



# **Finnair Group Interim Report 1 January – 30 September 2018**

25 October 2018

# Finnair Group Interim Report 1 January–30 September 2018

**Number of passengers at record level in Q3, Finnair got recognition in customer ratings. Finnair specifies its full year guidance.**

## July–September 2018

- Revenue increased by 8.9% to 801.2 million euros (735,4)\*.
- Available seat kilometres (ASK) grew by 14.2%.
- Passenger load factor (PLF) was 84.5% (-2.7 percentage points).
- Comparable operating result was 108.4 million euros (118.9). Operating result was 105.7 million euros (122.2).
- Net cash flow from operating activities was 64.4 million euros (103.6), and net cash flow from investing activities was -57.8 million euros (-80.5).\*\*
- Unit revenue (RASK) decreased by 4.6%. Unit revenue at constant currency decreased by 3.1%.
- Unit cost (CASK) decreased by 1.6%. Unit cost at constant currency excluding fuel decreased by 6.4%.
- Earnings per share were 0.60 euros (0.71).

## January–September 2018

- Revenue increased by 11.9% to 2,151.5 million euros (1,923.1)\*.
- Available seat kilometres (ASK) grew by 16.8%.
- Passenger load factor (PLF) was 83.4% (-1.0 percentage points).
- Comparable operating result was 160.2 million euros (147.5). Operating result was 151.7 million euros (201.3).
- Net cash flow from operating activities was 345.6 million euros (289.6), and net cash flow from investing activities was -144.5 million euros (-71.9).\*\*
- Unit revenue (RASK) decreased by 4.2%. Unit revenue at constant currency decreased by 2.7%.
- Unit cost (CASK) decreased by 4.0%. Unit cost at constant currency excluding fuel decreased by 6.9%.
- Earnings per share were 0.79 euros (1.12).

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

\*\* In Q3, net cash flow from investing activities includes 73.4 million euros of investments in money market funds or other financial assets maturing after more than three months. In January - September, these increased in net terms by 79.6 million euros. These redemptions are part of the Group's liquidity management.

## Outlook

### New guidance on 25 October 2018:

Global airline traffic continues to grow strongly and Finnair is experiencing increased competition in its main markets. At the same time the price of jet fuel is increasing Finnair's costs.

Finnair estimates that its capacity increases by more than 15 per cent in 2018. Passenger volume is expected to grow by 12-13 per cent and revenue is expected to grow by 10-11 per cent in 2018.

Comparable operating profit in 2018 will be somewhat below the previous year's level (2017: 170.4 million euros). This estimate includes the positive profit impact of approximately 11 million euros from the discontinuation of the pilots' long-term incentive plan, that was announced separately today.

#### 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.

#### **Interim CEO, CFO Pekka Vähähyyppä:**

Finnair's growth continued in Q3, and the number of passengers carried reached a new record for the quarter. Our aircraft flew quite full despite our capacity growth and increased competition. I am particularly pleased that we received a Five-Star Global Airline rating from APEX based on customer reviews, and also won the World Airline Award for Best Airline Northern Europe for the ninth year in a row. For these recognitions, I express my warmest thanks to our employees, whose good work creates an excellent customer experience.

We continued to develop our product and customer service by, for example, launching a new high-speed internet service on our narrow-body Airbus fleet on European flights and continuing the business class service concept renewal that began earlier this year. We also announced that we will launch a new digital service in spring 2019 with the aim of increasing Finland's attractiveness as a tourist destination and facilitating the travel planning of international travelers to Finland.

In addition to this progress, we experienced some headwinds. The exceptionally warm summer in Finland slowed the growth of travel demand, especially in July and August, and later our traffic suffered from delays and cancellations caused by Asian typhoons and operational issues caused by tight supply of spare engines. The cancellations slowed the growth in passenger and ancillary revenue. The rapid capacity increase in our European traffic caused a temporary imbalance between our long- and short-haul capacity, which together with the tightened competition pressed loads and yields in this region. Our result was, however, particularly burdened by the rise in fuel costs by close to a third year-on-year. Our comparable operating result declined somewhat from the comparison period and totaled 108.4 million euros.

In order to safeguard the continuation of profitable growth we will focus on improvements that simultaneously increase our efficiency, increase revenue and improve our customer experience. We also introduce new technologies to enhance all our operations.

#### **Business environment in Q3**

Traffic growth in Finnair's main markets was faster than in the comparison period. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations increased by 11.8 per cent (7.3), and competition increased, especially on routes to other Nordic countries and to Mediterranean. Direct market capacity between Finnair's Asian and European destinations grew by 8.8 per cent (4.8) year-on-

year. In European traffic, Finnair's market share decreased to 54.5 per cent (58.2) and decreased in Asian traffic to 5.6 per cent (5.7).<sup>1</sup>

Exceptional weather conditions in the review period affected demand and traffic development. Good holiday weather in Finland slowed the demand for flights and package tours throughout the quarter. In Asian traffic, the typhoon Jebi closed Osaka airport for several weeks, and the typhoon Mangkhut caused cancellations on the Hong Kong route, affecting both passenger and cargo traffic. Operational issues caused by tight supply of spare engines, as well as the runway renovations in Helsinki-Vantaa and Tampere airports, caused also delays and cancellations especially in domestic and European traffic.

Despite overall demand growth on Europe to Asia routes falling short of the growth in available seats, Finnair was able to fill proportionately more of its additional seats in this market, with higher capacity growth, than its competitors. However, load factor was still slightly behind that of the comparison period. Demand and capacity growth remained balanced in North Atlantic traffic.

Finnair engages in closer cooperation with certain oneworld partners through participation in joint businesses, namely the Siberian Joint Business (SJB) on flights between Europe and Japan, and the Atlantic Joint Businesses (AJB) on flights between Europe and North America. In both joint businesses, capacity grew strongly in the third quarter, and demand developed accordingly resulting in a good unit revenue development within the joint business traffic.

The capacity of tour operators operating in Finland increased versus the comparison period, and in July the demand and supply were in balance. The exceptionally warm and sunny summer in Finland constrained the demand for August and September travel, which did not reach the level of the significantly increased package tour supply. Greece, Turkey and Spain continued to be the most popular holiday destinations in the summer season, and the growth in package tour supply was still centred on holiday destinations in Greece and Turkey.

The growth in the air cargo market capacity slowed in Q3, and market demand declined globally slightly. Cargo yields have trended upwards in H2 2018, albeit at a slower pace than in the comparison period. Finnair's global cargo operations continued to increase during the review period, with Japan and Finland showing particularly strong growth year-on-year. Finnair was the largest air cargo carrier by cargo volume in the combined market of Sweden, Norway and Finland in July and August.

The US dollar, which is the most significant expense currency for Finnair after the euro, appreciated by 1.0 per cent against the euro. With regard to key income currencies, the Japanese yen was 0.5 per cent stronger against the euro than in the comparison period. The Chinese yuan depreciated by 1.1 per cent against the euro. The market price of jet fuel was 36.7 per cent higher in the third 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 Q3**

### Revenue in Q3

Finnair revenue grew by 8.9 per cent to 801.2 million euros (735.4). Passenger revenue grew by 9.1 per cent, and ancillary revenue by 12.4 per cent. The operational performance in the new air cargo terminal developed well in Q3 impacting positively in cargo volumes. Cargo revenue increased by 6.3%. Travel services revenue was up by 7.8 per cent despite the good summer weather in Finland slowing the demand for package tours.

Unit revenue (RASK) decreased by 4.6 per cent and amounted to 6.95 euro cents. The unit revenue at constant currency decreased by 3.1 per cent.

