Finnair Group Financial Statement Release 1 January – 31 December 2017

16 February 2018

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Q4 comparable operating result increased to 22.9 million euros and FY 2017 comparable operating result tripled to a record-high 170.4 million euros

October–December 2017

- Revenue increased by 13.2% to 645.3 million euros (569.9)*.
- Available seat kilometres (ASK) grew by 17.2%.
- Comparable operating result was 22.9 million euros (1.6).
- Operating result was 23.5 million euros (18.2).
- Comparable EBITDAR** was 94.0 million euros (59.4).
- Net cash flow from operating activities was 92.6 million euros (30.5), and net cash flow from investing activities was -85.6 million euros (-264.7).***
- Unit revenue (RASK) decreased by 3.4%.
- Unit cost (CASK) decreased by 6.6%, and unit cost at constant currency excluding fuel decreased by 3.1%.
- Ancillary and retail revenue per passenger grew by 3.2% to 12.60 euros.
- Earnings per share were 0.11 euros (0.08).

January–December 2017

- Revenue increased by 10.9% to 2,568.4 million euros (2,316.8)*.
- Available seat kilometres (ASK) grew by 8.9%.
- Comparable operating result was 170.4 million euros (55.2).
- Operating result was 224.8 million euros (116.2), including a sales gain on an A350 aircraft.
- Comparable EBITDAR** was 436.2 million euros (270.4).
- Net cash flow from operating activities was 382.3 million euros (219.7), and net cash flow from investing activities was -157.5 million euros (-499.6).***
- Unit revenue (RASK) increased by 1.8%.
- Unit cost (CASK) decreased by 2.6% and unit cost at constant currency excluding fuel increased by 0.3%.
- The 20-million euro cost-efficiency program was completed in full by the summer.
- Ancillary and retail revenue per passenger grew by 5.2% to 12.15 euros.
- Earnings per share were 1.23 euros (0.55).
- The Board of Directors proposes to the Annual General Meeting that a dividend of 0.30 euros per share be distributed for 2017.

* *Unless otherwise stated, comparisons and figures in parentheses refer to the comparison period, i.e. the same period last year.*
** *Comparable operating result + depreciation + lease payments for aircraft.*
*** *Net cash flow from investing activities in Q4, includes 26.8 million euros of investments to money market funds or other financial assets maturing after more than three months. In 2017, these investments decreased in net terms by 82.9 million euros. These investments are part of the Group's liquidity management.*

Outlook

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

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

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

CEO Pekka Vauramo:

The year 2017 was excellent for Finnair. The favourable business environment supported our growth together with the right capacity, route network and product decisions we made in recent years. We ended 2017 in the middle of the fastest growth phase in Finnair's history and we plan to continue our transformation and growth also in 2018.

Towards the end of the year, our route network was expanded by four new long-haul destinations, namely Goa, Havana, Puerto Plata and Puerto Vallarta. At the same time, we increased our flight frequency to several Asian and European destinations. We also invested heavily in our routes to Northern Finland by increasing our capacity between Helsinki and Northern Finland by more than 20 per cent for the current winter season and by introducing direct flights to Lapland from London, Paris and Zürich. Lapland is again the number one European destination for our Chinese customers this winter. Passenger demand on our route network remained strong from October to December, and we achieved a new passenger record during the period by carrying nearly three million passengers. The favorable development continued also in ancillary revenue, cargo and travel services. Our comparable operating result for the fourth quarter was a record high 22.9 million euros.

In 2017, our revenue grew to 2,568 million euros and our comparable operating result more than tripled, reaching 170 million euros. While increasing our capacity by nearly 9 per cent, we also managed to increase our passenger load factor by 3.5 percentage points. Our customer satisfaction, measured by our Net Promoter Score, increased by 4 units to 47.

During the year, we also completed the first phase of our long-haul fleet renewal. We made significant investments in the development of digital solutions and services to enhance the customer experience and to improve processes and ways to work at Finnair. Other significant steps we took included the commissioning of the new Nordic Cargo COOL terminal and the launch of the new Finnair Holidays product. These moves enable us to deliver more personalized services to our customers and to facilitate further growth going forward. In travel services, Aurinkomatkat Suntours became the largest operator in terms of the number of customers in the Finnish market in 2017.

I am satisfied with the renewal efforts we made during the year. They have contributed to our growth and improved customer satisfaction. I am also pleased with our records in monthly passenger volumes and passenger load factors, as they indicate that our route network and product have developed in the right direction.

Everyone at Finnair has made an excellent contribution during this period of growth and transformation.
The turnaround we have achieved in our operations and financial performance is a shared accomplishment by everyone at Finnair. As a sign of gratitude for the transformation that has driven the company forward on the path of profitable growth, Finnair decided to reward Finnair's employees with a one-time bonus announced in December. Throughout this period of growth, we have invested in the development and well-being of our employees. We will continue these efforts and our other development efforts in 2018 to support our continued strong growth.

Business environment in the fourth quarter

Traffic continued to grow in Finnair's main markets in the fourth quarter of 2017. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations increased by 5.9 per cent, while direct market capacity between Finnair's Asian and European destinations grew by 7.4 per cent year-on-year. Finnair's market share decreased slightly in European traffic, and increased in Asian traffic, to 6.3 per cent (5.6).[1]

Market demand in traffic between Asia and Europe increased slightly faster than the rate of capacity growth in Q4. Demand for flights between Asia and Europe increased across the Finnair network to almost every destination. Strong demand from Japan continued despite the depreciation of the Japanese Yen against the Euro. Finnair's capacity growth between Japan and Europe was well absorbed by the markets, and the market position of the Siberian Joint Business (SJB) in flights between Europe and Japan improved. Demand and capacity growth remained balanced in North Atlantic traffic and positive premium demand increased revenues in the Atlantic Joint Business.

Finnair's operations suffered from very difficult winter and wind conditions and also were affected by a ban on overtime by the Finnish Aviation Union in December.

In Q4, package tour market capacity increased year-on-year, and the winter 2017/2018 capacity growth in the market is up by around five per cent. The overall package tour capacity growth is focused on destinations in Europe, the Middle-East and Africa, while capacity to long haul destinations remained stable. The Canary Islands, Thailand and the United Arab Emirates continued to hold the top positions as package tour travel destinations. Increased scheduled airline capacity to long haul leisure destinations slightly affected package tour demand and yields in Asian leisure destinations. Aurinkomatkat Suntours grew broadly in line with the market growth.

The air cargo market continued its strong growth during the period. Globally all regions made a positive contribution, but the positive development in Greater China especially was strong. Market capacity growth levelled out and, as a result, together with favorable demand, cargo load factors and yields continued to increase.

The US dollar, the most significant expense currency for Finnair after the euro, depreciated by 8.4 per cent against the euro. With regard to key income currencies, the Japanese yen was 11.3 per cent weaker against the euro than in the comparison period. The Chinese yuan depreciated by 5.4 per cent against the euro. The market price of jet fuel was 22.0 per cent higher in the fourth 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

<u>Revenue during October-December 2017</u>

Revenue in the fourth quarter of 2017 grew by 13.2 per cent to 645.3 million euros (569.9). Passenger revenue grew by 12.2 per cent, and the favourable demand environment was also visible as healthy growth in ancillary and retail revenue, cargo revenue and travel services revenue. Travel agency revenue decreased to zero due to the divestment of SMT in November 2016. Unit revenue (RASK) decreased by 3.4 per cent and amounted to 6.72 euro cents.

Passenger traffic capacity measured in Available Seat Kilometres (ASK) grew by 17.2 per cent overall in the fourth quarter. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 20.2 per cent, while the

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

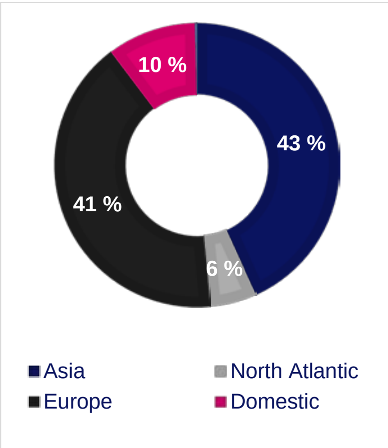
number of passengers increased by 13.7 per cent. The passenger load factor (PLF) increased by 2.0 percentage points to 80.3 per cent.

