international levels. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory projects include international regulation related to emission trading, noise regulation and other environmental regulation, EU regulations on privacy protection and the decisions made by the Court of Justice of the European Union regarding flight passengers' rights. Interpretation of these decisions involves risks, such as those relating to the injunction sought by the Finnish Consumer Ombudsman in September regarding Finnair's compensation practices. In addition, regulations on the reporting of non-financial information (corporate responsibility) and other stakeholder requirements have increased substantially.

Geopolitical uncertainty, the threat of trade wars, the threat of terrorism and other potential external disruptions may, if they materialise, significantly affect the demand for air travel and Finnair's operations. Potentially increasing protectionism in the political environment may also hinder the market access required for the implementation of Finnair's growth plan.

The construction work associated with the extension of Helsinki Airport, which will continue until 2020, may cause traffic disruptions. Finnair is engaged in close cooperation with Finavia in order to minimise the negative impacts of the expansion project on Finnair's operations. The expansion will facilitate the increase of the airport's annual passenger volume to 20 million and enable the implementation of Finnair's growth strategy.

Finnair's risk management and risks related to the company's operations are described in more detail on the company's website at <https://investors.finnair.com/en/governance/risk-management>.

### **Seasonal variation and sensitivities in business operations**

Due to the seasonal variation of the airline business, the Group's revenue and profit are generally at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

In addition to operational activities and market conditions, fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant expense item. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, divestments of aircraft, aircraft lease payments, aircraft maintenance, overflight royalties and foreign currency revenue. Significant dollar-denominated expense items are fuel costs and aircraft lease payments. The largest investments, namely the acquisition of aircraft and their spare parts, are also mainly denominated in US dollars. The most significant income currencies after the euro are the Japanese yen, the Chinese yuan and the Swedish krona.

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Fuel purchases are hedged for 24 months forward on a rolling basis, and the

degree of hedging decreases towards the end of the hedging period. The higher and lower limits of the degree of hedging are 90 and 60 per cent for the following six months.

<b>Sensitivities in business operations, impact on comparable operating profit</b> (rolling 12 months from date of financial statements)		<b>1 percentage (point) change</b>
Passenger load factor (PLF, %)		EUR 25 million
Average yield of passenger traffic		EUR 23 million
Unit cost (CASK ex. fuel)		EUR 22 million

<b>Fuel sensitivities</b> (rolling 12 months from date of financial statements)	<b>10% change without hedging</b>	<b>10% change, taking hedging into account</b>	<b>Hedging ratio</b>	
			H2/2018	H1/2019
Fuel	EUR 66 million	EUR 29 million	72%	57%

<b>Currency distribution %</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Q1-Q2 2018</b>	<b>Q1-Q2 2017</b>	<b>2017</b>	<b>Currency sensitivities USD and JPY</b> (rolling 12 months from date of financial statements for operational cash flows)	<b>Hedging ratio for operational cash flows</b> (rolling next 12 months)
<b>Sales currencies</b>						10% change without hedging	10% change, taking hedging into account
EUR	55	54	59	57	55	-	-
USD*	4	4	3	4	4	see below	see below
JPY	11	10	8	8	10	EUR 26m	EUR 12m
CNY	7	7	6	6	7	-	-
KRW	3	3	3	3	3	-	-
SEK	3	4	4	5	4	-	-
Other	17	18	17	17	17	-	-
<b>Purchase currencies</b>							
EUR	57	57	58	57	57	-	-
USD*	36	37	35	36	35	EUR 71m	EUR 27 m
Other	7	6	7	7	7		67%

\* Hedging ratio for and sensitivity analysis for USD basket, which consists of net cash flows in USD, CNY and HKD. The sensitivity analysis assumes that the correlation of the Chinese yuan and the Hong Kong dollar with the US dollar is strong.

### Other events during the review period

In May, Finnair's CEO, Pekka Vauramo, gave notice of his resignation from the company to join Metso Corporation as their new CEO. He will leave Finnair at the latest in November 2018. The search for Vauramo's successor is ongoing.

During the review period, Finnair continued preparations for the adaptation of the new IFRS 16 Leases standard at the beginning of 2019. IFRS 16 replaces the previous standard (IAS 17 Leases). Finnair expects that the new standard will have a significant impact on its financial statements and key ratios. More information on the implementation of the standard and its estimated effects is available in Note 17. to this half-year report (Changes in accounting principles).

### Financial Reporting

Finnair will publish its interim report for the period 1 January–30 September 2018 on 25 October 2018.



FINNAIR PLC  
Board of Directors

### **Briefings**

Finnair will hold a results press conference on 17 July 2018 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at its office located at Tietotie 9. An English-language telephone conference and webcast will begin at 2:30 p.m. Finnish time. The conference may be attended by dialling your local access number +358 9 7479 0361 (Finland), 0200 880 389 (Sweden), 0800 358 6377 (UK) or +44 (0)330 336 9105 (all other countries). The confirmation code is 9398091. To join the live webcast, please register at: <https://slideassist.webcasts.com/starthere.jsp?ei=1201358>

### **For further information, please contact:**

Chief Financial Officer **Pekka Vähähyppä**, tel. +358 9 818 8550, [pekka.vahahyypa@finnair.com](mailto:pekka.vahahyypa@finnair.com)  
Director, Financial Communications **Mari Reponen**, tel. +358 9 818 2037, [mari.reponen@finnair.com](mailto:mari.reponen@finnair.com)