---

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

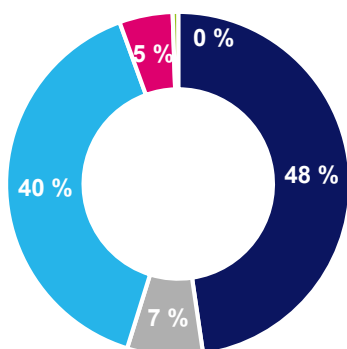
## Revenue by product

EUR million	Q3/2018	Q3/2017	Change %
Passenger revenue	651.8	597.7	9.1 %
Ancillary revenue	42.0	37.4	12.4 %
Cargo	54.9	51.6	6.3 %
Travel services	52.5	48.7	7.8 %
<b>Total</b>	<b>801.2</b>	<b>735.4</b>	<b>8.9 %</b>

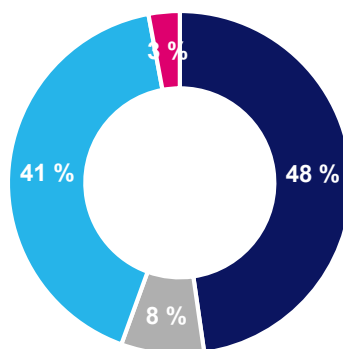
## Passenger revenue and traffic data by area, Q3 2018

Traffic area	Ticket revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	310.8	10.3	5,501.6	10.3	4,926.0	8.9	89.5	-1.2
North Atlantic	46.4	15.3	899.8	12.4	783.5	9.6	87.1	-2.2
Europe	258.5	8.2	4,788.5	19.6	3,816.2	13.5	79.7	-4.3
Domestic	32.7	2.1	338.1	12.9	217.0	10.3	64.2	-1.5
Unallocated	3.4	-30.0						
<b>Total</b>	<b>651.8</b>	<b>9.1</b>	<b>11,528.0</b>	<b>14.2</b>	<b>9,742.7</b>	<b>10.7</b>	<b>84.5</b>	<b>-2.7</b>

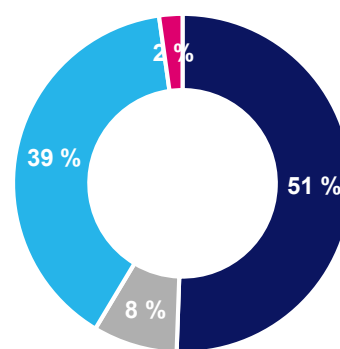
Q3 passenger revenue (M€)



Q3 capacity (ASKs)



Q3 traffic (RPKs)



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

Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 14.2 per cent overall against the comparison period. The number of passengers increased by 11.5 per cent to 3,652,000 passengers, a new record for Q3. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 10.7 per cent and the passenger load factor (PLF) decreased by 2.7 percentage points to 84.5 per cent.

The maximum weekly number of flights to Asia was 97 in the summer season (87 in the summer season 2017). In Asian traffic, ASKs increased by 10.3 per cent. Capacity grew as a result of the introduction of new A350 aircraft in September 2017. The growth was allocated especially to new frequencies to Tokyo and Bangkok, as well as to a new year-round destination, Nanjing. RPKs increased by 8.9 per cent and the PLF decreased by 1.2 percentage points to 89.5 per cent.

Capacity on the North Atlantic routes increased by 12.4 per cent. Finnair flew to New York and San Francisco, and added frequencies to Chicago. RPKs increased by 9.6 per cent and the PLF decreased by 2.2 percentage points to 87.1 per cent.

In European traffic, ASKs grew by 19.6 per cent and RPKs increased by 13.5 per cent as the PLF declined by 4.3 percentage points to 79.7 per cent. Capacity increased due to three new A321 aircraft that entered revenue service after the comparison period and additional seats installed on the majority of the current Airbus narrowbody 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 12.9 per cent as Finnair added frequencies between Helsinki and destinations in Northern Finland, especially Oulu. RPKs grew in domestic traffic by 10.3 per cent and the PLF decreased by 1.5 percentage points to 64.2 per cent.

Ancillary revenue increased by 12.4 per cent and amounted to 42.0 million euros (37.4), or 11.50 euros per passenger (11.41). Advance seat reservations and retail were the largest ancillary categories, whereas advance seat reservations and extra luggage were the fastest growing ones.

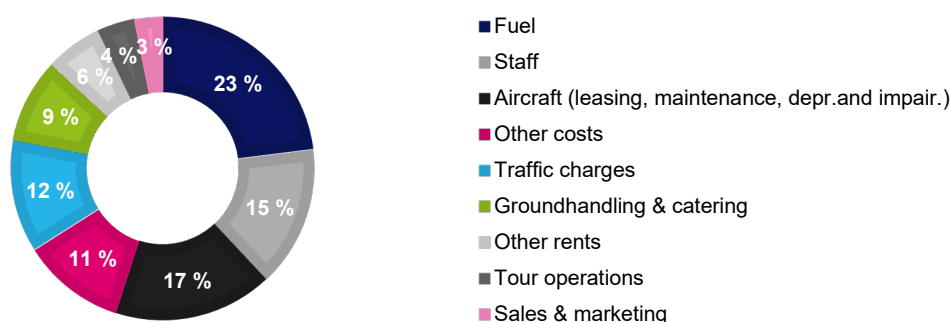
Available scheduled cargo tonne kilometres increased by 13.3 per cent, whereas revenue cargo tonne kilometres increased by 7.0 per cent. The cargo revenue increased by 6.3 per cent, amounting to 54.9 million euros (51.6).

The total number of travel services passengers, including both Aurinkomatkat Suntours and Finnair Holidays' customers, grew by 7.5 per cent. The load factor in Suntours' fixed seat allotment was 90.5 per cent. Travel Services revenue increased by 7.8 per cent to 52.5 million euros (48.7).

### Cost development and result in Q3

Finnair's operating expenses increased by 11.9 per cent to 710.3 million euros (634.6). Unit cost (CASK) decreased by 1.6 per cent and totalled 6.01 euro cents (6.11). CASK ex fuel at constant currency decreased by 6.4 per cent.

#### **Q3 split of operating costs (€710.3 million in total)**



Operating expenses excluding fuel increased by 7.2 per cent and amounted to 547.5 million euros (510.8). Fuel costs, including hedging results and emissions trading costs, increased by 31.4 per cent to 162.7 million euros (123.8). Most of the cost increase was due to the higher fuel price, but Finnair's high capacity growth also affected costs. Fuel efficiency (as measured by fuel consumption per ASK) improved by 2.2 per cent, particularly reflecting the introduction of the more fuel-efficient A350s. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 3.7 per cent.

Staff costs decreased 3.4 per cent to 109.1 million euros (112.9), despite the increase in the number of personnel. The comparison figure in 2017 included a reservation for the extra reward to employees, paid in 2018 based on the 2017 performance. Fleet growth and renewal increased aircraft leases and depreciations, as well as overhaul costs. Traffic charges increased in line with the traffic growth. Ground handling and catering costs grew at a 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 was 184.0 million euros (188.9). The 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, decreased to 108.4 million euros (118.9).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to -1.9 million euros (4.7). The items affecting comparability amounted to -0.8 million euros (-1.5). The operating result was 105.7 million euros (122.2), the result before taxes was 100.6 million euros (117.0) and the result after taxes was 80.5 million euros (93.6).

## Financial performance in January-September

### Revenue in January-September

Revenue grew by 11.9 per cent to 2,151.5 million euros (1,923.1). Passenger revenue grew by 12.0 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 in the period at a slower pace than in other areas.

Unit revenue (RASK) decreased by 4.2 per cent and amounted to 6.74 euro cents (7.04). The unit revenue at constant currency decreased by 2.7%.

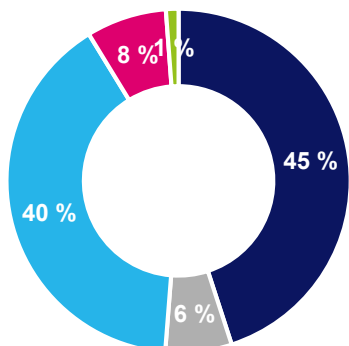
### Revenue by product

EUR million	1-9/2018	1-9/2017	Change %
Passenger revenue	1,713.6	1,529.5	12.0
Ancillary revenue	121.6	107.4	13.3
Cargo	147.0	140.2	4.8
Travel services	169.3	146.0	15.9
<b>Total</b>	<b>2,151.5</b>	<b>1,923.1</b>	<b>11.9</b>

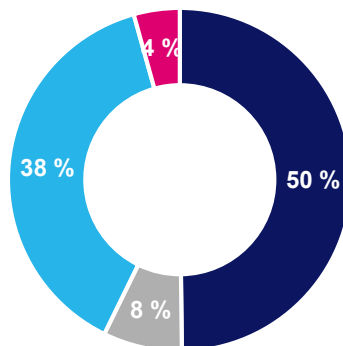
### Passenger revenue and traffic data by area, Q1-Q3 2018

Traffic area	Ticket revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	771.2	15.2	15,895.7	19.4	13,932.5	18.5	87.6	-0.7
North Atlantic	107.0	15.1	2,373.5	15.6	2,027.1	16.4	85.4	0.6
Europe	685.7	7.7	12,261.4	13.9	9,747.4	11.6	79.5	-1.6
Domestic	129.4	3.9	1,381.8	17.3	898.1	12.7	65.0	-2.6
Unallocated	20.3	<200						
<b>Total</b>	<b>1,713.6</b>	<b>12.0</b>	<b>31,912.4</b>	<b>16.8</b>	<b>26,605.0</b>	<b>15.5</b>	<b>83.4</b>	<b>-1.0</b>