Revenue by product

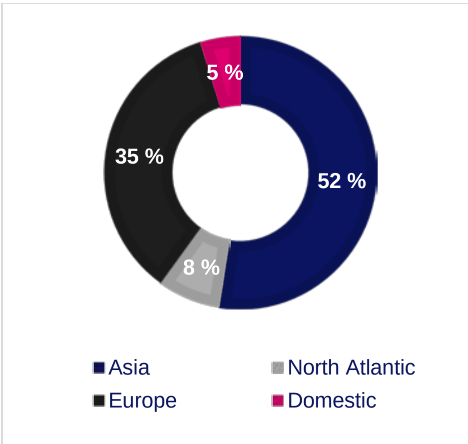
EUR million	Q4/2017	Q4/2016	Change %
Ancillary and retail revenue	37.3	31.7	17.3
Cargo	57.1	46.2	23.7
Travel services	59.6	52.3	14.0
Travel agencies		1.7	n/a
Total	**645.3**	**569.9**	**13.2**

Traffic area	Ticket revenue		ASK		RPK		PLF	
	EUR mill.	Change %	Mill. km	Change %	Mill. km	Change %	%	Change %-point
Asia	212.5	20.9	5,039.2	25.7	4,153.0	28.2	82.4	1.7
North Atlantic	25.9	13.6	722.1	22.4	570.2	25.7	79.0	2.1
Europe	202.4	11.1	3,384.6	6.5	2,685.8	10.0	79.4	2.5
Domestic	49.5	8.5	460.7	11.0	308.7	7.6	67.0	-2.1
Unallocated	1.0	-91.1						
Total	**491.3**	**12.2**	**9,606.7**	**17.2**	**7,717.6**	**20.2**	**80.3**	**2.0**

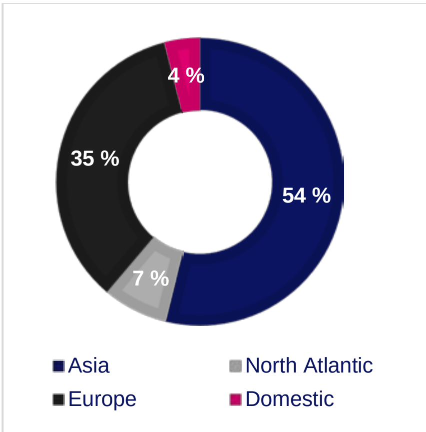
Q4 passenger revenue (M€)



Q4 capacity (ASKs)



Q4 traffic (RPKs)



In Asian traffic, ASKs increased by 25.7 per cent against the comparison period. Capacity was boosted in particular by increasing the number of flights on the Bangkok, Hong Kong and Singapore routes and by the addition of flights to the new seasonal destination of Goa. RPKs increased by 28.2 percent and the PLF rose by 1.7 per cent to 82.4 per cent. Capacity on the North Atlantic routes increased by 22.4 per cent against the comparison period. New routes to Puerto Vallarta, Puerto Plata and Havana were opened in November and December. RPKs increased by 25.7 per cent and the PLF rose by 2.1 percentage points to 79.0 per cent.

In European traffic, ASKs grew by 6.5 per cent and RPKs increased by 10.0 per cent as the PLF rose by 2.5 percentage points to 79.4 per cent. Capacity increased thanks to taking new A321 aircraft into use and by adding frequencies on the Berlin, Copenhagen and Moscow routes, in particular. Domestic traffic capacity increased by 11.0 per cent against the comparison period, as Finnair prepared for the growth of international passenger demand for travel to Lapland during the winter season. Domestic traffic increased by 7.6 per cent and the PLF declined by 2.1 percentage point to 67.0 per cent.

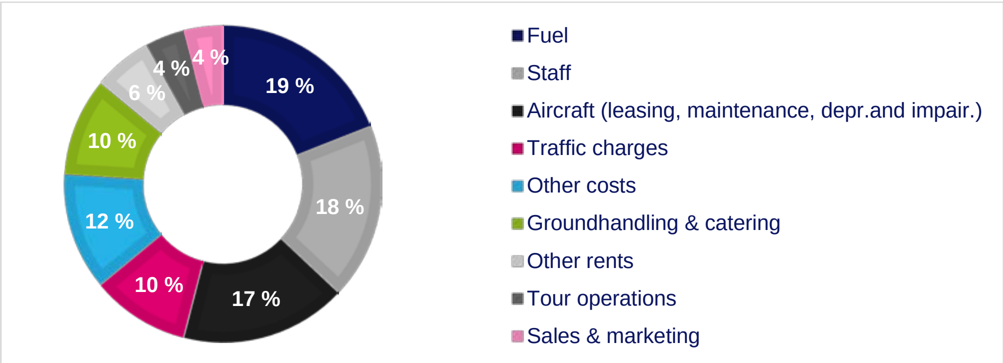
Ancillary and retail revenue increased by 17.3 per cent and amounted to 37.3 million euros, or 12.6 euros per passenger. Growth was particularly strong in retail sales and advance seat reservations. Available cargo tonne kilometres increased by 16.4 per cent, whereas revenue cargo tonne kilometres increased by 21.6 per cent. Average cargo yields increased by 1.7 per cent year on year. Cargo revenue increased by 23.7 per cent, amounting to 57.1 million euros (46.2).

During the fourth quarter, the number of travellers using Finnair's travel services (Aurinkomatkat Suntours) increased by 5.8 per cent, and the load factor in Suntours' fixed seat allotment was 96 per cent. Finnair launched a new leisure travel concept Finnair Holidays in Finland in the summer of 2017 and in Sweden during the review period. Finnair's travel services revenue increased by 14.0 per cent to 59.6 million euros (52.3).

Cost development and result October-December 2017

Finnair's operating expenses in the fourth quarter increased by 9.3 per cent to 642.2 million euros (587.5). Unit cost (CASK) decreased by 6.6 per cent and totalled 6.48 euro cents (6.93). CASK ex fuel at constant currency decreased by 3.1 per cent.

Q4 split of operating costs (€642.2 million in total)



Operating expenses excluding fuel increased by 10.0 per cent, and amounted to 519.9 million euros (472.6). Fuel costs, including hedging results and emissions trading costs, increased by 6.5 per cent to 122.3 million euros (114.9). Fuel efficiency as measured by fuel consumption per ASK improved by 3.6 per cent reflecting particularly the introduction of the more fuel-efficient A350s. Fuel consumption per RTK, which also accounts for improvements in the passenger and cargo load factors, improved even more, by 6.3 per cent, as a result of the introduction of A350s and high load factors.

Staff costs increased to 113.0 million euros (90.3). This sum includes a 13-million euro extra reward to personnel. The growth is also attributable to an increase in the number of personnel, the acquisition of Finnair Kitchen, extensive training of flight crew and provisions made in the fourth quarter for incentives and a6.7-million profit-based contributions in the personnel fund. Meanwhile, fleet growth and renewal increased aircraft leases and depreciations. Other rents decreased, since wet leases used in the comparison period were no longer needed.

Finnair's comparable EBITDAR increased to 94.0 million euros (59.4). Comparable operating result, or operating result excluding items affecting comparability, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves, improved to an all-time fourth-quarter high of 22.9 million euros (1.6).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 0.3 million euros (20.3). The items affecting comparability amounted to 0.3 million euros (-3.7). The operating result was 23.5 million euros (18.2), the result before taxes was 20.7 million euros (15.9) and the result after taxes was 17.1 million euros (13.7).

Revenue in January–December 2017

Finnair revenue grew by 10.9 per cent to 2,568.4 million euros (2,316.8). All continuing business categories grew in 2017. Unit revenue (RASK) increased by 1.8 per cent and amounted to 6.96 euro cents (6.83).

Passenger traffic capacity measured in Available Seat Kilometres (ASK) grew by 8.9 per cent overall during 2017 – the growth rate was 0.1 per cent in Q1, 6.8 per cent in Q2, 11.1 per cent in Q3 and 17.2 per cent in Q4. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 13.6 per cent and the passenger load factor (PLF) improved clearly in all traffic areas except Domestic, which saw a decline. The number of passengers carried increased by 9.6 per cent to 11.9 million.

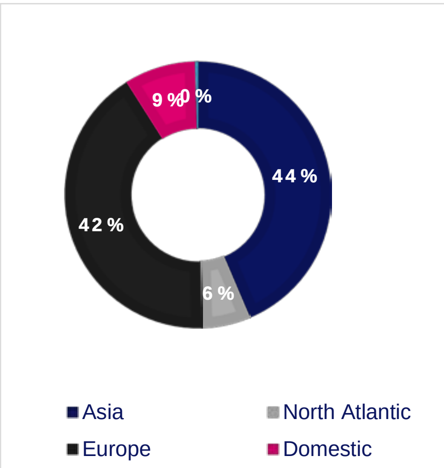
Revenue by product

EUR million	2017	2016	Change %
Passenger revenue	2,020.8	1,816.1	11.3
Ancillary and retail revenue	144.6	125.5	15.2
Cargo	197.4	173.8	13.5
Travel services	205.6	187.5	9.7
Travel agencies		13.8	n/a
Total	**2,568.4**	**2,316.8**	**10.9**

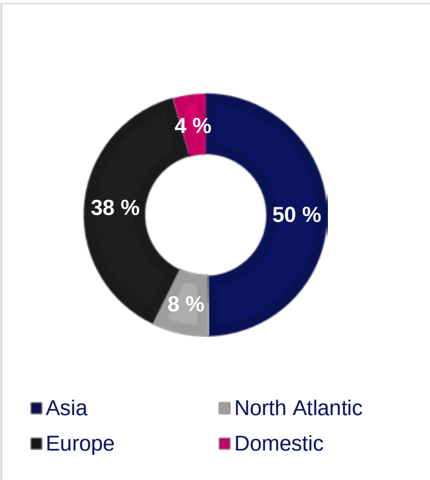
Ticket revenue and traffic data by area, 2017