Key figures	Q2 2018	Q2 2017	Change %	Q1-Q2 2018	Q1-Q2 2017	Change %	2017	LTM
<b>Revenue and profitability</b>								
Revenue, EUR million	715.0	633.4	12.9	1,350.4	1,187.7	13.7	2,568.4	2,731.1
Comparable operating result, EUR million	47.9	37.5	27.6	51.8	28.5	81.4	170.4	193.6
Comparable operating result, % of revenue	6.7	5.9	0.8 %-p	3.8	2.4	1.4 %-p	6.6	7.1
Operating result, EUR million	39.9	89.1	-55.2	45.9	79.1	-41.9	224.8	191.6
Comparable EBITDAR, % of revenue	17.2	16.3	0.9 %-p	14.9	12.9	2.0 %-p	17.0	17.7
Earnings per share (EPS), EUR	0.19	0.50	-61.4	0.18	0.41	-56.2	1.23	1.00
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.67	6.96	-4.2	6.62	6.90	-3.9	6.96	6.81
RASK at constant currency, cents/ASK	6.75	6.96	-3.0	6.73	6.90	-2.4	6.96	6.90
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.52	6.69	-2.4	6.30	6.55	-3.8	6.57	6.44
Unit cost per available seat kilometre (CASK), cents/ASK	6.22	6.55	-5.0	6.37	6.73	-5.4	6.49	6.33
CASK excluding fuel, cents/ASK	4.87	5.29	-8.0	5.03	5.42	-7.1	5.22	5.04
CASK excluding fuel at constant currency, cents/ASK	4.77	5.29	-9.9	5.03	5.42	-7.3	5.22	5.08
<b>Capital structure</b>								
Equity ratio, %				33.9	31.1	2.7 %-p	35.2	
Gearing, %				-39.1	-23.1	-15.9 %-p	-24.2	
Adjusted gearing, %				60.7	74.1	-13.5 %-p	69.9	
Interest-bearing net debt, EUR million				-410.5	-198.3	-107.1	-246.0	
Adjusted net debt, EUR million				637.3	635.1	0.4	710.3	
Adjusted net debt / Comparable EBITDAR, LTM				1.3	1.9	-0.6 %-p	1.6	1.3
Gross capital expenditure, EUR million	29.7	297.5	-90.0	85.5	330.8	-74.2	519.0	273.7
Return on capital employed (ROCE), LTM, %				11.2	13.7	-2.5 %-p	13.6	11.2
<b>Growth and traffic</b>								
Passengers, 1,000	3,456	3,070	12.6	6,474	5,674	14.1	11,905	12,704
Ancillary revenue, EUR million	40.5	36.2	11.9	79.6	70.0	13.8	144.6	154.3
Ancillary revenue per passenger (PAX)	11.72	11.79	-0.6	12.30	12.34	-0.3	12.15	12.14
Flights, number	32,097	29,001	10.7	61,843	56,269	9.9	114,718	120,292
Available seat kilometres (ASK), million	10,719	9,095	17.9	20,384	17,223	18.4	36,922	40,084
Revenue passenger kilometres (RPK), million	8,847	7,616	16.2	16,862	14,233	18.5	30,750	33,379
Passenger load factor (PLF), %	82.5	83.7	-1.2 %-p	82.7	82.6	0.1 %-p	83.3	83.3
Fuel consumption, tonnes	259,317	227,808	13.8	495,924	434,935	14.0	921,520	982,509
CO <sup>2</sup> emissions, tonnes/ASK	0.0762	0.0789	-3.4	0.0766	0.0795	-3.7	0.0786	0.0772
CO <sup>2</sup> emissions, tonnes/RTK	0.7824	0.7731	1.2	0.7983	0.8001	-0.2	0.7801	0.7804
<b>Customer Experience</b>								
Net Promoter Score	50	47	4.4	47	47	0.3	47	47
Arrival punctuality, %	84.1	86.7	-2.6 %-p	78.9	84.7	-5.7 %-p	83.2	80.3
<b>People Experience</b>								
Average number of employees	6,426	5,643	13.9	6,260	5,254	19.2	5,526	6,029
WeTogether@Finnair Personnel Experience overall grade *	3.75	3.67	2.2	3.75	3.67	2.2	3.78	3.77
Absences due to illness, % **	3.64	3.77	-0.13 %-p	4.42	4.23	0.19 %-p	4.11	4.11
LTIF (Lost-time injury frequency)	10.9	13.6	-19.9	10.2	13.6	-25.0	15.6	13.9
Attrition rate, LTM, %	3.0	3.7	-0.7 %-p	3.0	3.7	-0.7 %-p	3.4	3.0
<b>Transformation</b>								
Share of digital direct ticket sales, % ***	23.5	23.4	0.0 %-p	24.3	24.3	0.0 %-p	24.1	24.1
Share of digital direct ancillary sales, % ***	52.9	55.7	-2.9 %-p	57.0	57.0	0.0 %-p	56.5	56.5
Average number of monthly visitors at finnair.com, millions ****	2.1	2.4	-14.1	2.1	2.4	-10.5	1.8	2.3
Active users for Finnair mobile app, thousands	256.6	158.1	62.3	253.2	147.3	71.9	157.5	223.2

\* Measured bi-annually in Q2 and Q4.

\*\* Excluding Finnair Kitchen.

\*\*\* In Finnair's own digital channels.

\*\*\*\* Measurement method changed due to EU GDPR in Q2 2018.

**CONSOLIDATED INCOME STATEMENT**

in mill. EUR	Q2 2018	Q2 2017	Change %	Q1-Q2 2018	Q1-Q2 2017	Change %	2017	LTM
<b>Revenue</b>	<b>715.0</b>	<b>633.4</b>	<b>12.9</b>	<b>1,350.4</b>	<b>1,187.7</b>	<b>13.7</b>	<b>2,568.4</b>	<b>2,731.1</b>
Other operating income	17.9	18.8	-5.1	37.6	39.0	-3.6	77.0	75.6
<b>Operating expenses</b>								
Staff costs	-115.7	-106.9	8.3	-222.1	-197.4	12.5	-423.3	-448.0
Fuel costs	-145.4	-114.4	27.1	-272.8	-226.0	20.7	-472.2	-519.0
Other rents	-38.3	-38.7	-0.9	-74.8	-83.0	-9.9	-157.9	-149.7
Aircraft materials and overhaul	-36.4	-49.7	-26.8	-75.1	-85.3	-11.9	-165.7	-155.6
Traffic charges	-78.1	-68.5	14.1	-143.2	-126.7	13.0	-266.5	-283.0
Ground handling and catering expenses	-63.3	-59.8	5.8	-127.0	-126.7	0.2	-252.2	-252.5
Expenses for tour operations	-22.7	-17.9	27.4	-55.8	-46.4	20.2	-100.5	-109.9
Sales and marketing expenses	-22.5	-21.9	2.9	-45.2	-39.4	14.8	-85.8	-91.6
Other expenses	-87.3	-71.3	22.5	-170.5	-142.5	19.7	-285.1	-313.1
<b>Comparable EBITDAR</b>	<b>123.0</b>	<b>103.2</b>	<b>19.2</b>	<b>201.3</b>	<b>153.3</b>	<b>31.3</b>	<b>436.2</b>	<b>484.2</b>
Lease payments for aircraft	-39.5	-35.2	12.1	-78.3	-65.3	20.0	-136.6	-149.7
Depreciation and impairment	-35.6	-30.4	17.1	-71.2	-59.5	19.6	-129.2	-140.9
<b>Comparable operating result</b>	<b>47.9</b>	<b>37.5</b>	<b>27.6</b>	<b>51.8</b>	<b>28.5</b>	<b>81.4</b>	<b>170.4</b>	<b>193.6</b>
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	-7.6	2.6	<-200 %	-5.6	6.1	<-200 %	11.1	-0.6
Items affecting comparability	-0.4	48.9	<-200 %	-0.3	44.4	<-200 %	43.3	-1.4
<b>Operating result</b>	<b>39.9</b>	<b>89.1</b>	<b>-55.2</b>	<b>45.9</b>	<b>79.1</b>	<b>-41.9</b>	<b>224.8</b>	<b>191.6</b>
Financial income	-0.7	0.1	<-200 %	-1.4	0.1	<-200 %	-0.3	-1.7
Financial expenses	-4.5	-5.7	20.9	-7.9	-5.7	-39.0	-13.4	-15.6
<b>Result before taxes</b>	<b>34.7</b>	<b>83.4</b>	<b>-58.4</b>	<b>36.7</b>	<b>73.5</b>	<b>-50.1</b>	<b>211.1</b>	<b>174.3</b>
Income taxes	-6.9	-16.7	58.3	-7.3	-14.7	50.1	-41.7	-34.4
<b>Result for the period</b>	<b>27.8</b>	<b>66.8</b>	<b>-58.4</b>	<b>29.3</b>	<b>58.8</b>	<b>-50.1</b>	<b>169.4</b>	<b>140.0</b>
<b>Attributable to</b>								
Owners of the parent company	27.8	66.8	-58.4	29.3	58.8	-50.1	169.4	140.0
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.19	0.50	-61.4	0.18	0.41	-56.2	1.23	1.00