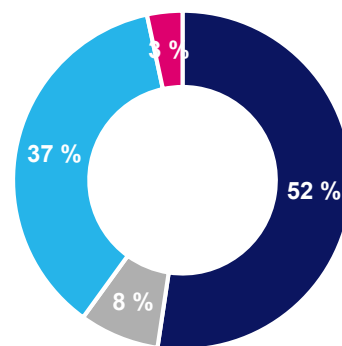
**Q1-Q3 passenger revenue (M€)**



**Q1-Q3 capacity (ASKs)**



**Q1-Q3 traffic (RPKs)**



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

Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 16.8 per cent overall against the comparison period. The number of passengers increased by 13.2 per cent to 10,126,300 passengers, which is a new record for this period. Traffic, measured in Revenue Passenger Kilometres (RPK), grew by 15.5 per cent while the passenger load factor (PLF) decreased by 1.0 percentage points, impacted by the strong growth, to 83.4 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 was 97 in the summer season 2018, which started in late March (87 in the summer season 2017). In Asian traffic, ASKs increased by 19.4 per cent. 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 and Q3 to Nanjing, a new year-round destination for Finnair. RPKs increased by 18.5 per cent and the PLF declined by just 0.7 percentage points to 87.6 per cent, despite the strong capacity growth.

Capacity on the North Atlantic routes increased by 15.6 per cent. Finnair flew to New York, and in Q1 also to Miami and new seasonal destinations Puerto Vallarta, Puerto Plata and Havana, and in Q2 and Q3 to Chicago and San Francisco. RPKs increased by 16.4 per cent and the PLF rose by 0.6 percentage points to 85.4 per cent.

In European traffic, ASKs grew by 13.9 per cent and RPKs increased by 11.6 per cent as the PLF decreased by 1.6 percentage points to 79.5 per cent. Capacity increased due to new A321 aircraft that entered revenue service after the comparison period and additional seats installed on the 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 17.3 per cent, as Finnair prepared for the growth of international passenger demand for travel to Lapland during the winter season and added capacity across destinations in Q2 and Q3. RPKs grew in domestic traffic by 12.7 per cent and the PLF declined by 2.6 percentage points to 65.0 per cent.



Ancillary revenue increased by 13.3 per cent and amounted to 121.6 million euros (107.4), or 12.01 euros per passenger (12.00). Advance seat reservations and retail were the largest ancillary categories, whereas advance seat reservations and upgrades were the fastest growing ones in the period.

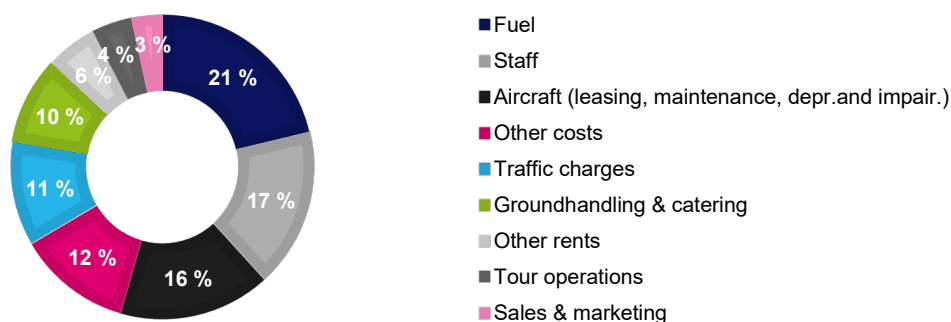
Available scheduled cargo tonne kilometres increased by 18.2 per cent, whereas revenue cargo tonne kilometres increased by 10.5 per cent. The cargo revenue increased by 4.8 per cent, amounting to 147.0 million euros (140.2).

The total number of travel services passengers, including both Aurinkomatkat Suntours and Finnair Holidays customers, grew by 12.4 per cent. The load factor in Suntours' fixed seat allotment was 93.7 per cent. Finnair Holidays, a new leisure travel concept combining the best of independent travelling with a package holiday, was introduced in Estonia in March, following the Finnish and Swedish launches 2017. Travel Services revenue increased by 15.9 per cent to 169.3 million euros (146.0).

#### Cost development and result in January-September

Finnair's operating expenses increased by 11.7 per cent to 2,046.4 million euros (1,832.8). Unit cost (CASK) decreased by 4.0 per cent and totalled 6.24 euro cents (6.50). CASK ex fuel at constant currency decreased by 6.9 per cent.

#### **Q1-Q3 split of operating costs (€2,046.4 million in total)**



Operating expenses excluding fuel increased by 8.6 per cent and amounted to 1,610.8 million euros (1,483.0). Fuel costs, including hedging results and emissions trading costs, increased by 24.5 per cent to 435.6 million euros (349.8). The strong rise in the 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 3.1 per cent particularly reflecting the introduction of the more fuel efficient A350s. Fuel consumption per RTK, which also accounts for developments in the passenger and cargo load factors, increased by 1.3 per cent.

Staff costs increased to 331.1 million euros (310.3). The growth is attributable to the significant increase in the number of personnel. Fleet growth and renewal increased aircraft leases and depreciation, 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 385.4 million euros (342.2). The 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 160.2 million euros (147.5).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to -7.5 million euros (10.8). The items affecting comparability amounted to -1.1 million euros (43.0). 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 four A340 aircraft to Airbus. The operating result was 151.7 million euros (201.3), the result before taxes was 137.3 million euros (190.4) and the result after taxes was 109.8 million euros (152.3).

### **Balance sheet on 30 September 2018**

The Group's balance sheet totalled 3,075.8 million euros at the end of September (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 67.6 million euros. Trade and other receivables totalled 248.8 million euros (31/12/2017: 319.8).

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 1,153.7 million euros (31/12/2017: 1,015.7), or 9.02 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 September was 130.9 million euros after deferred taxes (31/12/2017: 63.0).

### **Cash flow in January-September and financial position**

Finnair has a strong financial position, which supports business development and future investments. In the review period, net cash flow from operating activities amounted to 345.6 million euros (289.6). Net cash flow from investments amounted to -144.5 million euros (-71.9).

The equity ratio on 30 September 2018 stood at 37.5 per cent (34.7) and gearing was negative at -37.4 per cent (-21.7). Adjusted gearing was 55.2 per cent (69.2). Adjusted interest-bearing debt amounted to 636.7 million euros (678.3) and interest-bearing net debt was negative at -431.4 million euros (-212.6).

The company's liquidity was strong during the review period. The Group's cash funds at period-end amounted to 1,118.7 million euros (977.3). 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 -142.9 million euros (68.5). Financial income was -1.7 million euros (-0.1) due to negative interest rates, while financial expenses were -12.6 million euros (-10.7).

### **Capital expenditure in January-September**

Capital expenditure excluding advance payments totalled 168.5 million euros (440.3) and was primarily related to fleet investments. Cash flow from investments totalled -165.6 million euros, including advance payments. Net change in financial assets maturing after more than three months totalled -79.6 million (109.7). Net cash flow from investments amounted to -144.5 million euros (-71.9).

---

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

Cash flow investments for financial year 2018 are expected to amount to some 340 million euros including advance payments. Investment cash flow includes both committed investments as well as estimate for planned, but not yet committed, investments.

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. Finnair also continues to introduce Wi-Fi connectivity to these aircraft during 2018 and 2019.

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 63 per cent of the balance sheet value of the entire fleet of 1,193 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 September, Finnair itself operated 56 aircraft, of which 19 were wide-body and 37 narrow-body aircraft. Of the aircraft, 27 were owned by Finnair Aircraft Finance Oy, 21 were on operating leases and eight on finance leases.

In Q3, one new A321 aircraft was added to the fleet on operating lease agreement. At the end review period, the average age of the fleet operated by Finnair was 9.5 years.

Fleet operated by Finnair* 30.9.2018	Seats	#	Change from 31.12.2017	Own**	Leased (Operating leasing)	Leased (Finance leasing)	Average age 30.9.2018	Ordered
<b>Narrow-body fleet</b>								
Airbus A319	138/144	8		7		1	17.4	
Airbus A320	165/174	10		8		2	16.1	
Airbus A321	209	19	1	4	13	2	7.3	
<b>Wide-body fleet</b>								
Airbus A330	289/263	8		1	4	3	8.9	
Airbus A350	297/336	11		7	4		2.1	8
<b>Total</b>		<b>56</b>	<b>1</b>	<b>27</b>	<b>21</b>	<b>8</b>	<b>9.5</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 September, 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 1.1 billion euros, include the upcoming investments in the wide-body fleet.