Traffic area	Ticket revenue		ASK		RPK		PLF	
	EUR mill.	Change %	Mill. km	Change %	Mill. km	Change %	%	Change %-point
Asia	881.7	19.2	18,355.0	11.7	15,911.3	18.3	86.7	4.9
North Atlantic	118.8	2.7	2,776.1	3.1	2,311.5	8.0	83.3	3.8
Europe	839.0	10.2	14,152.0	6.8	11,421.6	9.7	80.7	2.1
Domestic	174.1	5.5	1,638.9	6.5	1,105.2	3.9	67.4	-1.7
Unallocated	7.2	-79.3						
Total	**2,020.8**	**11.3**	**36,922.0**	**8.9**	**30,749.7**	**13.6**	**83.3**	**3.5**

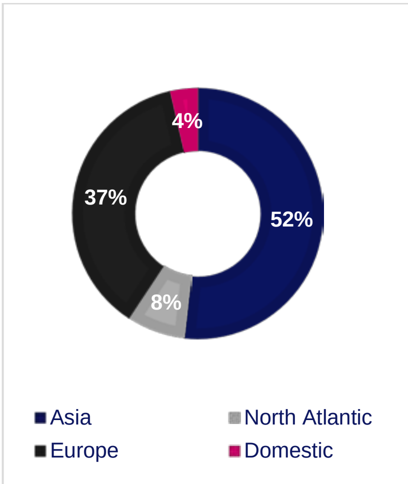
Passenger revenue (M€)



Capacity (ASKs)



Traffic (RPKs)



In Asian traffic, ASKs grew 11.7 per cent in 2017. This reflected the introduction of A350 aircraft in Asian traffic and additional frequencies especially on the Tokyo and Hong Kong during the summer and especially on the routes to Bangkok, Hong Kong and Singapore during the winter. In 2017, RPKs increased by 18.3 per cent, and the PLF in Asian traffic rose by 4.9 percentage points to 86.7 per cent.

The capacity in North Atlantic traffic increased by 3.1 per cent. RPKs in North Atlantic traffic increased by 8.0 per cent and the PLF rose by 3.8 percentage points to 83.3 per cent.

In European traffic, ASKs increased by 6.8 and RPKs increased by 9.7 per cent as the PLF rose by 2.1 percentage points to 80.7 per cent. Capacity grew thanks to taking into use new A321 aircraft, the introduction of new destinations, and added frequencies particularly on the Northern European routes.

Domestic capacity increased by 6.5 per cent and traffic by 3.9 per cent. Traffic growth was heavily concentrated on the beginning and end of the year (winter seasons), when capacity was added to Lapland to meet the growing tourist demand for Northern Finland. In the summer, the largest domestic destination, Oulu, was closed throughout July due to runway renovation, and traffic restrictions at the airport continued in August, which was reflected in the PLF. During 2017, the PLF declined by 1.7 percentage points to 67.4.

Customers spent more money on ancillary services in 2017. Ancillary and retail revenue increased by 15.2 per cent and amounted to 144.6 million euros (125.5), or 12.1 euros per passenger (11.5 euros). There was growth particularly in advance seat reservations, travel class upgrades and retail sales.

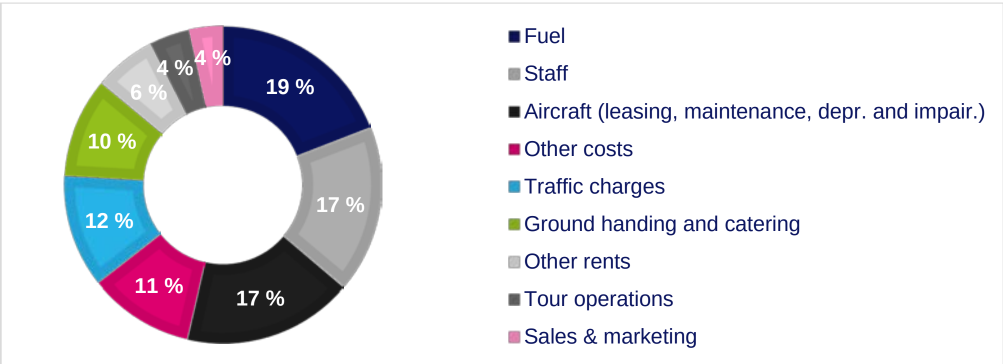
Available cargo tonne kilometres increased by 6.5 per cent, and revenue cargo tonne kilometres increased by 11.0 per cent. The volume of cargo carried increased by 8.6 per cent to 157,028 tonnes (144,596). Average cargo yields increased by 2.3 per cent. Cargo revenue increased by 13.5 per cent to 197.4 million euros (173.8).

Revenue from the tour operating business (Aurinkomatkat Suntours and Finnair Holidays) increased by 9.7 per cent to 205.6 million euro (187.5). The number of Aurinkomatkat Suntours travellers increased by 5.8 per cent to 214,411 customers and Aurinkomatkat became the largest tour operator in Finland measured by the number of customers. The load factor in Suntours' fixed seat allotment was 96.6 per cent. Finnair Holidays, a new leisure travel concept targeted towards the growing, non-traditional, leisure travel segment, was launched in Finland (end of Q2/2017) and Sweden (Q4/2017). The decrease in travel agencies' revenue is attributable to the divestment of SMT, which was completed in November 2016.

Cost development and result in 2017

Finnair's operating expenses in 2017 increased by 5.9 per cent to 2,475.0 million euros (2,337.1). Unit cost (CASK) decreased by 2.6 per cent and totalled 6.49 euro cents (6.67). CASK ex fuel at constant currency increased by 0.3 per cent.

Split of operating costs in 2017 (2,475.0 M€ in total)



Operating expenses excluding fuel increased by 8.5 per cent to 2,002.9 million euros (1,845.6). Fuel costs, including hedging results and emissions trading costs, decreased by 3.9 per cent to 472.2 million euros (491.5).

Fuel efficiency as measured by fuel consumption per ASK improved by 3.2 per cent primarily reflecting the introduction of the more fuel-efficient A350s. Fuel consumption per RTK, which also accounts for improvements in the passenger and cargo load factors, improved even more, by 6.7 per cent, as a result of the A350s and improved load factors.

Staff costs increased to 423.3 million euros (362.5). The growth is explained by an increase in the number of personnel, the acquisition of Finnair Kitchen, extensive training of flight crew and provisions made for incentive schemes and a 6.7-million, profit-based contribution to the personnel fund. Personnel costs also include a 13-million euro extra reward to personnel. Fleet growth and renewal increased depreciations, aircraft lease payments and maintenance costs. Other expenses increased to 285.1 million euros (266.6). Due to the implementation of IFRS 9, which was effective 1 January 2017, the impacts of currency hedging are now allocated to the relevant expense rows (fuel costs, lease payments for aircraft, maintenance and traffic charges).

The 20-million euro cost-efficiency program announced in the autumn of 2016 was successfully completed in full and on schedule during 2017. After the conclusion of that program, Finnair will improve efficiency through continuous development, without separate programs.

Finnair's comparable EBITDAR increased to 436.2 million euros (270.4). 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, improved to its all-time high at 170.4 million euros (55.2).

The change in the fair value of derivatives and in the value of foreign-currency-denominated fleet maintenance reserves amounted to 11.1 million euros (32.0). The items affecting comparability amounted to 43.3 million euros (29.0) including a gain on the sale of an A350 aircraft and one-time expenses related to A340 aircraft sold to Airbus. The operating result was 224.8 million euros (116.2), the result before taxes was 211.1 million euros (105.8) and the result after taxes was 169.4 million euros (85.1).

Balance sheet on 31 December 2017

The Group's balance sheet totalled 2,887.1 million euros at year-end (2,528.7). Non-current assets increased by 257,1 million euros primarily due to aircraft investments. Assets held for sale decreased by 122.6 million euros, as four A340 aircraft were sold to Airbus in accordance with a previous agreement. The remaining payment from this transaction, approximately 100 million euros, will be received in 2018 and is shown as an increase in trade and other receivables totaling 319.8 million euros. Shareholders' equity was 1,015.7 million euros (857.0), or 7.95 euros per share (6.73).

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 December 2017 was 63.0 million euros (33.9) after deferred taxes. In 2017, it was reduced by changes in the fair value of the hedging instruments mentioned above, but this impact was offset by a change in accounting principles and actuarial gains.

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments. In 2017, net cash flow from operating activities amounted to 382.3 million euros (219.7). The increase in cash flow was primarily attributable to the growth of the comparable operating result. Net cash flow from investments amounted to -157.5 million euros (-499.6) and was particularly attributable to aircraft investments and divestments as well as the maturity of money market investments with maturities exceeding three months used as part of the Group's liquidity management.

The equity ratio on 31 December 2017 stood at 35.2 per cent (33.9) and gearing was negative at -24.2 per cent (-11.2). Adjusted gearing was 69.9 per cent (78.3). At year-end, adjusted interest-bearing debt amounted to 737.1 million euros (701.5) and interest-bearing net debt was negative at -246.0 million euros (-95.8).

The company's liquidity was strong during the review period. The Group's cash funds at period-end amounted to 983.2 million euros (797.3). Finnair has an entirely unused 175-million-euro unsecured syndicated credit facility, intended for use as reserve funding. The arrangement has a maturity of three years from June 2016 with an optional two-year extension. In March, Finnair issued a 200-million-euro senior unsecured bond and redeemed 85 million euros of its existing senior unsecured bond.

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 in 2017 amounted to 40.8 million euros (200.5). Financial income was -0.3 million euros (1.0) due to negative interest rates, while financial expenses were -13.4 million euros (-11.5).