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

in mill. EUR	Q2 2018	Q2 2017	Change %	Q1-Q2 2018	Q1-Q2 2017	Change %	2017	LTM
<b>Result for the period</b>	<b>27.8</b>	<b>66.8</b>	<b>-58.4</b>	<b>29.3</b>	<b>58.8</b>	<b>-50.1</b>	<b>169.4</b>	<b>140.0</b>
<b>Other comprehensive income items</b>								
<b>Items that may be reclassified to profit or loss in subsequent periods</b>								
Change in fair value of hedging instruments	69.5	-43.8	> 200 %	67.8	-91.2	> 200 %	-18.5	140.5
Tax effect	-13.9	8.7	<-200 %	-13.6	18.2	<-200 %	3.7	-28.1
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>								
Actuarial gains and losses from defined benefit plans	-6.0	9.2	<-200 %	-10.5	33.7	<-200 %	35.9	-8.3
Tax effect	1.2	-1.8	> 200 %	2.1	-6.7	> 200 %	-7.2	1.7
<b>Other comprehensive income items total</b>	<b>50.8</b>	<b>-27.7</b>	<b>&gt; 200 %</b>	<b>45.8</b>	<b>-46.1</b>	<b>&gt; 200 %</b>	<b>14.0</b>	<b>105.8</b>
<b>Comprehensive income for the period</b>	<b>78.5</b>	<b>39.1</b>	<b>100.8</b>	<b>75.1</b>	<b>12.7</b>	<b>&gt; 200 %</b>	<b>183.4</b>	<b>245.8</b>
<b>Attributable to</b>								
Owners of the parent company	78.5	39.1	100.8	75.1	12.7	> 200 %	183.4	245.8

## CONSOLIDATED BALANCE SHEET

in mill. EUR		30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	O	19.2	14.6	15.5
Tangible assets	O	1,450.1	1,349.0	1,422.1
Investments in associates and joint ventures	O	2.5	2.5	2.5
Loan and other receivables	O	4.6	6.2	5.6
<b>Non-current assets total</b>		<b>1,476.3</b>	<b>1,372.3</b>	<b>1,445.7</b>
<b>Current assets</b>				
Inventories	O	24.7	15.8	17.2
Trade and other receivables	O	318.1	332.5	319.8
Derivative financial instruments	O/IA*	149.3	22.3	104.5
Other financial assets	IA	907.4	862.5	833.0
Cash and cash equivalents	IA	211.9	117.1	150.2
<b>Current assets total</b>		<b>1,611.4</b>	<b>1,350.3</b>	<b>1,424.6</b>
Assets held for sale	O	15.3	30.8	16.7
<b>Assets total</b>		<b>3,103.1</b>	<b>2,753.5</b>	<b>2,887.1</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	E	75.4	75.4	75.4
Other equity	E	975.2	781.3	940.3
<b>Equity total</b>		<b>1,050.6</b>	<b>856.7</b>	<b>1,015.7</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	O	91.2	35.7	73.9
Interest-bearing liabilities	IL	579.2	692.0	586.2
Pension obligations	O	23.1	4.7	6.4
Provisions	O	95.7	71.7	79.0
Other liabilities	O	1.1	4.8	1.1
<b>Non-current liabilities total</b>		<b>790.3</b>	<b>808.9</b>	<b>746.7</b>
<b>Current liabilities</b>				
Provisions	O	15.6	15.6	21.1
Interest-bearing liabilities	IL	119.3	83.1	132.4
Trade payables	O	113.2	92.0	90.7
Derivative financial instruments	O/IL*	40.1	65.1	81.3
Deferred income and advances received	O	679.8	598.3	475.3
Liabilities related to employee benefits	O	116.4	104.9	139.2
Other liabilities	O	167.0	128.9	173.4
<b>Current liabilities total</b>		<b>1,251.4</b>	<b>1,087.8</b>	<b>1,113.4</b>
Liabilities related to assets held for sale	O	10.8		11.2
<b>Liabilities total</b>		<b>2,052.5</b>	<b>1,896.7</b>	<b>1,871.4</b>
<b>Equity and liabilities total</b>		<b>3,103.1</b>	<b>2,753.5</b>	<b>2,887.1</b>

Finnair reports its interest-bearing debt, net debt and adjusted gearing to give an overview of Finnair's financial position. Balance sheet items included in interest-bearing net debt are marked with an "IA" or "IL". The calculation of capital employed includes items marked with an "E" or "IL". Other items are marked with an "O".

Additional information to Balance Sheet: Interest-bearing net-debt and adjusted gearing		30 Jun 2018	30 Jun 2017	31 Dec 2017
Interest-bearing liabilities		698.4	775.0	718.6
Cross currency Interest rate swaps *		10.3	6.4	18.5
<b>Adjusted interest-bearing liabilities</b>		<b>708.8</b>	<b>781.4</b>	<b>737.1</b>
Other financial assets		-907.4	-862.5	-833.0
Cash and cash equivalents		-211.9	-117.1	-150.2
<b>Interest-bearing net debt</b>		<b>-410.5</b>	<b>-198.3</b>	<b>-246.0</b>
Lease payments for aircraft for the last twelve months (LTM) * 7		1,047.8	833.3	956.4
<b>Adjusted interest-bearing net debt</b>		<b>637.3</b>	<b>635.1</b>	<b>710.3</b>
Equity total		1,050.6	856.7	1,015.7
<b>Adjusted gearing, %</b>		<b>60.7 %</b>	<b>74.1 %</b>	<b>69.9 %</b>

\* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in Note 5, is considered an interest-bearing liability in the net debt calculation.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

in mill. EUR	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
<b>Equity 31 Dec 2017</b>	<b>75.4</b>	<b>168.1</b>	<b>63.0</b>	<b>250.3</b>	<b>260.7</b>	<b>198.2</b>	<b>1,015.7</b>
Change in accounting principles				3.8	-4.7		-1.0
<b>Equity 1 Jan 2018</b>	<b>75.4</b>	<b>168.1</b>	<b>63.0</b>	<b>254.0</b>	<b>256.0</b>	<b>198.2</b>	<b>1,014.7</b>
Result for the period					29.3		29.3
Change in fair value of hedging instruments			54.2				54.2
Actuarial gains and losses from defined benefit plans			-8.4				-8.4
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>45.8</b>	<b>0.0</b>	<b>29.3</b>	<b>0.0</b>	<b>75.1</b>
Dividend					-38.4		-38.4
Share-based payments				-0.9			-0.9
<b>Equity 30 Jun 2018</b>	<b>75.4</b>	<b>168.1</b>	<b>108.8</b>	<b>253.1</b>	<b>246.9</b>	<b>198.2</b>	<b>1,050.6</b>