Finnair added seven new Airbus A321 narrow-body aircraft to its fleet in 2017 and one in Q3 2018, all on operating lease agreements.

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.

<b>Fleet operated by Norra*</b>	<b>Seats</b>	<b>#</b>	<b>Change from 31.12.2017</b>	<b>Own**</b>	<b>Leased (Operating leasing)</b>	<b>Average age 30.9.2018</b>	<b>Ordered</b>
ATR	68-72	12		6	6	9.2	
Embraer E190	100	12		9	3	10.3	
<b>Total</b>		<b>24</b>	<b>0</b>	<b>15</b>	<b>9</b>	<b>9.7</b>	

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

### **Customer Experience and Transformation**

Finnair continued its investments in developing and improving its customer experience and digital tools and processes in Q3.

In July, Finnair began offering a new baggage collection and check-in service from London Heathrow to enhance its customer experience in partnership with AirPortr. The service enables London-based passengers to arrange the collection of their baggage from the doorstep of their home or hotel, which is delivered and checked-in to their flight on their behalf. Passengers using this service can head straight through airport security when departing.

Finnair launched in July a new high-speed internet service on its narrow-body Airbus fleet on European flights. By the end of September, about 20 aircraft were installed with internet connectivity.

In September, Finnair announced that it will be launching a new digital service for its international customers in early 2019 through which Finnish destinations can easily be found, purchased and packaged into individually tailored and entertaining holiday packages. The service is to be launched in China, Singapore and the Hong Kong in the first quarter of 2019.

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 also in Q3. Finnair also expanded its new "Seat and Meal" ancillary package concept to cover 30 routes.

In Q3, Finnair's Net Promoter Score (NPS) measuring customer satisfaction was 50 (51), and Finnair's arrival punctuality in was 81.8 per cent (87.1). In July, Finnair was recognized as the 'Best Airline in Northern Europe' for the 9th year in a row by The World Airline Awards by Skytrax, which are regarded as the primary benchmarking tool for passenger satisfaction levels of airlines throughout the world. This independent survey included over 20 million passenger entries and covered 335 airlines, and it analysed customer satisfaction for the overall airline passenger experience, at both the airport and on board the aircraft. Finnair also received Five-Star Global Airline rating from APEX based on customer reviews in September. The APEX airline ratings are based entirely on verified feedback given by passengers and included 470 airlines. The Aurinkomatkat app, on the other hand, won the travel application and user experience/service design categories at the Red Dot Awards in September. Earlier this spring, Aurinkomatkat app also took home awards from the Finnish Grand One gala.

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 facilitate easier 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. The average number of monthly visitors totalled 2.4 million visitors (2.4)<sup>3</sup>. The number of active users of the Finnair mobile application increased by 52.5 per cent to 273,200. During the period under review, direct sales in Finnair's digital channels represented 21.8 per cent (22.8) of all tickets sold and 51.6 per cent of ancillary sales (54.9). The relative share of direct sales declined during the review period, as Finnair's strong growth in the current year has focused on markets where traditional travel agents continue to hold strong positions.

## **People experience**

In January-September, Finnair employed an average of 6,340 (5,417) people, which is 17.0 per cent more than in the comparison period. The number of personnel in ongoing operations grew by 6.7 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 September, the number of employees in an employment relationship was 6,447 (30/9/2017: 5,739, 31/12/2017: 5,918). The number of personnel increased by 529 during January-September, mainly as a result of new pilots and cabin crew joining the company. The attrition rate decreased in January-September 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 January-September, LTIF (Lost Time Incident Frequency), which measures the frequency of accidents at the company level, went up to 15.9 (14.9). The number of absences due to sickness remained at the same level as in the comparison period and was 4.12 per cent (4.01).

## **Own shares**

In Q3, Finnair did not exercise the authorization granted by the AGM 2018 to acquire or dispose its own shares. In Q1, Finnair transferred, using the authorization 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 September, 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 capitalization was 918.7 million euros at the end of June (31/12/2017: 1,642.7). The closing price of the share on 30 June 2018 was 7.17 euros (31/12/2017: 12.82 euros). During January - September, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 13.22 euros, the lowest price 6.83 euros and the average price 9.81 euros. Some 70.7 million company shares, with a total value of 694,0 million euros, were traded.

---

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

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 21.5 per cent (19.5 per cent 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.

Finnair conducted a consumer research study during summer 2018 to find out what Finns think of the different ways to reduce or compensate emissions resulting from aviation. According to the study's results, the majority of Finns are ready to pay to reduce the emissions caused by air travel but want the proceeds from possible additional charges to go directly to environmental work. As a result, Finnair now invites its customers to join in on the work to make aviation more environmentally responsible. As of early 2019, customers can choose to

support either the use of biofuels or carbon capture initiatives when they fly with Finnair. Finnair will offer two alternatives: customers can either purchase biofuel to be included and blended on a later flight or support a carbon capture project with a sum of their choice.

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 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.

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)		1 percentage (point) change
Passenger load factor (PLF, %)		EUR 29 million
Average yield of passenger traffic		EUR 23 million
Unit cost (CASK ex. fuel)		EUR 23 million

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account	Hedging ratio	
			H2/2018	H1/2019
Fuel	EUR 70 million	EUR 32 million	75 %	69 %

Currency distribution %	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
						10% change without hedging	10% change, taking hedging into account	
<b>Sales currencies</b>								
EUR	47	49	54	55	55	-	-	
USD*	5	5	4	5	4	see below	see below	see below
JPY	14	13	11	10	10	EUR 28m	EUR 13m	64%
CNY	10	10	7	7	7	-	-	
KRW	3	4	3	4	3	-	-	
SEK	2	3	3	3	4	-	-	
Other	17	16	17	16	17	-	-	
<b>Purchase currencies</b>								
EUR	53	57	56	57	57	-	-	
USD*	39	35	37	36	35	EUR 71m	EUR 26 m	68%
Other	7	8	7	7	7			

\* 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.



## Changes in company management

Finnair's Board of Directors appointed in September Topi Manner (M. Sc. Econ.), born 1974, as Finnair CEO as of January 1, 2019. Manner transfers to Finnair from Nordea, where he has worked as a member of Nordea's Group Executive Management and as Head of Personal Banking. Finnair's previous CEO Pekka Vauramo, gave notice of his resignation in May and left the position on 4 September 2018. Pekka Vähähyppä, CFO, acts as an interim CEO during 4 September and 31 December 2018.

## Other events during the review period

Finnair announced at the end of August that it will sell 60 per cent of Nordic Regional Airlines AB (Norra) to Danish Air Transport (DAT). Finnair held the 100 per cent stake in Norra on an interim basis after Norra's previous majority owners exited the business in November 2017. The Finnish Competition and Consumer Authority approved the transaction with DAT at the end of September, and the transaction was closed in October. As such, the transaction has no impact on Norra's operations, personnel or purchase agreement between Finnair and Norra. Norra operates Finnair's domestic and European routes with a total of 24 ATR and Embraer aircraft.

As a part of its normal fleet maintenance operations, Finnair is preparing for a gradual cabin renewal in its current long-haul fleet. This renewal is expected to amount to approximately 200 million euros and focus on years 2020 and 2021.

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 of this Interim report (Changes in accounting principles).

## Events after the review period

Finnair announced today 25 October 2018 that the share-linked long-term incentive plan for Finnair pilots will be discontinued, because the saving targets set as a prerequisite for implementing the plan will not be reached over the agreed time period. Finnair and the pilots have not been able to find additional savings which could have compensated for the difference. The positive effect of the cancellation on Finnair's comparable operating profit in 2018 is included in the outlook given at the beginning of this interim report.