Capital expenditure

During 2017, capital expenditure excluding advance payments totalled 519.0 million euros (518.9) and was primarily related to fleet investments.

Cash flow from investments totalled -397.4 million euros, including advance payments. Divestments of fixed assets amounted to 156.9 million euros, and related mainly to the sale and leaseback agreement for the A350 aircraft delivered in April 2017. Net change in financial assets maturing after more than three months totalled 82.9 million. Net Cash flow from investments amounted to -157.5 million euros.

During 2017–2018, Finnair is adding additional seating capacity to the majority of its fleet of Airbus narrow-body aircraft by modifying galley areas in the front and rear of the aircraft. Finnair will also introduce WiFi connectivity to the majority of its current narrow-body fleet during 2017–2018. All of Finnair's wide-body aircraft already has WiFi connectivity.

In addition to fleet investments, Finnair has constructed a modern cargo terminal, which was phased into use in Q4 2017 and which will carry out all cargo activities from January 2018 onward. It is the most modern cargo terminal in Europe at time of its commissioning.

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 36 unencumbered aircraft, which account for approximately 65 per cent of the balance sheet value of the entire fleet of 1.155 million euros[2].

Fleet

<u>Finnair's operating fleet</u>

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair. At the end of 2017, Finnair itself operated 55 aircraft, of which 19 were wide-body and 36 narrow-body aircraft. Of the aircraft, 25 were owned by Finnair Aircraft Finance Oy, 23 were on operating leases and seven on finance leases.

At year-end, the average age of the fleet operated by Finnair was 8.9 years.

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[2] €42.6 million of the balance sheet value of the fleet relates to long-term operational lease contracts, which are reported on the balance sheet.

Fleet operated by Finnair* 31.12.2017	Seats	#	Change from 31.12.2016	Owned**	Leased (Operating leasing)	Leased (Finance leasing)	Average age 31.12.2017	Ordered
Narrow-body fleet								
Airbus A319	138	8	-1	7	1		16.6	
Airbus A320	165/174	10		7	1	2	15.4	
Airbus A321	209/196	18	7	4	12	2	6.9	
Wide-body fleet								
Airbus A330	289/263	8			5	3	8.2	
Airbus A340	263/257	0	-4					
Airbus A350	297/336	11	4	7	4		1.3	8
Total		**55**	**6**	**25**	**23**	**7**	**8.9**	**8**

* Finnair's Air Operator Certificate (AOC).
** Includes JOLCO-financed (Japanese Operating Lease with Call Option) A350 aircraft.

Fleet renewal

By the end of September 2017, Finnair had taken delivery of all four Airbus A350 XWB aircraft scheduled for delivery in 2017 and thus completed the first phase of its long-haul fleet renewal. Of the original 11 aircraft order, three were delivered in 2015 and four in 2016. Following the successful delivery of the A350s, Finnair's Airbus A340 aircraft left the fleet and were sold back to Airbus as agreed in the trade agreement signed in 2014.

According to the current delivery schedule, Finnair will receive the remaining eight A350 XWB aircraft during 2018–2022. Finnair's investment commitments for property, plant and equipment, totalling 1.013 million euros[3], include the upcoming investments in the wide-body fleet.

Finnair added seven new Airbus A321 narrow-body aircraft to its fleet in 2017, all on operating lease agreements. Three of these aircraft were delivered in Q4 2017. In 2017 one A319 aircraft left the fleet when its lease contract expired.

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 aircraft are leased from Finnair Aircraft Finance.

Fleet operated by Norra* 31.12.2017	Seats	#	Change from 31.12.2016	Own**	Leased (Operating leasing)	Average age 31.12.2017	Ordered
ATR	68-72	12		6	6	8.4	
Embraer E190	100	12		9	3	9.5	
Total		**24**	**0**	**15**	**9**	**9.0**	

* Nordic Regional Airlines Oy's Air Operator Certificate (AOC).
** Aircraft owned by Finnair Aircraft Finance include JOLCO-financed E190 aircraft.

[3] The seats and inflight entertainment systems for aircraft numbers 15–19 are under estimation and thus not reported as committed investments.

Air traffic services and products

Route network and alliances

The number of Finnair flights to Asia increased in 2017. The maximum weekly number of flights to Asia will be 89 in the winter season 2017/2018 (78 in the winter season 2016/2017) and it totalled 87 in the summer season 2017 (97 in the summer season 2018, 80 in summer season 2016). In Finnair's route network, new summer destinations in 2017 were San Francisco, Alicante, Ibiza, Korfu, Menorca and Reykjavik. Finnair also added capacity to Tokyo, Hong Kong, Copenhagen, Berlin and St. Petersburg. For winter 2017/2018, Finnair announced several new leisure-focused destinations, including Havana, Puerto Vallarta, Puerto Plata and Goa.

As an answer to growing demand for international travel to Finland and especially Lapland, Finnair increased capacity for winter season 2017/2018 from Helsinki to Finnish Lapland by more than 20 per cent. It also started direct flights to Finnish Lapland from London, Paris and Zürich in Q4 2017.

Finnair is part of the oneworld alliance and it also engages in closer cooperation with certain oneworld partners through participation in joint businesses, namely the Siberian Joint Business and the Atlantic Joint Businesses. The joint businesses are agreements covering revenue sharing and coordination of prices and capacity for the route areas in question.

Other renewals and services

In 2017, Finnair placed particular development focus on services related to booking and buying flight tickets and paying for tickets and ancillary services.

In January, Finnair was the first airline in the world to pilot Alipay on board as a payment method, which is widely used by Chinese customers. The Alipay system was rolled out on all China routes during 2017. In June, the sales system used on all Finnair flights was also replaced by a new user-friendly SkyPay system, which speeds up inflight purchasing and enables the use of contactless payment by customers.

In October Finnair started a collaboration with JD.com, also known as Jingdong, one of the leading e-commerce companies in China. Finnair will be the first non-Chinese airline to open a flagship store for online flight bookings on the JD Travel platform, in the beginning of 2018. Finnair also was the first European airline to launch flight ticket sales directly via its official WeChat account in China. Finnair customers can search for Finnair flight tickets, book their flights and complete their purchase with WeChat Pay, all directly through Finnair's official WeChat account.

In December Finnair brought its customers Apple Pay. Finnair customers can use Apple Pay for ticket and ancillary purchases on Finnair's mobile website and using the Finnair mobile application. Apple Pay is available for Finnair customers using iOS mobile devices globally in those markets where Apple has implemented the payment method.

Customers have been able to book Finnair flights and ancillary services through the Skyscanner website since March 2017. Finnair has also streamlined and smoothened the distribution and sales of its flights and flight related services both in its own and in partners' distribution channels in partnership with Amadeus, the IT service provider specialised in solutions for the global travel industry. In June Finnair introduced a completely new mobile flight booking experience for its customers.

The WiFi installation for its A330 fleet was completed in Q2, ensuring that the entire Finnair wide-body fleet now has WiFi connectivity. New A350 aircraft are delivered WiFi-capable. Installations on the Airbus narrow-body fleet began in 2017 and will continue in 2018.

The investments made in digital tools and channels were reflected in the number of passenger using these services and the sales created through these channels. During 2017, Finnair had on average 1.8 million visitors/month on its internet site (finnair.com), which is 17 per cent more than the prior year. In June Finnair.com had a record number of visitors/month, 2.5 million. At year-end, the number of active Finnair mobile app users totalled 210,000, representing an 87 per cent increase year-on-year. Also during 2017, sales through digital channels increased by 18 per cent and represented 24 per cent of total ticket sales. Of ancillary sales, 29.6 per cent was created through digital channels.

Finnair also made other improvements to its products and services during 2017. The expansion of Finnair's hub, Helsinki Airport, is proceeding and the new south wing of Terminal 2 has been inaugurated. In addition, the Finnair lounge in the Schengen area was refurbished and Fazer was introduced as the new service provider in mid-summer. In Q4 Finnair announced several product renewals, which include new inflight meal concepts as well as a new business class service concept and a new family concept with Moomins, both to be launched during 2018. The inflight meal offering has been developed in-house since April 2017, when catering services, now Finnair Kitchen, returned to Finnair.

In the travel services business, Finnair launched a new product, called Finnair Holidays, in June. Finnair Holidays combines the best of independent travelling and package holidays. Customers can tailor their holiday by choosing suitable Finnair and oneworld flights, a hotel and experiences selected by travel professionals. Finnair Holidays can be designed and purchased on Finnair's website (https://holidays.finnair.com).

Awards

Finnair performed well in several quality and customer satisfaction surveys conducted within the industry or among the passengers during 2017.

In March, Finnair was named the best European airline operating in China at the TTG China Travel Awards for the second consecutive year. The award was based on votes cast by the readers of TTG's publications. In June, the Skytrax World Airline Awards chose Finnair as the best airline in Northern Europe for the eighth consecutive year. The award was based on an independent Skytrax survey conducted between August 2016 and May 2017 in 105 countries. Also in June, Finnair was awarded with the Future Travel Experience Ancillary Gold Award for its ancillary offering and makings its ancillary offering available for customers across its digital channels. Finnair ancillary services can be bought through its booking engine at Finnair.com, through the Finnair mobile app, as well as through the Nordic Sky Wi-Fi portal available on Finnair's long haul flights. In November, Finnair's mobile app won the German Design Award for Excellent Communications Design. The jury stated that the app provides Finnair passengers with invaluable support and information.