Retained earnings was adjusted with -4.7 million euros due to implementation of IFRS 15 Revenue from Contracts with Customers. Unrestricted equity funds increased 3.8 million euros due to amendment to IFRS 2 Share-based Payment. More detailed information in note 17. Changes in accounting principles.

in mill. EUR	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
<b>Equity 31 Dec 2016</b>	<b>75.4</b>	<b>168.1</b>	<b>33.9</b>	<b>248.6</b>	<b>132.8</b>	<b>198.2</b>	<b>857.0</b>
Change in accounting principles			15.2		-16.1		-0.9
<b>Equity 1 Jan 2017</b>	<b>75.4</b>	<b>168.1</b>	<b>49.0</b>	<b>248.6</b>	<b>116.6</b>	<b>198.2</b>	<b>856.1</b>
Result for the period					58.8		58.8
Change in fair value of hedging instruments			-73.0				-73.0
Actuarial gains and losses from defined benefit plans			26.9				26.9
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-46.1</b>	<b>0.0</b>	<b>58.8</b>	<b>0.0</b>	<b>12.7</b>
Dividend					-12.8		-12.8
Share-based payments				0.7			0.7
<b>Equity 30 Jun 2017</b>	<b>75.4</b>	<b>168.1</b>	<b>3.0</b>	<b>249.4</b>	<b>162.6</b>	<b>198.2</b>	<b>856.7</b>

**CONSOLIDATED CASH FLOW STATEMENT**

in mill. EUR	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	LTM
<b>Cash flow from operating activities</b>						
Result for the period	27.8	66.8	29.3	58.8	169.4	140.0
Depreciation and impairment	35.6	30.4	71.2	59.5	129.2	140.9
Other adjustments to result for the period						
Financial income and expenses	5.2	5.6	9.3	5.6	13.6	17.3
Income taxes	6.9	16.7	7.3	14.7	41.7	34.4
<b>EBITDA</b>	<b>75.5</b>	<b>119.5</b>	<b>117.1</b>	<b>138.6</b>	<b>353.9</b>	<b>332.5</b>
Gains and losses on aircraft and other transactions	0.2	-49.4	-0.1	-44.9	-44.1	0.7
Non-cash transactions *	19.0	22.3	18.9	15.3	33.4	37.0
Changes in working capital	108.7	80.3	149.1	85.8	56.8	120.1
Financial expenses paid, net	-0.2	-10.5	-4.0	-8.8	-17.1	-12.2
Income taxes paid	0.0	0.0	0.0	0.0	-0.7	-0.7
<b>Net cash flow from operating activities</b>	<b>203.2</b>	<b>162.2</b>	<b>281.2</b>	<b>186.1</b>	<b>382.3</b>	<b>477.4</b>
<b>Cash flow from investing activities</b>						
Investments in intangible assets	-2.3	2.2	-4.7	-1.9	-11.3	-14.1
Investments in tangible assets	-56.6	-208.6	-119.9	-246.5	-393.6	-267.0
Investments in group shares	0.0	6.7	0.1	6.7	7.5	0.8
Divestments of fixed assets and group shares	41.7	155.2	43.6	155.6	156.9	44.9
Net change in financial assets maturing after more than three months	-16.0	-91.3	-6.1	94.7	82.9	-17.9
Change in non-current receivables	0.3	-0.7	0.3	0.0	0.0	0.4
<b>Net cash flow from investing activities</b>	<b>-32.8</b>	<b>-136.5</b>	<b>-86.7</b>	<b>8.6</b>	<b>-157.5</b>	<b>-252.8</b>
<b>Cash flow from financing activities</b>						
Proceeds from loans	0.0	0.0	0.0	199.3	199.3	0.0
Loan repayments and changes	-14.3	-12.0	-24.3	-107.9	-130.0	-46.4
Hybrid bond interests and expenses	0.0	0.0	0.0	0.0	-15.8	-15.8
Dividends paid	-38.4	-12.8	-38.4	-12.8	-12.8	-38.4
<b>Net cash flow from financing activities</b>	<b>-52.7</b>	<b>-24.8</b>	<b>-62.7</b>	<b>78.6</b>	<b>40.8</b>	<b>-100.5</b>
<b>Change in cash flows</b>	<b>117.7</b>	<b>0.9</b>	<b>131.8</b>	<b>273.2</b>	<b>265.5</b>	<b>124.1</b>
Liquid funds, at beginning	658.1	650.8	643.9	378.4	378.4	651.6
Change in cash flows	117.7	0.9	131.8	273.2	265.5	124.1
<b>Liquid funds, at end **</b>	<b>775.7</b>	<b>651.6</b>	<b>775.7</b>	<b>651.6</b>	<b>643.9</b>	<b>775.7</b>
<b>Notes to consolidated cash flow statement</b>						
<b>* Non-cash transactions</b>						
Employee benefits	3.6	4.6	7.2	8.4	16.0	14.8
Change in provisions	14.6	16.1	10.7	6.7	17.8	21.8
Other adjustments	0.8	1.5	1.0	0.2	-0.4	0.5
<b>Total</b>	<b>19.0</b>	<b>22.3</b>	<b>18.9</b>	<b>15.3</b>	<b>33.4</b>	<b>37.0</b>
<b>** Liquid funds</b>						
Other financial assets	907.4	862.5	907.4	862.5	833.0	907.4
Cash and cash equivalents	211.9	117.1	211.9	117.1	150.2	211.9
<b>Liquid funds in balance sheet</b>	<b>1,119.3</b>	<b>979.7</b>	<b>1,119.3</b>	<b>979.7</b>	<b>983.2</b>	<b>1,119.3</b>
Maturing after more than three months	-343.6	-328.1	-343.6	-328.1	-339.2	-343.6
<b>Total</b>	<b>775.7</b>	<b>651.6</b>	<b>775.7</b>	<b>651.6</b>	<b>643.9</b>	<b>775.7</b>

## NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL REPORT

### 1. BASICS OF PREPARATION

This Consolidated Half Year Financial Report has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting.

### 2. ACCOUNTING PRINCIPLES

Finnair Group adopted IFRS 15: Revenue from Contracts with Customers and amendment to IFRS 2: Share-based Payment, with a date of initial application on 1 January 2018. The following changes to the accounting principles are described in the note 17 Changes in accounting principles. Finnair also presents an evaluation of the upcoming implementation and effects of IFRS 16 standard IFRS 16 (Leases). Otherwise the accounting principles applied are disclosed in the 2017 Consolidated Financial Statements.