## Financial Reporting

The publication dates of Finnair's financial reports in 2019 are the following:

Financial Statements Bulletin 2018:	15 February 2019
Interim Report 1 January – 31 March 2019:	24 April 2019
Half-year report 1 January – 30 June 2019:	17 July 2019
Interim Report 1 January – 30 September 2019:	22 October 2019

FINNAIR PLC  
Board of Directors

## **Briefings**

Finnair will hold a results press conference on 25 October 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 7370927. To join the live webcast, please register at: <https://slideassist.webcasts.com/starthere.jsp?ei=1213710>

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

Chief Financial Officer **Pekka Vähähyppä**, tel. +358 9 818 8550, [pekka.vahahyppa@finnair.com](mailto:pekka.vahahyppa@finnair.com)

Director, Financial Communications **Mari Reponen**, tel. +358 9 818 2037, [mari.reponen@finnair.com](mailto:mari.reponen@finnair.com)

Key figures	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017	LTM
<b>Revenue and profitability</b>								
Revenue, EUR million	801.2	735.4	8.9	2,151.5	1,923.1	11.9	2,568.4	2,796.9
Comparable operating result, EUR million	108.4	118.9	-8.8	160.2	147.5	8.6	170.4	183.1
Comparable operating result, % of revenue	13.5	16.2	-2.6 %-p	7.4	7.7	-0.2 %-p	6.6	6.5
Operating result, EUR million	105.7	122.2	-13.5	151.7	201.3	-24.7	224.8	175.1
Comparable EBITDAR, % of revenue	23.0	25.7	-2.7 %-p	17.9	17.8	0.1 %-p	17.0	17.1
Earnings per share (EPS), EUR	0.60	0.71	-14.6	0.79	1.12	-29.9	1.23	0.89
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.95	7.29	-4.6	6.74	7.04	-4.2	6.96	6.74
RASK at constant currency, cents/ASK	7.06	7.29	-3.1	6.85	7.04	-2.7	6.96	6.82
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.69	6.79	-1.5	6.44	6.64	-3.0	6.57	6.42
Unit cost per available seat kilometre (CASK), cents/ASK	6.01	6.11	-1.6	6.24	6.50	-4.0	6.49	6.30
CASK excluding fuel, cents/ASK	4.60	4.88	-5.8	4.88	5.22	-6.6	5.22	4.95
CASK excluding fuel at constant currency, cents/ASK	4.57	4.88	-6.4	4.86	5.22	-6.9	5.22	4.99
<b>Capital structure</b>								
Equity ratio, %				37.5	34.7	2.8 %-p	35.2	
Gearing, %				-37.4	-21.7	-15.7 %-p	-24.2	
Adjusted gearing, %				55.2	69.2	-14.0 %-p	69.9	
Interest-bearing net debt, EUR million				-431.4	-212.6	-103.0	-246.0	
Adjusted net debt, EUR million				636.7	678.3	-6.1	710.3	
Adjusted net debt / Comparable EBITDAR, LTM				1.3	1.7	-0.4 %-p	1.6	1.3
Gross capital expenditure, EUR million	83.0	109.5	-24.1	168.5	440.3	-61.7	519.0	247.2
Return on capital employed (ROCE), LTM, %				9.7	13.6	-3.9 %-p	13.6	9.7
<b>Growth and traffic</b>								
Passengers, 1,000	3,652	3,274	11.5	10,126	8,948	13.2	11,905	13,083
Ancillary revenue, EUR million	42.0	37.4	12.4	121.6	107.4	13.3	144.6	158.9
Ancillary revenue per passenger (PAX)	11.50	11.41	0.8	12.01	12.00	0.1	12.15	12.15
Flights, number	32,916	29,480	11.7	94,759	85,749	10.5	114,718	123,728
Available seat kilometres (ASK), million	11,528	10,093	14.2	31,912	27,315	16.8	36,922	41,519
Revenue passenger kilometres (RPK), million	9,743	8,799	10.7	26,605	23,032	15.5	30,750	34,323
Passenger load factor (PLF), %	84.5	87.2	-2.7 %-p	83.4	84.3	-1.0 %-p	83.3	82.7
Fuel consumption, tonnes	279,443	250,175	11.7	775,367	685,110	13.2	921,520	1,011,777
CO <sup>2</sup> emissions, tonnes/ASK	0.0764	0.0781	-2.2	0.0765	0.0790	-3.1	0.0786	0.0768
CO <sup>2</sup> emissions, tonnes/RTK	0.7697	0.7420	3.7	0.7877	0.7779	1.3	0.7801	0.6238
<b>Customer Experience</b>								
Net Promoter Score	50	51	-1.5	48	48	-0.1	47	47
Arrival punctuality, %	81.8	87.1	-5.3 %-p	79.9	85.5	-5.6 %-p	83.2	79.1
<b>People Experience</b>								
Average number of employees	6,499	5,744	13.1	6,340	5,417	17.0	5,526	6,218
WeTogether@Finnair Personnel Experience overall grade *	-	-	-	3.75	3.67	2.2	3.78	3.77
Absences due to illness, % **	3.68	3.58	0.10 %-p	4.12	4.01	0.11 %-p	4.11	4.11
LTIF (Lost-time injury frequency)	15.9	14.9	6.7	11.9	14.9	-20.1	15.6	13.0
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, % ***	21.8	22.8	-1.0 %-p	23.3	23.7	-0.4 %-p	24.1	24.0
Share of digital direct ancillary sales, % ***	51.6	54.9	-3.3 %-p	54.7	56.2	-1.5 %-p	56.5	55.0
Average number of monthly visitors at finnair.com, millions ****	2.4	2.4	0.8	2.3	2.4	-2.9	2.4	2.3
Active users for Finnair mobile app, thousands	273.2	179.2	52.5	259.8	157.9	64.6	170.3	244.3

\* 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	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017	LTM
<b>Revenue</b>	<b>801.2</b>	<b>735.4</b>	<b>8.9</b>	<b>2,151.5</b>	<b>1,923.1</b>	<b>11.9</b>	<b>2,568.4</b>	<b>2,796.9</b>
Other operating income	17.5	18.2	-3.8	55.1	57.2	-3.7	77.0	74.9
<b>Operating expenses</b>								
Staff costs	-109.1	-112.9	-3.4	-331.1	-310.3	6.7	-423.3	-444.1
Fuel costs	-162.7	-123.8	31.4	-435.6	-349.8	24.5	-472.2	-557.9
Other rents	-39.2	-36.5	7.2	-114.0	-119.5	-4.6	-157.9	-152.4
Aircraft materials and overhaul	-46.9	-39.7	18.1	-122.0	-125.0	-2.4	-165.7	-162.8
Traffic charges	-83.3	-72.8	14.3	-226.5	-199.5	13.5	-266.5	-293.4
Ground handling and catering expenses	-64.5	-62.8	2.6	-191.5	-189.6	1.0	-252.2	-254.1
Expenses for tour operations	-29.8	-26.4	13.0	-85.6	-72.8	17.6	-100.5	-113.3
Sales and marketing expenses	-22.0	-20.9	4.9	-67.2	-60.3	11.4	-85.8	-92.7
Other expenses	-77.3	-68.7	12.5	-247.8	-211.2	17.3	-285.1	-321.6
<b>Comparable EBITDAR</b>	<b>184.0</b>	<b>188.9</b>	<b>-2.6</b>	<b>385.4</b>	<b>342.2</b>	<b>12.6</b>	<b>436.2</b>	<b>479.4</b>
Lease payments for aircraft	-38.1	-35.2	8.2	-116.5	-100.5	15.9	-136.6	-152.6
Depreciation and impairment	-37.5	-34.7	8.0	-108.7	-94.2	15.3	-129.2	-143.6
<b>Comparable operating result</b>	<b>108.4</b>	<b>118.9</b>	<b>-8.8</b>	<b>160.2</b>	<b>147.5</b>	<b>8.6</b>	<b>170.4</b>	<b>183.1</b>
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	-1.9	4.7	<-200 %	-7.5	10.8	<-200 %	11.1	-7.2
Items affecting comparability	-0.8	-1.5	45.2	-1.1	43.0	<-200 %	43.3	-0.8
<b>Operating result</b>	<b>105.7</b>	<b>122.2</b>	<b>-13.5</b>	<b>151.7</b>	<b>201.3</b>	<b>-24.7</b>	<b>224.8</b>	<b>175.1</b>
Financial income	-0.3	-0.2	-83.5	-1.7	-0.1	<-200 %	-0.3	-1.9
Financial expenses	-4.8	-5.1	6.4	-12.6	-10.7	-17.5	-13.4	-15.2
<b>Result before taxes</b>	<b>100.6</b>	<b>117.0</b>	<b>-13.9</b>	<b>137.3</b>	<b>190.4</b>	<b>-27.9</b>	<b>211.1</b>	<b>158.0</b>
Income taxes	-20.1	-23.4	13.9	-27.5	-38.1	27.9	-41.7	-31.1
<b>Result for the period</b>	<b>80.5</b>	<b>93.6</b>	<b>-13.9</b>	<b>109.8</b>	<b>152.3</b>	<b>-27.9</b>	<b>169.4</b>	<b>126.9</b>
<b>Attributable to</b>								
Owners of the parent company	80.5	93.6	-13.9	109.8	152.3	-27.9	169.4	126.9
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.60	0.71	-14.6	0.79	1.12	-29.9	1.23	0.89