In September, Finnir was awarded a Four Star Global Airline rating by the Airline Passenger Experience Association (APEX). The APEX 2018 assessment covered 470 airlines worldwide, and its rating was also based on verified feedback given by customers.

In January 2018, OAG's Punctuality League publication ranked Finnair's arrival punctuality in 2017 as the fifteenth-highest among mainline airlines in the world. In January, FlightStats recognised the oneworld alliance as the most punctual airline alliance in 2017.

Finnair was also recognised for its sustainability efforts. In March, Aurinkomatkat - Suntours was again named Finland's most sustainable travel service company in the Sustainable Brands Index, which is the largest brand study focused on sustainability and corporate responsibility in the Nordics. The study is made annually by interviewing consumers in four Nordic countries and the Netherlands. The survey is based on the 10 principles of the UN Global Compact initiative. In September, Finnair was named "responsible company of the year" by the Association of Finnish Travel Agents in acknowledgement of Finnair's longstanding and comprehensive work in sustainable development.

Also, in spring the German ESG rating company oekom research AG confirmed its analysis of Finnair's responsibility, and the ESG rating was affirmed as C+-, the highest rating in the category, comprising 69 companies in the transport and logistics sector. Finnair kept its Prime status indicating the suitability of Finnair's securities for responsible investors. In CDP reporting (Carbon Disclosure Project), that is closely followed by investors, Finnair scored B, which is a Management level score. The average score for the aviation industry is C. Companies at Management level (B) are taking further steps to effectively reduce emissions and thus indicating more advanced environmental stewardship. This achievement signals that Finnair is measuring and managing its environmental impact and has developed a policy and strategic framework within which to take action and reduce negative climate change impacts.

Personnel

Finnair employed an average of 5,526 (4,908)[4] people during January–December 2017, which is 12.6 per cent more than during the comparison period. The number of personnel in continuing operations grew by 5.2 per cent against the comparison period.

The number of employees on 31 December 2017 was 5,918 (4,838). During 2017, the number of personnel increased by 1,080. The change was due to the migration of LSG Finland personnel (approximately 500) to Finnair Kitchen Ltd, and growth in the number of cabin crew and pilots, in particular. Additionally, more than 600 cabin crew members were hired in 2017.

Terms of employment agreed between Finnair as represented by Service Sector Employers PALTA and office personnel, customer service personnel and technical personnel, represented by the trade union FINTO, the trade union PRO and the Finnish Aviation Union IAU respectively, on terms of employment in line with the national competitiveness pact, took effect in spring 2017. The collective labour agreement with IAU representing ground customer service, ground handling, cargo, technical services and Finnair Kitchen employees was renewed in the end of 2017 and it is effective until mid-January 2020. Negotiation results for the extension of collective labour agreements of white collar workers and technical white-collar workers until the end of January 2020 were reached with PRO. These require still the approval of respective unions. It is possible to extend all aforementioned agreements by one year by separately agreeing on the salaries on the third agreement year. Collective bargaining for upper white-collar workers is under way with FINTO; the current collective agreement expires at the end of February 2018. Collective labour agreement with the pilots' union SLL was renewed in February 2017 and it is effective until the end of March 2020. Collective labour agreement with the cabin crew union SLSY was renewed in autumn 2016 and it is effective until the end of January 2019. The collective agreement between PALTA and Transport Workers' Union AKT concerning travel agencies and applicable to Aurinkomatkat – Suntours is in force until the end of January 2020 and it is possible to extend its validity between the unions.

Own shares

In 2017, Finnair did not exercise the authorisation granted by the AGM to acquire its own shares.

During the year Finnair transferred, using the authorisation granted by the AGM, a total of 355,597 own shares as incentives to the participants of the FlyShare employee share savings plan and as a reward to the key personnel included in Finnair's share-based incentive scheme 2014–2016. Of these, 7,340 shares were transferred to the participants of the FlyShare employee share savings plan in Q4.

On 31 December 2017, Finnair held a total of 433,367 of its own shares (788,964), representing 0.34 per cent of the total share capital.

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[4] The principle of calculating the number of personnel was revised as of the beginning of 2017 so that personnel in basic training are not yet included.

Share-based incentive schemes

Employee share savings plan FlyShare

In December, Finnair's Board of Directors decided to launch a new, 12-month savings period under the FlyShare Employee Share Plan. The objective of the plan, which was established in 2013, is to encourage employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long-term. The share savings plan is described in a stock exchange release issued on 20 December 2017, in the Remuneration Statement 2017 and on the company's website.

Share-based incentive plan for key personnel

In December, the Board of Directors of Finnair also approved a new individual performance share plan covering the years 2018–2020. Within the plan, the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors for the plan are achieved. The potential share rewards will be delivered to the participants in the spring of 2021. The plan applies to some 70 people, and it is described in a stock exchange release issued on 20 December 2017, in the Remuneration Statement 2017 and on the company's website.

Share price development and trading

Finnair's market capitalisation increased by 218 per cent in 2017 to 1,642.7 million euros at year-end (516.4). The closing price of the share on 31 December 2017 was 12.82 euros (4.03). In 2017, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 13.52 euros, the lowest price 3.98 euros and the average price 8.79 euros. Some 44.3 million company shares, with a total value of 389.4 million euros, were traded.

The number of Finnair shares recorded in the Trade Register was 128,136,115 at the end of the period. The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 19.2 per cent (8.9) were held by foreign investors or in the name of a nominee.

Dividend policy and the Board's proposal for the distribution of profit

The aim of Finnair's dividend policy is to pay, on average, at least one-third of the earnings per share as a dividend during an economic cycle. The aim is to take into account the company's earnings trend and outlook, financial situation and capital needs in the distribution of dividends. In 2017, earnings per share was 1.23 euros (0.55).

Finnair Plc's distributable equity amounted to 424,036,052.14 euros on 31 December 2017. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.30 euros per share be distributed for 2017.

Corporate responsibility

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 organizational resources. This is to achieve the highest level of safety performance and compliance with regulatory requirements, while delivering our services.

Finnair has implemented effective Safety Management System (SMS) to enhance safety culture in all its activities. Flight Safety performance has remained on good level.

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 also from the perspective of 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.

Finnair's sustainability strategy is crystallised in a three-pronged commitment: cleaner, caring, 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. In 2017, Finnair also updated its Corporate Responsibility Policy.

In May, Finnair undertook to implement the UN Agenda2030 for sustainable development goals by signing the Finnish Government's Society's Commitment to Sustainable Development. With these commitments, companies and communities pledge themselves to promoting sustainable development in their work and operations. Finnair's commitment was themed "Equality and non-discrimination both in the air and on the ground" whereby Finnair will particularly emphasise equality and diversity in its own activities, promote equality and non-discrimination and accessibility in customer processes and promote diversity in different occupational groups. In July, Finnair participated in the UN sustainable development forum as part of the Finnish delegation, presenting its efforts in sustainable development and its commitment.

In the third quarter, Finnair began cooperation with the Crisis Management Initiative (CMI) organisation to promote peace. Finnair Plus customers have the opportunity to donate their points to support the work of the organisation.

Finnair is 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% of carbon dioxide emissions by year 2020 from year 2013 level. The key performance indicators for corporate responsibility are presented in this Financial Statement Bulletin under "Key Figures", the first table in the tables section below.

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 also 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 fuel price and how these are passed on to customers via ticket prices, or affect capacity growth in Finnair's main markets, pose a risk to Finnair's revenue development, as do sudden adverse changes in 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.

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 decision made by the Court of Justice of the European Union in October 2012 regarding flight passengers' rights. Interpretation of these decisions involves risks, for example relating to the injunction sought by the Finnish Consumer Ombudsman in September regarding Finnair's compensation practices. In addition, regulations on the reporting of non-financial information (corporate responsibility) and other stakeholder requirements have increased substantially.

Geopolitical uncertainty, the elevated threat of terrorism and other potential external disruptions may, if they materialize, 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 to minimize 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 24 million
Average yield of passenger traffic	EUR 23 million
Unit cost (CASK ex. fuel)	EUR 22 million

Fuel sensitivities (rolling 12 months from date of financial statements)	**10% change without hedging**	**10% change, taking hedging into account**	**Hedging ratio** H1/2018	H2/2018
Fuel	EUR 54 million	EUR 21 million	74%	53%

Currency distribution %	**10–12 2017**	**10–12/ 2016**	**2017**	**2016**	**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)
Sales currencies					10% change without hedging	10% change, taking hedging into account	
EUR	59	61	55	56	-	-	
USD*	3	4	4	4	see below	see below	see below
JPY	7	8	10	9	EUR 19 mill.	EUR 8 mill.	66%
CNY	6	5	7	7	-	-	
KRW	3	2	3	3	-	-	
SEK	4	5	4	5	-	-	
Other	18	15	17	16	-	-	
Purchase currencies							
EUR	58	57	57	54	-	-	
USD*	34	36	35	38	EUR 57 mill.	EUR 21 mill.	67%
Other	8	8	7	8			

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

Other events during the review period

Finnair announced in October that it will acquire 60 per cent of Nordic Regional Airlines AB from Staffpoint Holding Oy and Kilco Oy. Finnair owned 40 per cent of the company prior the transaction, which closed in November. Norra transferred to the full ownership of Finnair on an interim basis, and Finnair aims to find a new, industrial partner to develop Norra's business further with Finnair. The transaction had no impact on Norra's operations or personnel. It also did not have a significant effect on Finnair's financial position or results.