The figures presented in this statement are not rounded; therefore, the total sum of individual figures does not necessarily match the corresponding sum stated herein. The key figures stated here are calculated using the exact figures.

### 3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the half year financial report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. The actual outcome may differ from the estimates made. The critical accounting estimates and sources of uncertainty are disclosed in the financial statements 2017.

### 4. SEGMENT INFORMATION, REVENUE AND ITEMS AFFECTING COMPARABILITY

Finnair Executive Board, defined as the chief operative decision maker according to IFRS 8 Segment reporting, considers the business as one operating segment. Therefore, segment information is not reported.

#### Revenue by product and traffic area

Q2 2018, in mill. EUR	North					Total	Share %
	Asia	Atlantic	Europe	Domestic	Unallocated		
Passenger revenue	243.4	35.6	245.0	41.4	11.8	<b>577.2</b>	80.7
Ancillary revenue	10.2	1.7	11.1	0.8	16.8	<b>40.5</b>	5.7
Cargo	38.3	2.7	7.9	0.2	2.5	<b>51.6</b>	7.2
Travel services	1.8	0.0	41.6	0.4	1.8	<b>45.6</b>	6.4
<b>Total</b>	<b>293.7</b>	<b>40.0</b>	<b>305.6</b>	<b>42.8</b>	<b>32.9</b>	<b>715.0</b>	
Share %	41.1	5.6	42.7	6.0	4.6		

Q2 2017, in mill. EUR	North					Total	Share %
	Asia	Atlantic	Europe	Domestic	Unallocated		
Passenger revenue	211.2	29.9	231.3	40.3	-3.5	<b>509.2</b>	80.4
Ancillary revenue	7.8	1.4	10.9	1.0	15.2	<b>36.2</b>	5.7
Cargo	36.9	3.1	7.5	0.6	1.4	<b>49.4</b>	7.8
Travel services	0.5	0.0	38.7	0.1	-0.8	<b>38.5</b>	6.1
<b>Total</b>	<b>256.4</b>	<b>34.4</b>	<b>288.4</b>	<b>42.0</b>	<b>12.3</b>	<b>633.4</b>	
Share %	40.5	5.4	45.5	6.6	1.9		

Q1-Q2 2018, in mill. EUR	North					Total	Share %
	Asia	Atlantic	Europe	Domestic	Unallocated		
Passenger revenue	460.4	60.6	427.2	96.7	16.9	<b>1,061.8</b>	78.6
Ancillary revenue	22.4	3.5	18.4	1.7	33.7	<b>79.6</b>	5.9
Cargo	67.5	4.9	13.6	0.3	5.8	<b>92.1</b>	6.8
Travel services	28.0	10.2	74.8	0.6	3.2	<b>116.8</b>	8.7
<b>Total</b>	<b>578.3</b>	<b>79.2</b>	<b>533.9</b>	<b>99.2</b>	<b>59.7</b>	<b>1,350.4</b>	
Share %	42.8	5.9	39.5	7.3	4.4		

Q1-Q2 2017, in mill. EUR	North					Total	Share %
	Asia	Atlantic	Europe	Domestic	Unallocated		
Passenger revenue	387.5	52.7	397.7	92.5	1.4	<b>931.8</b>	78.5
Ancillary revenue	16.5	2.3	18.9	2.2	30.1	<b>70.0</b>	5.9
Cargo	66.0	5.4	13.0	1.3	2.9	<b>88.6</b>	7.5
Travel services	22.5	7.1	68.1	0.1	-0.5	<b>97.3</b>	8.2
<b>Total</b>	<b>492.5</b>	<b>67.5</b>	<b>497.7</b>	<b>96.2</b>	<b>33.8</b>	<b>1,187.7</b>	
Share %	41.5	5.7	41.9	8.1	2.8		

2017, in mill. EUR	North					Total	Share %
	Asia	Atlantic	Europe	Domestic	Unallocated		
Passenger revenue	881.7	118.8	839.0	174.1	7.2	<b>2,020.8</b>	78.7
Ancillary revenue	34.9	5.6	41.4	4.4	58.3	<b>144.6</b>	5.6
Cargo	147.1	10.9	31.0	1.8	6.5	<b>197.4</b>	7.7
Travel services	34.7	13.0	159.3	0.5	-1.9	<b>205.6</b>	8.0
<b>Total</b>	<b>1,098.4</b>	<b>148.3</b>	<b>1,070.7</b>	<b>180.8</b>	<b>70.2</b>	<b>2,568.4</b>	
Share %	42.8	5.8	41.7	7.0	2.7		

PLF, %	Q2 2018	Q2 2017	Change %	Q1-Q2	Q1-Q2	Change %	2017
				2018	2017		
Asia	84.6	86.2	-1.6 %-p	86.6	86.9	-0.2 %-p	86.7
North Atlantic	87.7	85.3	2.3 %-p	84.4	81.9	2.5 %-p	83.3
Europe	80.5	82.4	-1.9 %-p	79.4	79.4	-0.1 %-p	80.7
Domestic	66.4	65.8	0.6 %-p	65.3	68.3	-3.0 %-p	67.4
<b>Total</b>	<b>82.5</b>	<b>83.7</b>	<b>-1.2 %-p</b>	<b>82.7</b>	<b>82.6</b>	<b>0.1 %-p</b>	<b>83.3</b>

ASK, mill. km	Q2 2018	Q2 2017	Change %	Q1-Q2	Q1-Q2	Change %	2017
				2018	2017		
Asia	5,356.8	4,317.0	24.1	10,394.1	8,328.5	24.8	18,355.0
North Atlantic	745.6	646.9	15.2	1,473.7	1,253.1	17.6	2,776.1
Europe	4,220.4	3,771.6	11.9	7,472.9	6,762.3	10.5	14,152.0
Domestic	396.0	359.2	10.3	1,043.8	878.6	18.8	1,638.9
<b>Total</b>	<b>10,718.7</b>	<b>9,094.8</b>	<b>17.9</b>	<b>20,384.4</b>	<b>17,222.5</b>	<b>18.4</b>	<b>36,922.0</b>

RPK, mill. km	Q2 2018	Q2 2017	Change %	Q1-Q2	Q1-Q2	Change %	2017
				2018	2017		
Asia	4,532.5	3,721.5	21.8	9,006.4	7,234.5	24.5	15,911.3
North Atlantic	653.7	552.1	18.4	1,243.7	1,026.5	21.2	2,311.5
Europe	3,397.5	3,106.1	9.4	5,931.1	5,372.2	10.4	11,421.6
Domestic	262.9	236.2	11.3	681.1	599.9	13.5	1,105.2
<b>Total</b>	<b>8,846.5</b>	<b>7,616.0</b>	<b>16.2</b>	<b>16,862.3</b>	<b>14,233.1</b>	<b>18.5</b>	<b>30,749.7</b>