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

in mill. EUR	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017	LTM
<b>Result for the period</b>	<b>80.5</b>	<b>93.6</b>	<b>-13.9</b>	<b>109.8</b>	<b>152.3</b>	<b>-27.9</b>	<b>169.4</b>	<b>126.9</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	13.6	36.4	-62.7	81.4	-54.8	> 200 %	-18.5	117.7
Tax effect	-2.7	-7.3	62.5	-16.3	11.0	<-200 %	3.7	-23.5
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>								
Actuarial gains and losses from defined benefit plans	14.1	1.5	> 200 %	3.6	35.2	-89.8	35.9	4.3
Tax effect	-2.8	-0.3	<-200 %	-0.7	-7.0	89.8	-7.2	-0.9
<b>Other comprehensive income items total</b>	<b>22.1</b>	<b>30.3</b>	<b>-27.0</b>	<b>67.9</b>	<b>-15.7</b>	<b>&gt; 200 %</b>	<b>14.0</b>	<b>97.6</b>
<b>Comprehensive income for the period</b>	<b>102.6</b>	<b>123.9</b>	<b>-17.2</b>	<b>177.8</b>	<b>136.6</b>	<b>30.1</b>	<b>183.4</b>	<b>224.6</b>
<b>Attributable to</b>								
Owners of the parent company	102.6	123.9	-17.2	177.8	136.6	30.1	183.4	224.6

## CONSOLIDATED BALANCE SHEET

in mill. EUR		30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	O	20.8	14.2	15.5
Tangible assets	O	1,485.8	1,409.6	1,422.1
Investments in associates and joint ventures	O	2.5	2.5	2.5
Loan and other receivables	O	4.3	6.0	5.6
<b>Non-current assets total</b>		<b>1,513.3</b>	<b>1,432.2</b>	<b>1,445.7</b>
<b>Current assets</b>				
Inventories	O	24.6	15.8	17.2
Trade and other receivables	O	248.8	334.8	319.8
Derivative financial instruments	O/IA*	155.0	64.5	104.5
Other financial assets	IA	921.2	859.7	833.0
Cash and cash equivalents	IA	197.5	117.6	150.2
<b>Current assets total</b>		<b>1,547.1</b>	<b>1,392.4</b>	<b>1,424.6</b>
Assets held for sale	O	15.4	0.2	16.7
<b>Assets total</b>		<b>3,075.8</b>	<b>2,824.8</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	1,078.2	905.3	940.3
<b>Equity total</b>		<b>1,153.7</b>	<b>980.8</b>	<b>1,015.7</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	O	116.7	66.7	73.9
Interest-bearing liabilities	IL	624.8	604.7	586.2
Pension obligations	O	12.1	6.5	6.4
Provisions	O	87.3	76.0	79.0
Other liabilities	O	1.3	4.7	1.1
<b>Non-current liabilities total</b>		<b>842.0</b>	<b>758.6</b>	<b>746.7</b>
<b>Current liabilities</b>				
Provisions	O	16.5	16.2	21.1
Interest-bearing liabilities	IL	53.6	145.1	132.4
Trade payables	O	108.4	87.3	90.7
Derivative financial instruments	O/IL*	25.3	68.8	81.3
Deferred income and advances received	O	565.4	487.1	475.3
Liabilities related to employee benefits	O	116.1	125.2	139.2
Other liabilities	O	184.2	155.7	173.4
<b>Current liabilities total</b>		<b>1,069.6</b>	<b>1,085.5</b>	<b>1,113.4</b>
Liabilities related to assets held for sale	O	10.5	0.0	11.2
<b>Liabilities total</b>		<b>1,922.1</b>	<b>1,844.1</b>	<b>1,871.4</b>
<b>Equity and liabilities total</b>		<b>3,075.8</b>	<b>2,824.8</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 Sep 2018	30 Sep 2017	31 Dec 2017
Interest-bearing liabilities		678.4	749.8	718.6
Cross currency Interest rate swaps *		8.9	14.9	18.5
<b>Adjusted interest-bearing liabilities</b>		<b>687.3</b>	<b>764.8</b>	<b>737.1</b>
Other financial assets		-921.2	-859.7	-833.0
Cash and cash equivalents		-197.5	-117.6	-150.2
<b>Interest-bearing net debt</b>		<b>-431.4</b>	<b>-212.6</b>	<b>-246.0</b>
Lease payments for aircraft for the last twelve months (LTM) * 7		1,068.2	890.8	956.4
<b>Adjusted interest-bearing net debt</b>		<b>636.7</b>	<b>678.3</b>	<b>710.3</b>
Equity total		1,153.7	980.8	1,015.7
<b>Adjusted gearing, %</b>		<b>55.2 %</b>	<b>69.2 %</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					109.8		109.8
Change in fair value of hedging instruments			65.1				65.1
Actuarial gains and losses from defined benefit plans			2.9				2.9
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>67.9</b>	<b>0.0</b>	<b>109.8</b>	<b>0.0</b>	<b>177.8</b>
Dividend					-38.4		-38.4
Share-based payments				-0.5			-0.5
<b>Equity 30 Sep 2018</b>	<b>75.4</b>	<b>168.1</b>	<b>130.9</b>	<b>253.5</b>	<b>327.4</b>	<b>198.2</b>	<b>1,153.7</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					152.3		152.3
Change in fair value of hedging instruments			-43.9				-43.9
Actuarial gains and losses from defined benefit plans			28.1				28.1
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-15.7</b>	<b>0.0</b>	<b>152.3</b>	<b>0.0</b>	<b>136.6</b>
Dividend					-12.8		-12.8
Share-based payments				0.8			0.8
<b>Equity 30 Sep 2017</b>	<b>75.4</b>	<b>168.1</b>	<b>33.3</b>	<b>249.5</b>	<b>256.2</b>	<b>198.2</b>	<b>980.8</b>

**CONSOLIDATED CASH FLOW STATEMENT**

in mill. EUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
<b>Cash flow from operating activities</b>						
Result for the period	80.5	93.6	109.8	152.3	169.4	126.9
Depreciation and impairment	37.5	34.7	108.7	94.2	129.2	143.6
Other adjustments to result for the period						
Financial income and expenses	5.1	5.3	14.4	10.9	13.6	17.1
Income taxes	20.1	23.4	27.5	38.1	41.7	31.1
<b>EBITDA</b>	<b>143.2</b>	<b>156.9</b>	<b>260.4</b>	<b>295.5</b>	<b>353.9</b>	<b>318.8</b>
Gains and losses on aircraft and other transactions	0.6	1.3	0.5	-43.6	-44.1	0.0
Non-cash transactions *	11.3	8.8	30.2	24.1	33.4	39.5
Changes in working capital	-84.0	-54.8	65.1	31.0	56.8	90.9
Financial expenses paid, net	-6.6	-8.6	-10.6	-17.4	-17.1	-10.2
Income taxes paid	0.0	0.0	0.0	0.0	-0.7	-0.7
<b>Net cash flow from operating activities</b>	<b>64.4</b>	<b>103.6</b>	<b>345.6</b>	<b>289.6</b>	<b>382.3</b>	<b>438.2</b>
<b>Cash flow from investing activities</b>						
Investments in intangible assets	-2.5	-7.0	-7.2	-8.9	-11.3	-9.5
Investments in tangible assets	-38.6	-89.6	-158.5	-336.1	-393.6	-216.0
Investments in group shares	0.0	0.0	0.1	6.7	7.5	0.8
Divestments of fixed assets and group shares	56.4	1.2	100.0	156.8	156.9	100.1
Net change in financial assets maturing after more than three months	-73.4	15.0	-79.6	109.7	82.9	-106.4
Change in non-current receivables	0.4	0.0	0.8	0.0	0.0	0.8
<b>Net cash flow from investing activities</b>	<b>-57.8</b>	<b>-80.5</b>	<b>-144.5</b>	<b>-71.9</b>	<b>-157.5</b>	<b>-230.1</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	-80.1	-10.0	-104.5	-118.0	-130.0	-116.5
Hybrid bond interests and expenses	0.0	0.0	0.0	0.0	-15.8	-15.8
Dividends paid	0.0	0.0	-38.4	-12.8	-12.8	-38.4
<b>Net cash flow from financing activities</b>	<b>-80.1</b>	<b>-10.0</b>	<b>-142.9</b>	<b>68.5</b>	<b>40.8</b>	<b>-170.6</b>
<b>Change in cash flows</b>	<b>-73.5</b>	<b>13.0</b>	<b>58.2</b>	<b>286.3</b>	<b>265.5</b>	<b>37.5</b>
Liquid funds, at beginning	775.7	651.6	643.9	378.4	378.4	664.7
Change in cash flows	-73.5	13.0	58.2	286.3	265.5	37.5
<b>Liquid funds, at end **</b>	<b>702.2</b>	<b>664.7</b>	<b>702.2</b>	<b>664.7</b>	<b>643.9</b>	<b>702.2</b>
<b>Notes to consolidated cash flow statement</b>						
<b>* Non-cash transactions</b>						
Employee benefits	3.7	5.7	10.9	14.2	16.0	12.7
Change in provisions	6.2	4.9	16.9	11.6	17.8	23.1
Other adjustments	1.3	-1.8	2.4	-1.6	-0.4	3.6
<b>Total</b>	<b>11.3</b>	<b>8.8</b>	<b>30.2</b>	<b>24.1</b>	<b>33.4</b>	<b>39.5</b>
<b>** Liquid funds</b>						
Other financial assets	921.2	859.7	921.2	859.7	833.0	921.2
Cash and cash equivalents	197.5	117.6	197.5	117.6	150.2	197.5
<b>Liquid funds in balance sheet</b>	<b>1,118.7</b>	<b>977.3</b>	<b>1,118.7</b>	<b>977.3</b>	<b>983.2</b>	<b>1,118.7</b>
Maturing after more than three months	-416.5	-312.6	-416.5	-312.6	-339.2	-416.5
<b>Total</b>	<b>702.2</b>	<b>664.7</b>	<b>702.2</b>	<b>664.7</b>	<b>643.9</b>	<b>702.2</b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASICS OF PREPARATION