Other events after the review period

Finnair has decided to reschedule the delivery of one A350 aircraft from 2023 to 2019, which means that the remaining eight A350s will be delivered to Finnair between 2018–2022.

Financial reporting

The publication dates of Finnair's financial reports in 2018 are as follows:

Interim Report 1 January – 31 March 2018:	25 April 2018
Interim Report 1 January – 30 June 2018:	17 July 2018
Interim Report 1 January – 30 September 2018:	25 October 2018

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a result press conference on 16 February 2018 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at its office 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 09 7479 0361 (Finland), 0200 880 389 (Sweden), 0800 358 6377 (UK) or +44 (0)330 336 9105 (all other countries). The confirmation code is 2226645. To join the live webcast, please register at:
https://slideassist.webcasts.com/starthere.jsp?ei=1181702

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Key figures	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Revenue and result						
Revenue, EUR million	645.3	569.9	13.2	2,568.4	2,316.8	10.9
Comparable operating result, EUR million	22.9	1.6	> 200 %	170.4	55.2	> 200 %
Comparable operating result, % of revenue	3.5	0.3	3.3 %-p	6.6	2.4	4.3 %-p
Operating result, EUR million	23.5	18.2	28.9	224.8	116.2	93.4
Comparable EBITDAR, EUR million	94.0	59.4	58.2	436.2	270.4	61.3
Net result, EUR million	17.1	13.7	24.8	169.4	85.1	99.0
Balance sheet and cash flow						
Equity ratio, %				35.2	33.9	1.3 %-p
Gearing, %				-24.2	-11.2	-13.0 %-p
Adjusted gearing, %				69.9	78.3	-8.3 %-p
Interest-bearing net debt, EUR million				-246.0	-95.8	-156.9
Adjusted net debt, EUR million				710.3	670.6	5.9
Adjusted net debt / Comparable EBITDAR, LTM				1.6	2.5	-0.9 %-p
Gross capital expenditure, EUR million	188.2	94.9	98.2	519.0	518.9	0.0
Return on capital employed (ROCE), LTM, %				13.6	8.9	4.7 %-p
Return on equity (ROE), LTM, %				18.1	10.7	7.3 %-p
Net cash flow from operating activities, EUR million	92.6	30.5	> 200 %	382.3	219.7	74.0
Share						
Share price at the end of quarter, EUR				12.82	4.03	> 200 %
Earnings per share (EPS), EUR	0.11	0.08	37.2	1.23	0.55	123.2
Traffic data and responsibility indicators						
Passengers, 1,000	2,956	2,599	13.7	11,905	10,867	9.6
Available seat kilometres (ASK), million	9,607	8,194	17.2	36,922	33,914	8.9
Revenue passenger kilometres (RPK), million	7,718	6,420	20.2	30,750	27,065	13.6
Passenger load factor (PLF), %	80.3	78.3	2.0 %-p	83.3	79.8	3.5 %-p
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.72	6.95	-3.4	6.96	6.83	1.8
RASK at constant currency, cents/ASK	6.82	6.95	-1.9	6.98	6.83	2.2
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.37	6.82	-6.7	6.57	6.71	-2.1
Unit cost per available seat kilometre (CASK), cents/ASK	6.48	6.93	-6.6	6.49	6.67	-2.6
CASK excluding fuel, cents/ASK	5.21	5.53	-5.9	5.22	5.22	-0.1
CASK excluding fuel at constant currency, cents/ASK	5.36	5.53	-3.1	5.24	5.22	0.3
Ancillary and retail revenue per passenger (PAX)	12.60	12.21	3.2	12.15	11.55	5.2
Available cargo tonne kilometres (cargo ATK), million*	381	327	16.4	1,474	1,385	6.5
Revenue cargo tonne kilometres (cargo RTK), million	256	211	21.6	970	873	11.0
Cargo and mail, tonnes	40,885	34,780	17.6	157,028	144,596	8.6
Cargo traffic unit revenue per revenue cargo tonne kilometre, cents/cargo RTK	22.31	21.93	1.7	20.35	19.90	2.3
Overall load factor, %	65.8	64.0	1.7 %-p	67.4	65.6	1.8 %-p
Flights, number	28,969	27,148	6.7	114,718	110,198	4.1
Arrival punctuality, %	76.4	79.3	-2.8 %-p	83.2	85.3	-2.0 %-p
Fuel consumption, tonnes	236,410	209,118	13.1	921,520	874,148	5.4
Fuel consumption, tonnes/ASK	0.0246	0.0255	-3.6	0.0250	0.0258	-3.2
Fuel consumption, tonnes/RTK	0.2497	0.2665	-6.3	0.2476	0.2653	-6.7
CO^2 emissions, tonnes	744,691	658,722	13.1	2,902,787	2,753,567	5.4
CO^2 emissions, tonnes/ASK	0.0775	0.0804	-3.6	0.0786	0.0812	-3.2
CO^2 emissions, tonnes/RTK	0.7866	0.8395	-6.3	0.7801	0.8358	-6.7
Customer satisfaction on a scale of 1 (very poor) - 10 (very good)	8.0	8.1	-0.4	8.1	8.1	0.8
Personnel						
Average number of employees**	5,852	4,906	19.3	5,526	4,908	12.6

* Finnair has adjusted its methodology for the calculation of belly cargo capacity (available cargo tonne kilometres) from June 2017. The changes are described in more detail in note 18. Restatement of key ratio.

** The principle of calculating the number of personnel was revised as of the beginning of 2017 so that personnel in basic training are not yet included.

CONSOLIDATED INCOME STATEMENT

in mill. EUR	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Revenue	**645.3**	**569.9**	**13.2**	**2,568.4**	**2,316.8**	**10.9**
Other operating income	19.8	19.3	2.5	77.0	75.5	2.0
Operating expenses						
Staff costs	-113.0	-90.3	25.2	-423.3	-362.5	16.8
Fuel costs	-122.3	-114.9	6.5	-472.2	-491.5	-3.9
Other rents	-38.4	-46.1	-16.7	-157.9	-167.4	-5.7
Aircraft materials and overhaul	-40.7	-34.0	19.8	-165.7	-147.3	12.5
Traffic charges	-67.0	-64.8	3.3	-266.5	-262.8	1.4
Ground handling and catering expenses	-62.7	-65.8	-4.7	-252.2	-258.9	-2.6
Expenses for tour operations	-27.7	-23.2	19.2	-100.5	-87.8	14.4
Sales and marketing expenses	-25.5	-19.7	29.5	-85.8	-76.9	11.7
Other expenses	-73.9	-71.0	4.0	-285.1	-266.6	6.9
Comparable EBITDAR	**94.0**	**59.4**	**58.2**	**436.2**	**270.4**	**61.3**
Lease payments for aircraft	-36.1	-26.8	35.0	-136.6	-109.5	24.8
Depreciation and impairment	-34.9	-31.0	12.7	-129.2	-105.8	22.1
Comparable operating result	**22.9**	**1.6**	**> 200 %**	**170.4**	**55.2**	**> 200 %**
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	0.3	20.3	-98.6	11.1	32.0	-65.3
Items affecting comparability	0.3	-3.7	> 200 %	43.3	29.0	49.0
Operating result	**23.5**	**18.2**	**28.9**	**224.8**	**116.2**	**93.4**
Financial income	-0.1	-0.2	27.3	-0.3	1.0	<-200 %
Financial expenses	-2.6	-2.1	-21.9	-13.4	-11.5	-16.1
Result before taxes	**20.7**	**15.9**	**30.4**	**211.1**	**105.8**	**99.6**
Income taxes	-3.6	-2.2	-65.5	-41.7	-20.6	-102.3
Result for the period	**17.1**	**13.7**	**24.8**	**169.4**	**85.1**	**99.0**
Attributable to						
Owners of the parent company	17.1	13.7	24.8	169.4	85.1	99.0
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.11	0.08	37.2	1.23	0.55	123.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in mill. EUR	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Result for the period	**17.1**	**13.7**	**24.8**	**169.4**	**85.1**	**99.0**
Other comprehensive income items						
Items that may be reclassified to profit or loss in subsequent periods						
Change in fair value of hedging instruments	36.4	62.4	-41.7	-18.5	145.2	<-200 %
Tax effect	-7.3	-12.5	41.7	3.7	-29.0	> 200 %
Items that will not be reclassified to profit or loss in subsequent periods						
Actuarial gains and losses from defined benefit plans	11.5	21.3	-46.2	35.9	-18.1	> 200 %
Tax effect	-2.3	-4.3	46.2	-7.2	3.6	<-200 %
Other comprehensive income items total	**38.3**	**67.0**	**-42.9**	**14.0**	**101.7**	**-86.3**
Comprehensive income for the period	**55.3**	**80.7**	**-31.4**	**183.4**	**186.9**	**-1.9**
Attributable to						
Owners of the parent company	55.3	80.7	-31.4	183.4	186.9	-1.9