Key figures quarterly, last 24 months	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
<b>Revenue</b>	<b>715.0</b>	<b>635.3</b>	<b>645.3</b>	<b>735.4</b>	<b>633.4</b>	<b>554.4</b>	<b>569.9</b>	<b>640.9</b>
Passenger revenue	577.2	484.6	491.3	597.7	509.2	422.6	437.9	515.9
Ancillary revenue	40.5	39.1	37.3	37.4	36.2	33.8	31.7	33.8
Cargo	51.6	40.5	57.1	51.6	49.4	39.2	46.2	45.5
Travel services	45.6	71.2	59.6	48.7	38.5	58.8	52.3	42.0
Travel agencies						0.0	1.7	3.7
<b>Comparable operating result</b>	<b>47.9</b>	<b>3.9</b>	<b>22.9</b>	<b>118.9</b>	<b>37.5</b>	<b>-9.0</b>	<b>1.6</b>	<b>65.7</b>
ASK, mill. km	10,718.7	9,665.7	9,606.7	10,092.9	9,094.8	8,127.7	8,194.3	9,086.7
RPK, mill. km	8,846.5	8,015.8	7,717.6	8,799.0	7,616.0	6,617.1	6,420.3	7,653.3
PLF, %	82.5	82.9	80.3	87.2	83.7	81.4	78.3	84.2

#### Items affecting comparability

Items affecting comparability are classified into three categories: Gains and losses on aircraft transactions, Gains and losses on other transactions and Restructuring costs. Gains and losses on transactions include sales gains and losses and other items that can be considered to be directly related to the sale of the asset. As an example, write-down that might occur when item is classified as assets held for sale according IFRS 5, is reported as gains and losses on transactions. Restructuring costs include termination benefits and other costs that are directly linked to restructurings of operations.

in mill. EUR	Q2 2018	Q2 2017	Change %	Q1-Q2	Q1-Q2	Change %	2017
				2018	2017		
Unrealized changes in foreign currencies of fleet overhaul provisions	-5.3	4.3	<-200 %	-2.9	6.4	<-200 %	10.9
Fair value changes of derivatives where hedge accounting is not applied	-2.3	-1.7	-40.6	-2.7	-0.3	<-200 %	0.3
<b>Fair value changes in derivatives and changes in exchange rates of fleet overhauls</b>	<b>-7.6</b>	<b>2.6</b>	<b>&lt;-200 %</b>	<b>-5.6</b>	<b>6.1</b>	<b>&lt;-200 %</b>	<b>11.1</b>
Gains and losses on aircraft transactions	-0.2	47.6	<-200 %	-0.4	42.6	<-200 %	41.0
Gains and losses on other transactions	0.0	1.8	-100.0	0.4	2.2	-80.8	3.1
Restructuring costs	-0.2	-0.5	53.8	-0.3	-0.5	27.9	-0.9
<b>Items affecting comparability</b>	<b>-0.4</b>	<b>48.9</b>	<b>&lt;-200 %</b>	<b>-0.3</b>	<b>44.4</b>	<b>&lt;-200 %</b>	<b>43.3</b>



## 5. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with the information presented in the Group's 2017 financial statements. The tables below present the nominal value or the amount and net fair value of derivative contracts used in Group's hedge accounting.

Derivatives, in mill. EUR	30 Jun 2018		30 Jun 2017		31 Dec 2017	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
<b>Currency derivatives</b>						
Operational cash flow hedging (forward contracts)	516.3	7.3	386.2	-3.7	385.2	-10.5
Operational cash flow hedging (options)						
Bought options	281.1	5.2	147.2	4.2	195.1	5.1
Sold options	281.8	-2.9	157.8	-2.2	200.1	-4.0
Fair value hedging of aircraft acquisitions	440.6	-0.2	320.9	-15.0	316.2	-17.4
Currency hedging of lease payments	130.4	0.8	135.6	-4.1	131.7	-8.6
Hedge accounting items total	1,650.3	10.3	1,147.7	-20.9	1,228.4	-35.5
Hedging of assets held for sale	57.2	-1.8	103.1	0.5	101.3	3.6
Balance sheet hedging (forward contracts)	124.1	-0.2	128.9	-1.1	101.0	-0.9
Items outside hedge accounting total	181.3	-2.1	232.0	-0.6	202.3	2.6
<b>Currency derivatives total</b>	<b>1,831.6</b>	<b>8.2</b>	<b>1,379.7</b>	<b>-21.5</b>	<b>1,430.7</b>	<b>-32.8</b>
<b>Commodity derivatives</b>						
Jet fuel forward contracts, tonnes	803,000	94.0	753,000	-18.7	808,000	58.3
Options						
Bought options, jet fuel, tonnes	194,000	10.9	217,000	1.7	91,000	4.8
Sold options, jet fuel, tonnes	194,000	-1.3	217,000	-4.6	91,000	-0.1
Electricity derivatives, MWh			6,626	0.0		
Hedge accounting items total		103.6		-21.6		63.0
Options						
Sold options, jet fuel, tonnes	123,000	-2.7	145,000	-0.1	37,000	-0.4
Items outside hedge accounting total		-2.7		-0.1		-0.4
<b>Commodity derivatives total</b>		<b>100.9</b>		<b>-21.7</b>		<b>62.7</b>
<b>Currency and interest rate swaps and options</b>						
Interest rate swaps	64.9	0.2	64.9	1.1	64.9	0.7
Hedge accounting items total	64.9	0.2	64.9	1.1	64.9	0.7
Cross currency Interest rate swaps	237.6	-10.3	260.7	-6.4	239.6	-18.5
Items outside hedge accounting total	237.6	-10.3	260.7	-6.4	239.6	-18.5
<b>Interest rate derivatives total</b>	<b>302.5</b>	<b>-10.2</b>	<b>325.6</b>	<b>-5.3</b>	<b>304.5</b>	<b>-17.9</b>
<b>Equity derivatives</b>						
Stock options						
Bought options		15.3	3.0	7.2	3.0	26.0
Sold options		-4.9	3.0	-1.5	3.0	-14.7
Hedge accounting items total	0.0	10.4	6.0	5.7	6.0	11.3
<b>Equity derivatives total</b>	<b>0.0</b>	<b>10.4</b>	<b>6.0</b>	<b>5.7</b>	<b>6.0</b>	<b>11.3</b>
<b>Derivatives total</b>		<b>109.3</b>		<b>-42.8</b>		<b>23.2</b>

## 6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

### Fair value hierarchy of financial assets and liabilities valued at fair value

Fair values at the end of the reporting period, in mill. EUR	30 Jun 2018	Level 1	Level 2
<b>Financial assets at fair value through profit and loss</b>			
Securities held for trading	907.4	838.4	69.0
Derivatives held for trading			
Currency and interest rate swaps and options	0.2		0.2
- of which in fair value hedge accounting	0.2		0.2
Currency derivatives	29.0		29.0
- of which in fair value hedge accounting	8.5		8.5
- of which in cash flow hedge accounting	20.2		20.2
Commodity derivatives	104.9		104.9
- of which in cash flow hedge accounting	104.9		104.9
Equity derivatives	15.3		15.3
- of which in fair value hedge accounting	15.3		15.3
<b>Total</b>	<b>1,056.7</b>	<b>838.4</b>	<b>218.3</b>

### Financial liabilities recognised at fair value through profit and loss

Derivatives held for trading			
Currency and interest rate swaps and options	10.3		10.3
- of which in fair value hedge accounting	0.0		0.0
Currency derivatives	20.8		20.8
- of which in fair value hedge accounting	8.7		8.7
- of which in cash flow hedge accounting	9.7		9.7
Commodity derivatives	4.0		4.0
- of which in cash flow hedge accounting	1.3		1.3
Equity derivatives	4.9		4.9
- of which in fair value hedge accounting	4.9		4.9
<b>Total</b>	<b>40.1</b>	<b>0.0</b>	<b>40.1</b>

During the reporting period no significant transfers took place between fair value hierarchy Levels 1 and 2.