This Consolidated Interim 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 Interim 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

Q3 2018, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	310.8	46.4	258.5	32.7	3.4	651.8	81.4
Ancillary revenue	11.5	2.2	12.1	0.8	15.5	42.0	5.2
Cargo	40.5	3.7	8.8	0.1	1.8	54.9	6.8
Travel services	0.0	0.0	50.6	0.3	1.5	52.5	6.5
<b>Total</b>	<b>362.8</b>	<b>52.3</b>	<b>330.0</b>	<b>33.9</b>	<b>22.2</b>	<b>801.2</b>	
Share %	45.3	6.5	41.2	4.2	2.8		

Q3 2017, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	281.7	40.2	238.9	32.1	4.8	597.7	81.3
Ancillary revenue	8.0	1.5	12.5	1.1	14.3	37.4	5.1
Cargo	37.2	2.8	8.5	0.0	3.1	51.6	7.0
Travel services	0.0	0.0	50.1	0.2	-1.7	48.7	6.6
<b>Total</b>	<b>326.9</b>	<b>44.6</b>	<b>310.0</b>	<b>33.3</b>	<b>20.6</b>	<b>735.4</b>	
Share %	44.5	6.1	42.2	4.5	2.8		

Q1-Q3 2018, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	771.2	107.0	685.7	129.4	20.3	1,713.6	79.6
Ancillary revenue	33.9	5.7	30.5	2.4	49.2	121.6	5.7
Cargo	108.0	8.5	22.4	0.5	7.6	147.0	6.8
Travel services	28.0	10.2	125.4	0.9	4.8	169.3	7.9
<b>Total</b>	<b>941.0</b>	<b>131.4</b>	<b>864.0</b>	<b>133.2</b>	<b>81.9</b>	<b>2,151.5</b>	
Share %	43.7	6.1	40.2	6.2	3.8		

Q1-Q3 2017, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	669.2	92.9	636.5	124.6	6.2	1,529.5	79.5
Ancillary revenue	24.6	3.8	31.4	3.3	44.3	107.4	5.6
Cargo	103.1	8.2	21.5	1.3	6.0	140.2	7.3
Travel services	22.5	7.1	118.3	0.3	-2.2	146.0	7.6
<b>Total</b>	<b>819.5</b>	<b>112.0</b>	<b>807.7</b>	<b>129.5</b>	<b>54.4</b>	<b>1,923.1</b>	
Share %	42.6	5.8	42.0	6.7	2.8		



2017, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
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, %	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017
Asia	89.5	90.7	-1.2 %-p	87.6	88.3	-0.7 %-p	86.7
North Atlantic	87.1	89.3	-2.2 %-p	85.4	84.8	0.6 %-p	83.3
Europe	79.7	84.0	-4.3 %-p	79.5	81.1	-1.6 %-p	80.7
Domestic	64.2	65.7	-1.5 %-p	65.0	67.6	-2.6 %-p	67.4
<b>Total</b>	<b>84.5</b>	<b>87.2</b>	<b>-2.7 %-p</b>	<b>83.4</b>	<b>84.3</b>	<b>-1.0 %-p</b>	<b>83.3</b>

ASK, mill. km	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017
Asia	5,501.6	4,987.3	10.3	15,895.7	13,315.8	19.4	18,355.0
North Atlantic	899.8	800.9	12.4	2,373.5	2,054.0	15.6	2,776.1
Europe	4,788.5	4,005.1	19.6	12,261.4	10,767.3	13.9	14,152.0
Domestic	338.1	299.6	12.9	1,381.8	1,178.2	17.3	1,638.9
<b>Total</b>	<b>11,528.0</b>	<b>10,092.8</b>	<b>14.2</b>	<b>31,912.4</b>	<b>27,315.4</b>	<b>16.8</b>	<b>36,922.0</b>

RPK, mill. km	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017
Asia	4,926.0	4,523.8	8.9	13,932.5	11,758.3	18.5	15,911.3
North Atlantic	783.5	714.8	9.6	2,027.1	1,741.3	16.4	2,311.5
Europe	3,816.2	3,363.6	13.5	9,747.4	8,735.9	11.6	11,421.6
Domestic	217.0	196.7	10.3	898.1	796.6	12.7	1,105.2
<b>Total</b>	<b>9,742.7</b>	<b>8,799.0</b>	<b>10.7</b>	<b>26,605.0</b>	<b>23,032.0</b>	<b>15.5</b>	<b>30,749.7</b>

Key figures quarterly, last 24 months	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
<b>Revenue</b>	<b>801.2</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>
Passenger revenue	651.8	577.2	484.6	491.3	597.7	509.2	422.6	437.9
Ancillary revenue	42.0	40.5	39.1	37.3	37.4	36.2	33.8	31.7
Cargo	54.9	51.6	40.5	57.1	51.6	49.4	39.2	46.2
Travel services	52.5	45.6	71.2	59.6	48.7	38.5	58.8	52.3
Travel agencies							0.0	1.7
<b>Comparable operating result</b>	<b>108.4</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>
ASK, mill. km	11,528.0	10,718.7	9,665.7	9,606.7	10,092.9	9,094.8	8,127.7	8,194.3
RPK, mill. km	9,742.7	8,846.5	8,015.8	7,717.6	8,799.0	7,616.0	6,617.1	6,420.3
PLF, %	84.5	82.5	82.9	80.3	87.2	83.7	81.4	78.3