CONSOLIDATED BALANCE SHEET

in mill. EUR		31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	O	15.5	12.4
Tangible assets	O	1,422.1	1,166.5
Investments in associates and joint ventures	O	2.5	2.5
Loan and other receivables	O	5.6	7.4
Non-current assets total		**1,445.7**	**1,188.7**
Current assets			
Inventories	O	17.2	14.9
Trade and other receivables	O	319.8	211.9
Derivative financial instruments	O/IA*	104.5	176.6
Other financial assets	IA	833.0	727.9
Cash and cash equivalents	IA	150.2	69.4
Current assets total		**1,424.6**	**1,200.7**
Assets held for sale	O	16.7	139.3
Assets total		**2,887.1**	**2,528.7**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	E	75.4	75.4
Other equity	E	940.3	781.6
Equity total		**1,015.7**	**857.0**
Non-current liabilities			
Deferred tax liabilities	O	73.9	32.7
Interest-bearing liabilities	IL	586.2	617.3
Pension obligations	O	6.4	31.9
Provisions	O	79.0	63.6
Other liabilities	O	1.1	4.9
Non-current liabilities total		**746.7**	**750.4**
Current liabilities			
Provisions	O	21.1	22.2
Interest-bearing liabilities	IL	132.4	100.4
Trade payables	O	90.7	94.4
Derivative financial instruments	O/IL*	81.3	25.2
Deferred income and advances received	O	475.3	424.6
Liabilities related to employee benefits	O	139.2	93.4
Other liabilities	O	173.4	161.1
Current liabilities total		**1,113.4**	**921.3**
Liabilities related to assets held for sale	O	11.2	0.0
Liabilities total		**1,871.4**	**1,671.7**
Equity and liabilities total		**2,887.1**	**2,528.7**

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	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities	718.6	717.7
Cross currency Interest rate swaps *	18.5	-16.1
Adjusted interest-bearing liabilities	**737.1**	**701.5**
Other financial assets	-833.0	-727.9
Cash and cash equivalents	-150.2	-69.4
Interest-bearing net debt	**-246.0**	**-95.8**
Lease payments for aircraft for the last twelve months (LTM) * 7	956.4	766.4
Adjusted interest-bearing net debt	**710.3**	**670.6**
Equity total	1,015.7	857.0
Adjusted gearing, %	**69.9 %**	**78.3 %**

* 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**
Equity 31 Dec 2016	**75.4**	**168.1**	**33.9**	**248.6**	**132.8**	**198.2**	**857.0**
Change in accounting principles			15.2		-16.1		-0.9
Equity 1 Jan 2017	**75.4**	**168.1**	**49.0**	**248.6**	**116.6**	**198.2**	**856.1**
Result for the period					169.4		169.4
Change in fair value of hedging instruments			-14.8				-14.8
Actuarial gains and losses from defined benefit plans			28.7				28.7
Comprehensive income for the period	**0.0**	**0.0**	**14.0**	**0.0**	**169.4**	**0.0**	**183.4**
Hybrid bond interests and expenses					-12.6		-12.6
Dividend					-12.8		-12.8
Share-based payments				1.6			1.6
Equity 31 Dec 2017	**75.4**	**168.1**	**63.0**	**250.3**	**260.7**	**198.2**	**1,015.7**

in mill. EUR	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	**Equity total**
Equity 1 Jan 2016	**75.4**	**168.1**	**-67.9**	**248.1**	**67.6**	**236.2**	**727.5**
Result for the period					85.1		85.1
Change in fair value of hedging instruments			116.2				116.2
Actuarial gains and losses from defined benefit plans			-14.4				-14.4
Comprehensive income for the period	**0.0**	**0.0**	**101.7**	**0.0**	**85.1**	**0.0**	**186.9**
Hybrid bond repayments						-38.3	-38.3
Hybrid bond interests and expenses					-15.7	0.3	-15.3
Purchase of own shares					-4.3		-4.3
Share-based payments				0.6			0.6
Equity 31 Dec 2016	**75.4**	**168.1**	**33.9**	**248.6**	**132.8**	**198.2**	**857.0**

CONSOLIDATED CASH FLOW STATEMENT

in mill. EUR	Q4 2017	Q4 2016	2017	2016
Cash flow from operating activities				
Result for the period	17.1	13.7	169.4	85.1
Depreciation and impairment	34.9	23.9	129.2	102.9
Other adjustments to result for the period				
Financial income and expenses	2.7	2.3	13.6	10.5
Income taxes	3.6	2.2	41.7	20.6
EBITDA	**58.4**	**42.1**	**353.9**	**219.2**
Gains and losses on aircraft and other transactions	-0.6	3.0	-44.1	-30.4
Non-cash transactions *	9.3	-12.4	33.4	-19.6
Changes in working capital	25.8	6.9	56.8	55.5
Financial expenses paid, net	0.3	-9.2	-17.1	-5.0
Income taxes paid	-0.7	0.0	-0.7	0.0
Net cash flow from operating activities	**92.6**	**30.5**	**382.3**	**219.7**
Cash flow from investing activities				
Investments in intangible assets	-2.3	-3.1	-11.3	-10.3
Investments in tangible assets	-57.5	-39.7	-393.6	-475.7
Investments in group shares	0.8	0.0	7.5	0.0
Divestments of fixed assets and group shares	0.1	3.8	156.9	153.2
Net change in financial assets maturing after more than three months	-26.8	-226.9	82.9	-168.4
Change in non-current receivables	0.1	1.2	0.0	1.6
Net cash flow from investing activities	**-85.6**	**-264.7**	**-157.5**	**-499.6**
Cash flow from financing activities				
Proceeds from loans	0.0	0.0	199.3	377.4
Loan repayments and changes	-12.0	-13.9	-130.0	-115.1
Hybrid bond repayments	0.0	-38.3	0.0	-38.3
Hybrid bond interests and expenses	-15.8	-17.4	-15.8	-19.1
Purchase of own shares	0.0	0.0	0.0	-4.3
Dividends paid	0.0	0.0	-12.8	0.0
Net cash flow from financing activities	**-27.7**	**-69.7**	**40.8**	**200.5**
Change in cash flows	**-20.7**	**-303.9**	**265.5**	**-79.3**
Liquid funds, at beginning	664.7	682.3	378.4	457.7
Change in cash flows	-20.7	-303.9	265.5	-79.3
Liquid funds, at end **	**643.9**	**378.4**	**643.9**	**378.4**
Notes to consolidated cash flow statement				
*** Non-cash transactions**				
Employee benefits	2.0	4.6	14.5	15.1
Fair value changes in derivatives	1.2	-24.3	-0.3	-34.0
Other adjustments	6.1	7.3	19.1	-0.6
Total	**9.3**	**-12.4**	**33.4**	**-19.6**
**** Liquid funds**				
Other financial assets	833.0	727.9	833.0	727.9
Cash and cash equivalents	150.2	69.4	150.2	69.4
Liquid funds in balance sheet	**983.2**	**797.3**	**983.2**	**797.3**
Maturing after more than three months	-339.2	-418.9	-339.2	-418.9
Total	**643.9**	**378.4**	**643.9**	**378.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS BULLETIN

1. BASICS OF PREPARATION

This Consolidated Financial Statements Bulletin has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting.

2. ACCOUNTING PRINCIPLES

Finnair Group early adopted IFRS 9: Financial Instruments (2014), endorsed by the EU on 22.11.2016, with a date of initial application on 1 January 2017. The following changes to the accounting principles are described in the note 17 Changes in accounting principles. Finnair also presents an updated evaluation of the upcoming implementation and effects of IFRS 15 standard (Revenue from Contracts with Customers) and IFRS 16 (Leases). 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 Financial Statements Bulletin 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

Q4 2017, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	212.5	25.9	202.4	49.5	1.0	**491.3**	76.1
Ancillary and retail revenue	10.3	1.8	10.0	1.1	14.0	**37.3**	5.8
Cargo	44.0	2.7	9.5	0.5	0.5	**57.1**	8.9
Travel services	12.2	5.9	41.1	0.2	0.3	**59.6**	9.2
Total	**278.9**	**36.3**	**263.0**	**51.3**	**15.9**	**645.3**	
Share %	43.2	5.6	40.8	7.9	2.5		

Q4 2016, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	175.7	22.8	182.1	45.6	11.7	**437.9**	76.8
Ancillary and retail revenue	8.5	1.1	9.5	1.0	11.6	**31.7**	5.6
Cargo	36.3	2.1	3.9	1.3	2.5	**46.2**	8.1
Travel services	12.3	3.5	35.8	0.1	0.6	**52.3**	9.2
Travel agencies					1.7	**1.7**	0.3
Total	**232.9**	**29.5**	**231.4**	**48.1**	**28.0**	**569.9**	
Share %	40.9	5.2	40.6	8.4	4.9		

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

2016, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share %
Passenger revenue	739.5	115.7	761.0	165.1	34.9	**1,816.1**	78.4
Ancillary and retail revenue	27.5	4.6	35.8	3.5	54.1	**125.5**	5.4
Cargo	134.5	11.1	15.8	4.0	8.4	**173.8**	7.5
Travel services	35.5	11.4	139.2	0.5	1.0	**187.5**	8.1
Travel agencies					13.8	**13.8**	0.6
Total	**937.0**	**142.7**	**951.8**	**173.0**	**112.2**	**2,316.8**	
Share %	40.4	6.2	41.1	7.5	4.8		