The fair values of hierarchy Level 1 are based fully on quoted (unadjusted) prices in active markets of the same assets and liabilities. The fair values of Level 2 instruments are based to a significant extent on input data other than the quoted prices included in Level 1, but however on data that are observable either directly (price) or indirectly (derived from price) for the said asset or liability.

The fair value hierarchy level, to which a certain item valued at fair value is classified in its entirety, is determined in accordance with the requirements of IFRS 7 based on the lowest level of input significant to the overall fair value of the said item. The significance of the input data has been assessed in its entirety in relation to said item valued at fair value.

## 7. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or disposals during first half of the 2018.

## 8. INCOME TAXES

The effective tax rate for Q1-Q2 2018 was 20.0% (20.0%).

## 9. DIVIDEND PER SHARE

A dividend for 2017 of 0.30 euro per share, amounting to a total of EUR 38.4 million, was decided in the Annual General Meeting on 20 March 2018. The dividend was paid on 4 April 2018.

A dividend for 2016 of 0.10 euro per share, amounting to a total of EUR 12.8 million, was decided in the Annual General Meeting on 16 March 2017. The dividend was paid on 4 April 2017.

## 10. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

in mill. EUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
Carrying amount at the beginning of period	1,437.6	1,178.8	1,178.8
Additions	85.5	330.8	518.6
Acquisitions through business combinations			0.4
Change in advances	40.8	-88.0	-135.2
Currency hedging of aircraft acquisitions	-17.2	89.6	92.0
Disposals and reclassifications	-6.3	-88.0	-87.8
Depreciation	-71.2	-59.5	-129.2
<b>Carrying amount at the end of period</b>	<b>1,469.2</b>	<b>1,363.7</b>	<b>1,437.6</b>
Proportion of assets held for sale at the beginning of period	0.1	139.3	139.3
Proportion of assets held for sale at the end of period	0.0	30.8	0.1

## 11. ASSETS HELD FOR SALE

Assets and liabilities held for sale include Finnair's ownership in Nordic Regional Airlines Ab, which was acquired to Finnair's full ownership on an interim basis during fourth quarter of 2017. Previously Finnair owned 40% share and it was classified as joint venture. Finnair expects to sell the 60% share to new partners in the near future.

Non-current assets held for sale	30 Jun 2018	30 Jun 2017	31 Dec 2017
Intangible and tangible assets	0.0	30.8	0.1
Assets from subsidiary held for sale	15.3		16.6
<b>Total</b>	<b>15.3</b>	<b>30.8</b>	<b>16.7</b>

Liabilities of non-current assets held for sale	30 Jun 2018	30 Jun 2017	31 Dec 2017
Liabilities from subsidiary held for sale	10.8		11.2
<b>Total</b>	<b>10.8</b>	<b>0.0</b>	<b>11.2</b>

## 12. INTEREST-BEARING LIABILITIES

During the first and second quarters of 2018 Finnair amortized its loans according to the loan instalment programs.

## 13. CONTINGENT LIABILITIES

in mill. EUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
Guarantees on behalf of group undertakings	81.5	71.3	71.0
<b>Total</b>	<b>81.5</b>	<b>71.3</b>	<b>71.0</b>

Investment commitments for property, plant and equipment as at 30 June 2018 totalled 875 million euros (31 December 2017: 1,013).

## 14. OPERATING LEASE COMMITMENTS

in mill. EUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
Lease commitments for fleet payments	1,142.6	1,367.3	1,163.6
Other lease commitments	252.4	264.7	265.8
<b>Total</b>	<b>1,395.0</b>	<b>1,632.0</b>	<b>1,429.4</b>

## 15. RELATED PARTY TRANSACTIONS

in mill. EUR	Q1-Q2 2018	Q1-Q2 2017	2017
<b>Sales of goods and services</b>			
Associates and joint ventures	22.0	22.0	42.2
<b>Purchases of goods and services</b>			
Associates and joint ventures	52.6	52.9	105.6
Pension fund	1.6	1.6	3.5
<b>Receivables</b>			
Current receivables from associates and joint ventures		8.3	
<b>Liabilities</b>			
Non-current liabilities to pension fund	19.6	2.4	4.1

Nordic Regional Airlines Ab was acquired to Finnair Group on 17 November 2017, with 100% ownership interest. Before the acquisition, the Group was Finnair's, Staffpoint Holding Oy's and Kilco Oy's joint venture, and transactions before the acquisition are disclosed as related party transactions. Norra is classified as an asset held for sale, and the transactions related to the purchase traffic arrangement between the parties are not eliminated from Finnair's results from continuing operations, as the arrangement is expected to continue after the sale of the 60% share. Assets and liabilities between Finnair and Norra have been eliminated. Therefore, those sales and purchase transactions have been included in related party transactions, but not in receivables and liabilities.

## 16. EVENTS AFTER THE CLOSING DATE

There has not been any material events after the closing date.

## 17. CHANGES IN ACCOUNTING PRINCIPLES

### IFRS 15 Revenue from Contracts with Customers

Finnair adopted the new standard on revenue recognition in the beginning of 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard superseded all current revenue recognition requirements under IFRS. Finnair applied cumulative catch-up method in the transition.

IFRS 15 changes the timing of revenue recognition mainly in passenger revenue (ticket sales) and ancillary revenue. The changes in recognition are described below and impact is minor. In its interpretation for issues requiring clarity under the new standard, Finnair applies published industry papers prepared by airlines through IATA (International Air Transport Association) Industri Accounting Working Group (IAWG).

In passenger revenue, customers usually pay their tickets upfront but do not always exercise their rights and tickets remain unused (breakage). According to IFRS 15, if the airline expects to be entitled to breakage, the airline should recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the passenger. Previously ticket revenue was recognised when the tickets were used or when the rights expired. In practice the recognition of breakage means that revenue is recognised earlier but the impact is insignificant. Finnair Plus loyalty program accounting treatment or point valuation did not change due to implementation of IFRS 15.

In ancillary sales, the revenue related to change fees is recognised later than previously, since it is considered as a contract modification instead of separate revenue transaction. In travel services, flight and hotel are considered separate performance obligations and are recognised as service is delivered. Previously travel services have been considered as one performance obligation. The impact of the change is minor.