#### 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	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	2017
Unrealized changes in foreign currencies of fleet overhaul provisions	-0.7	2.9	<-200 %	-3.6	9.4	<-200 %	10.9
Fair value changes of derivatives where hedge accounting is not applied	-1.2	1.8	<-200 %	-3.9	1.5	<-200 %	0.3
<b>Fair value changes in derivatives and changes in exchange rates of fleet overhauls</b>	<b>-1.9</b>	<b>4.7</b>	<b>&lt;-200 %</b>	<b>-7.5</b>	<b>10.8</b>	<b>&lt;-200 %</b>	<b>11.1</b>
Gains and losses on aircraft transactions	-0.6	-1.3	55.9	-0.9	41.3	<-200 %	41.0
Gains and losses on other transactions	0.0	0.0	-100.0	0.4	2.2	-80.8	3.1
Restructuring costs	-0.2	-0.1	-64.4	-0.5	-0.6	8.4	-0.9
<b>Items affecting comparability</b>	<b>-0.8</b>	<b>-1.5</b>	<b>45.2</b>	<b>-1.1</b>	<b>43.0</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 Sep 2018		30 Sep 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)	541.2	13.5	383.6	-8.9	385.2	-10.5
Operational cash flow hedging (options)						
Bought options	259.5	5.6	166.5	5.7	195.1	5.1
Sold options	257.3	-1.9	173.7	-3.2	200.1	-4.0
Fair value hedging of aircraft acquisitions	485.2	5.9	278.0	-13.2	316.2	-17.4
Currency hedging of lease payments	114.0	2.4	146.5	-8.1	131.7	-8.6
Hedge accounting items total	1,657.2	25.5	1,148.3	-27.7	1,228.4	-35.5
Hedging of assets held for sale			101.3	2.4	101.3	3.6
Balance sheet hedging (forward contracts)	144.0	1.0	113.6	-0.3	101.0	-0.9
Items outside hedge accounting total	144.0	1.0	214.9	2.1	202.3	2.6
<b>Currency derivatives total</b>	<b>1,801.2</b>	<b>26.6</b>	<b>1,363.2</b>	<b>-25.7</b>	<b>1,430.7</b>	<b>-32.8</b>
<b>Commodity derivatives</b>						
Jet fuel forward contracts, tonnes	821,500	95.8	800,000	22.1	808,000	58.3
Options						
Bought options, jet fuel, tonnes	180,500	12.6	148,000	3.3	91,000	4.8
Sold options, jet fuel, tonnes	180,500	-0.6	148,000	-0.5	91,000	-0.1
Electricity derivatives, MWh			3,314	0.0		
Hedge accounting items total		107.7		24.9		63.0
Options						
Sold options, jet fuel, tonnes	137,500	-3.5	84,000	-0.2	37,000	-0.4
Items outside hedge accounting total		-3.5		-0.2		-0.4
<b>Commodity derivatives total</b>		<b>104.2</b>		<b>24.8</b>		<b>62.7</b>
<b>Currency and interest rate swaps and options</b>						
Interest rate swaps			64.9	0.9	64.9	0.7
Hedge accounting items total	0.0	0.0	64.9	0.9	64.9	0.7
Cross currency Interest rate swaps	234.7	-8.9	247.7	-14.9	239.6	-18.5
Items outside hedge accounting total	234.7	-8.9	247.7	-14.9	239.6	-18.5
<b>Interest rate derivatives total</b>	<b>234.7</b>	<b>-8.9</b>	<b>312.6</b>	<b>-14.0</b>	<b>304.5</b>	<b>-17.9</b>
<b>Equity derivatives</b>						
Stock options						
Bought options	3.0	8.6	3.0	21.2	3.0	26.0
Sold options	3.0	-0.7	3.0	-10.5	3.0	-14.7
Hedge accounting items total	6.0	7.9	6.0	10.7	6.0	11.3
<b>Equity derivatives total</b>	<b>6.0</b>	<b>7.9</b>	<b>6.0</b>	<b>10.7</b>	<b>6.0</b>	<b>11.3</b>
<b>Derivatives total</b>		<b>129.8</b>		<b>-4.3</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 Sep 2018	Level 1	Level 2
<b>Financial assets at fair value through profit and loss</b>			
Securities held for trading	921.2	838.1	83.1
Derivatives held for trading			
Currency and interest rate swaps and options			
- of which in fair value hedge accounting			
Currency derivatives	38.1		38.1
- of which in fair value hedge accounting	12.1		12.1
- of which in cash flow hedge accounting	24.9		24.9
Commodity derivatives	108.4		108.4
- of which in cash flow hedge accounting	108.4		108.4
Equity derivatives	8.6		8.6
- of which in fair value hedge accounting	8.6		8.6
<b>Total</b>	<b>1,076.2</b>	<b>838.1</b>	<b>238.2</b>

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

Derivatives held for trading			
Currency and interest rate swaps and options	8.9		8.9
- of which in fair value hedge accounting			
Currency derivatives	11.5		11.5
- of which in fair value hedge accounting	6.2		6.2
- of which in cash flow hedge accounting	5.3		5.3
Commodity derivatives	4.1		4.1
- of which in cash flow hedge accounting	0.6		0.6
Equity derivatives	0.7		0.7
- of which in fair value hedge accounting	0.7		0.7
<b>Total</b>	<b>25.3</b>	<b>0.0</b>	<b>25.3</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 three first quarters of the 2018. Finnair announced at the end of August that it will sell 60 per cent of Nordic Regional Airlines AB to Danish Air Transport. The Finnish Competition and Consumer Authority approved the transaction at the end of September, and the transaction was closed in October.

## 8. INCOME TAXES

The effective tax rate for Q1-Q3 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 Sep 2018	30 Sep 2017	31 Dec 2017
Carrying amount at the beginning of period	1,437.6	1,178.8	1,178.8
Additions	168.5	440.3	518.6
Acquisitions through business combinations			0.4
Change in advances	38.7	-96.4	-135.2
Currency hedging of aircraft acquisitions	-23.3	87.8	92.0
Disposals and reclassifications	-6.3	-92.8	-87.8
Depreciation	-108.7	-94.2	-129.2
Depreciation included in items affecting comparability		0.3	
<b>Carrying amount at the end of period</b>	<b>1,506.5</b>	<b>1,423.8</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	0.1	0.1

## 11. ASSETS HELD FOR SALE

Assets and liabilities held for sale include Finnair's ownership in Nordic Regional Airlines Ab (Norra), 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 announced at the end of August that it will sell 60 per cent of Norra to Danish Air Transport. The Finnish Competition and Consumer Authority approved the transaction at the end of September, and the transaction was closed in October.

Non-current assets held for sale	30 Sep 2018	30 Sep 2017	31 Dec 2017
Intangible and tangible assets	0.0	0.1	0.1
Inventories		0.0	
Assets from subsidiary held for sale	15.3		16.6
<b>Total</b>	<b>15.4</b>	<b>0.2</b>	<b>16.7</b>

Liabilities of non-current assets held for sale	30 Sep 2018	30 Sep 2017	31 Dec 2017
Liabilities from subsidiary held for sale	10.5		11.2
<b>Total</b>	<b>10.5</b>	<b>0.0</b>	<b>11.2</b>

## 12. INTEREST-BEARING LIABILITIES

During the first three quarters of 2018 Finnair amortized its loans according to the loan instalment programs. Finnair's bond of EUR 64.9 million matured and was paid out during the third quarter.

## 13. CONTINGENT LIABILITIES

in mill. EUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Guarantees on behalf of group undertakings	81.7	70.7	71.0
<b>Total</b>	<b>81.7</b>	<b>70.7</b>	<b>71.0</b>

Investment commitments for property, plant and equipment as at 30 September 2018 totalled 1,107 million euros (31 December 2017: 1,013).

## 14. OPERATING LEASE COMMITMENTS

in mill. EUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Lease commitments for fleet payments	1,140.3	1,291.9	1,163.6
Other lease commitments	245.4	278.6	265.8
<b>Total</b>	<b>1,385.6</b>	<b>1,570.5</b>	<b>1,429.4</b>

## 15. RELATED PARTY TRANSACTIONS

in mill. EUR	Q1-Q3 2018	Q1-Q3 2017	2017
<b>Sales of goods and services</b>			
Associates and joint ventures	33.0	33.1	42.2
<b>Purchases of goods and services</b>			
Associates and joint ventures	78.9	78.9	105.6
Pension fund	2.5	2.5	3.5
<b>Receivables</b>			
Current receivables from associates and joint ventures		8.9	
<b>Liabilities</b>			
Non-current liabilities to pension fund	9.0	4.2	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

Finnair announced at the end of August that it will sell 60 per cent of Nordic Regional Airlines AB (Norra) to Danish Air Transport (DAT). Finnair held the 100 per cent stake in Norra on an interim basis after Norra's previous majority owners exited the business in November 2017. The Finnish Competition and Consumer Authority approved the transaction with DAT at the end of September, and the transaction was closed in October. As such, the transaction has no impact on Norra's operations, personnel or purchase agreement between Finnair and Norra. Norra operates Finnair's domestic and European routes with a total of 24 ATR and Embraer aircraft.

As a part of its normal fleet maintenance operations, Finnair is preparing for a gradual seat renewal in its current long-haul fleet. This renewal is expected to amount to approximately 200 million euros and focus on years 2020 and 2021.

Finnair announced today 25 October 2018 that the share-linked long-term incentive plan for Finnair pilots will be discontinued, because the saving targets set as a prerequisite for implementing the plan will not be reached over the agreed time period. Finnair and the pilots have not been able to find additional savings which could have compensated for the difference. The positive effect of the cancellation on Finnair's comparable operating profit in 2018 is included in the outlook given at the beginning of this interim report.

## 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.

<b>Effects of the changes in accounting principles in retained earnings</b>	<b>1 Jan 2018</b>
Passenger revenue	2.9
Ancillary revenue	-5.3
Travel services	-6.2
<b>Revenue related effects total</b>	<b>-8.7</b>
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 Q3 2018 amounted to 1,386 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 Interim Report are unaudited.