In the beginning of 2018, Finnair made an adjustment of -4.7 million euros to its retained earnings related to these changes in these accounting principles. The adjustment consists of decrease in revenue -8.7 million euros, decrease in expenses for tour operations +2.8 million euros and changes in deferred taxes +1.2 million euros.

Effects of the changes in accounting principles in retained earnings	1 Jan 2018
Passenger revenue	2.9
Ancillary revenue	-5.3
Travel services	-6.2
Revenue related effects total	-8.7
Expenses for tour operations	2.8
Income taxes	1.2
<b>Total recognised in retained earnings</b>	<b>-4.7</b>

### IFRS 2 Share-based Payment

Finnair adopted the amendment to Share-based Payment standard, IFRS 2, at the beginning of 2018. According to the amendment, those share-based payments that are settled net of taxes are considered in its entirety as equity-settled share-based payment transactions. Previously the taxes were considered cash-based payments.

All Finnair's performance share plans for key personnel (LTI) and FlyShare employee share savings plans are net-settled. At the beginning of 2018, the carrying value of unexercised cash-settled share-based payments was 3.8 million euros. These were reclassified from liabilities related to employee benefits to equity. Prior periods were not restated.

## IFRS 16 Leases

The new leasing standard, published in January 2016 and endorsed by EU, will be effective from 2019 onwards. Finnair expects to adopt the standard from 2019 onwards, and plans to apply the full retrospective method to each prior reporting period presented. IFRS 16 replaces the previous standard (IAS 17 Leases).

Finnair plans to use the exemption provided by the standard not to account for lease liability for leases which have a lease term of 12 months or less, and do not include an option to purchase the underlying asset. In addition, Finnair does not plan to account for lease liability for leases in which the underlying asset is not material to Finnair. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. The leases recognized as right-of-use assets under IFRS 16 based on Finnair's latest analysis are comprised of leased aircraft, premises, land, cars, ground equipment and spare engines.

Finnair expects that the new standard will have a significant impact on its financial statements and key ratios. The present value of the future operating lease payments for aircraft, real estate and other operating lease arrangements will be recognised as right-of-use assets and interest-bearing liabilities in the balance sheet. Currently, future lease payments are presented in the notes as operating lease commitments at their nominal value. The currently reported lease commitments at the end of Q2 2018 amounted to 1,395 million euros (see note 14. Operating lease commitments for more detail). Based on Finnair's preliminary evaluation, service contracts that relate to the usage of airports and terminals (HEL hub) do not qualify as lease arrangements for IFRS 16 purposes.

The leasing standard will also impact Finnair's income statement. In the future, operating lease cost will be divided into the depreciation of the right-of-use asset (affecting the comparable operating result) and interest cost associated with the liability (affecting finance net). The interest cost for the liability is at its highest in the beginning of the lease term, decreasing towards the end of the term as the lease liability is amortised. Currently, lease expenses are accrued over the lease term primarily on a straight line basis and recognised in the operating result as lease payments for aircraft and other rents, according to the lease contract terms. In addition to impact on operating result and EBITDA, also cash flow from operating activities will increase, as the amortisation of lease liabilities is transferred from operating activities to financing activities in cash flow.

The new standard will have significant impact on Finnair's balance sheet -related KPIs, such as the equity ratio and gearing. On the other hand, Finnair currently discloses a key ratio called "Adjusted gearing", which takes future operating lease payments into account in the following way: aircraft lease costs for the last twelve months are multiplied by 7 and added to the interest-bearing net debt (see Balance sheet: "Additional information to Balance sheet: Interest-bearing net debt and adjusted gearing").

Although the assets associated with operating leases will be denominated in Euros when converted into right of use assets, the majority of Finnair's aircraft lease contracts are payable in US dollars. This will result in an increase of the foreign exchange exposure in Finnair's balance sheet. The company is investigating options to mitigate the effects of this volatility.

## 18. CALCULATION OF KEY RATIOS

### Comparable operating result:

Operating result excluding fair value changes in derivatives, changes in the exchange rates of fleet overhauls and items affecting comparability

### Items affecting comparability:

Gains and losses on aircraft and other transactions and restructuring costs

### Comparable EBITDAR:

Comparable operating result + depreciation and impairment + lease payments for aircraft

### EBITDA:

Operating result + depreciation and impairment

### Shareholders' equity:

Equity attributable to owners of the parent

### Gross capital expenditure:

Investments in intangible and tangible assets excluding advance payments

### Last twelve months (LTM):

Twelve months preceding the reporting date

### Liquid funds:

Cash and cash equivalents + other financial assets

### Adjusted interest-bearing liabilities:

Interest-bearing liabilities + cross currency interest rate swaps in derivative financial instruments

### Interest-bearing net debt:

Adjusted interest-bearing liabilities - liquid funds

### Adjusted interest-bearing net debt:

Interest-bearing net debt + lease payments for aircraft, LTMx7

### Average capital employed:

Equity + interest-bearing liabilities (average of reporting period and comparison period)

### Earnings per share:

$$\frac{\text{Result for the period - hybrid bond expenses net of tax}}{\text{Average number of shares during the period, adjusted for share issues}}$$

### Equity/share:

$$\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of period, adjusted for share issues}}$$

### Equity ratio, %:

$$\frac{\text{Shareholders' equity} + \text{non-controlling interest}}{\text{Balance sheet total}} \times 100$$

### Gearing, %:

$$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity} + \text{non-controlling interest}} \times 100$$

### Adjusted gearing, %:

$$\frac{\text{Adjusted net debt}}{\text{Shareholders' equity} + \text{non-controlling interest}} \times 100$$

### Return on capital employed (ROCE), %:

$$\frac{\text{Result before taxes, LTM} + \text{financial expenses, LTM}}{\text{Average capital employed}} \times 100$$

### Available seat kilometres (ASK):

Total number of seats available × kilometres flown

### Revenue passenger kilometres (RPK):

Number of revenue passengers × kilometres flown

### Passenger load factor (PLF), %:

Share of revenue passenger kilometres of available seat kilometres

### Revenue tonne kilometres (RTK):

Total revenue load consisting of passengers, cargo and mail × kilometres flown

### Revenue per available seat kilometre (RASK):

Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK).

Unit revenue (RASK) with constant currency aims to provide a comparative, currency neutral measurement for unit revenues. All the currency changes and currency hedging results are excluded from the measurement.

### Cost per available seat kilometre (CASK):

Unit cost (CASK) represents the Group's operational costs divided by available seat kilometres. Other operating income is deducted from operational costs.

Unit cost (CASK) with constant currency aims to provide a comparative, currency neutral measurement for unit costs. All the currency changes and currency hedging results are excluded from the measurement.

### Unit revenue per revenue passenger kilometre (yield):

Passenger Revenue by product divided by Revenue passenger kilometres (RPK).

The figures of the half year financial report are unaudited.