PLF, %	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Asia	82.4	80.7	1.7 %-p	86.7	81.8	4.9 %-p
North Atlantic	79.0	76.9	2.1 %-p	83.3	79.5	3.8 %-p
Europe	79.4	76.8	2.5 %-p	80.7	78.6	2.1 %-p
Domestic	67.0	69.1	-2.1 %-p	67.4	69.1	-1.7 %-p
Total	**80.3**	**78.3**	**2.0 %-p**	**83.3**	**79.8**	**3.5 %-p**

ASK, mill. km	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Asia	5,039.2	4,010.5	25.7	18,355.0	16,434.2	11.7
North Atlantic	722.1	589.9	22.4	2,776.1	2,692.7	3.1
Europe	3,384.6	3,178.9	6.5	14,152.0	13,247.9	6.8
Domestic	460.7	415.1	11.0	1,638.9	1,539.4	6.5
Total	**9,606.7**	**8,194.3**	**17.2**	**36,922.0**	**33,914.2**	**8.9**

RPK, mill. km	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Asia	4,153.0	3,238.3	28.2	15,911.3	13,446.8	18.3
North Atlantic	570.2	453.5	25.7	2,311.5	2,140.7	8.0
Europe	2,685.8	2,441.7	10.0	11,421.6	10,413.8	9.7
Domestic	308.7	286.8	7.6	1,105.2	1,064.0	3.9
Total	**7,717.6**	**6,420.3**	**20.2**	**30,749.7**	**27,065.3**	**13.6**

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	Q4 2017	Q4 2016	Change %	2017	2016	Change %
Unrealized changes in foreign currencies of fleet overhaul provisions	1.5	-4.0	> 200 %	10.9	-2.0	> 200 %
Fair value changes of derivatives where hedge accounting is not applied	-1.2	24.3	<-200 %	0.3	34.0	-99.2
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	**0.3**	**20.3**	**-98.6**	**11.1**	**32.0**	**-65.3**
Gains and losses on aircraft transactions	-0.3	-6.7	94.9	41.0	26.6	53.9
Gains and losses on other transactions	0.9	3.6	-75.3	3.1	3.8	-17.0
Restructuring costs	-0.3	-0.7	59.1	-0.9	-1.4	37.1
Items affecting comparability	**0.3**	**-3.7**	**> 200 %**	**43.3**	**29.0**	**49.0**

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 2016 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	31 Dec 2017		31 Dec 2016	
	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives				
Operational cash flow hedging (forward contracts)	385.2	-10.5		
Operational cash flow hedging (options)				
Bought options	195.1	5.1		
Sold options	200.1	-4.0		
Jet fuel currency hedging			307.3	16.5
Fair value hedging of aircraft acquisitions	316.2	-17.4	377.1	74.6
Currency hedging of lease payments	131.7	-8.6	172.4	9.6
Hedge accounting items total	1,228.4	-35.5	856.8	100.7
Operational cash flow hedging (forward contracts)			157.4	3.3
Operational cash flow hedging (options)				
Bought options			173.2	5.9
Sold options			245.4	-2.4
Hedging of assets held for sale	101.3	3.6	123.7	-7.3
Balance sheet hedging (forward contracts)	101.0	-0.9	118.3	1.5
Items outside hedge accounting total	202.3	2.6	818.0	0.9
Currency derivatives total	**1,430.7**	**-32.8**	**1,674.8**	**101.6**
Commodity derivatives				
Jet fuel forward contracts, tonnes	808,000	58.3	650,000	18.9
Options				
Bought options, jet fuel, tonnes	91,000	4.8		
Sold options, jet fuel, tonnes	91,000	-0.1		
Electricity derivatives, MWh			13,140	0.0
Hedge accounting items total		63.0		18.9
Jet fuel forward contracts, tonnes			24,000	0.6
Options				
Bought options, jet fuel, tonnes			236,000	13.3
Sold options, jet fuel, tonnes	37,000	-0.4	472,000	-4.4
Electricity derivatives, MWh				
Items outside hedge accounting total		-0.4		9.4
Commodity derivatives total		**62.7**		**28.4**
Currency and interest rate swaps and options				
Interest rate swaps	64.9	0.7	150.0	3.6
Hedge accounting items total	64.9	0.7	150.0	3.6
Cross currency Interest rate swaps	239.6	-18.5	291.8	16.1
Items outside hedge accounting total	239.6	-18.5	291.8	16.1
Interest rate derivatives total	**304.5**	**-17.9**	**441.8**	**19.8**
Equity derivatives				
Stock options				
Bought options	3.0	26.0	3.0	1.8
Sold options	3.0	-14.7	3.0	-0.2
Hedge accounting items total	6.0	11.3	6.0	1.6
Equity derivatives total	**6.0**	**11.3**	**6.0**	**1.6**
Derivatives total		**23.2**		**151.4**

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	31 Dec 2017	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	833.0	735.0	98.0
Derivatives held for trading			
Currency and interest rate swaps and options	0.7		0.7
- of which in fair value hedge accounting	0.7		0.7
Currency derivatives	14.7		14.7
- of which in fair value hedge accounting	0.1		0.1
- of which in cash flow hedge accounting	10.9		10.9
Commodity derivatives	63.1		63.1
- of which in cash flow hedge accounting	63.1		63.1
Equity derivatives	26.0		26.0
- of which in fair value hedge accounting	26.0		26.0
Total	**937.5**	**735.0**	**202.5**

Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency and interest rate swaps and options	18.6		18.6
- of which in fair value hedge accounting	0.0		0.0
Currency derivatives	47.6		47.6
- of which in fair value hedge accounting	17.5		17.5
- of which in cash flow hedge accounting	29.0		29.0
Commodity derivatives	0.5		0.5
- of which in cash flow hedge accounting	0.1		0.1
Equity derivatives	14.7		14.7
- of which in fair value hedge accounting	14.7		14.7
Total	**81.3**	**0.0**	**81.3**

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

Finnair announced in October that it will acquire 60% of Nordic Regional Airlines AB from Staffpoint Holding Oy and Kilco Oy. Finnair owned 40% of the company prior the transaction, that was closed in November. Norra transferred to the full ownership of Finnair on an interim basis, and Finnair aims to find a new, industrial partner to develop Norra's business further with Finnair. The transaction had no impact on Norra's operations or personnel. It neither had a significant effect on Finnair's financial position results. In Finnair balance sheet, Norra has been classified as assets held for sale.

In April, Finnair announced the signing of an agreement with LSG Sky Chefs based on which the catering company operating at Helsinki Airport, LSG Sky Chefs Finland Oy, returned to Finnair's control. The arrangement became effective as of 21 April, when the preparation and development of in-flight meals became part of Finnair's operations again. The current Finnair Kitchen Oy is a part of Finnair's Customer Experience unit and employs approximately 500 people. The change did not have significant effect on Finnair's financial position or results.

8. INCOME TAXES

The effective tax rate for 2017 was 19.8% (19.5%).

9. DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.30 euro per share be paid for 2017.
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.
The Annual General Meeting on 17 March 2016 decided that no dividend was paid for 2015.

10. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

in mill. EUR	31 Dec 2017	31 Dec 2016
Carrying amount at the beginning of period	1,178.8	821.0
Additions	518.6	518.9
Acquisitions through business combinations	0.4	
Change in advances	-135.2	80.4
Currency hedging of aircraft acquisitions	92.0	6.4
Disposals and reclassifications	-87.8	-139.9
Depreciation	-129.2	-105.8
Depreciation included in items affecting comparability		-2.2
Carrying amount at the end of period	**1,437.6**	**1,178.8**
Proportion of assets held for sale at the beginning of period	139.3	123.0
Proportion of assets held for sale at the end of period	0.1	139.3

11. ASSETS HELD FOR SALE

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

At the end or 2016, aircraft classified as held for sale included four A340 aircraft, of which three were sold during Q2 2017 and one was sold during Q3 2017 to Airbus, in accordance with a previous agreement. The remaining payment from this transaction, approximately 100 million euros, will be received in 2018 and is included in trade and other receivables. These wide-body aircraft have been replaced by new A350 aircraft. The sale of one ATR 72 aircraft, that was classified as assets held for sale at the end of 2016, was cancelled and therefore reclassified to tangible assets.

Non-current assets held for sale	31 Dec 2017	31 Dec 2016
Intangible and tangible assets	0.1	139.3
Assets from subsidiary held for sale	16.6	
Total	**16.7**	**139.3**

Liabilities of non-current assets held for sale	31 Dec 2017	31 Dec 2016
Liabilities from subsidiary held for sale	11.2	
Total	**11.2**	**0.0**

12. INTEREST-BEARING LIABILITIES

During the first quarter of 2017, Finnair issued a senior unsecured bond of EUR 200 million. The bond matures on 29 March 2022, it bears a fixed annual interest at the rate of 2.250 percent and had an issue price of 99.925 percent. The bond is callable before its final maturity. In conjunction with the new issue, Finnair purchased back EUR 85,082,000 out of the total outstanding nominal amount of EUR 150 million of its senior unsecured bond maturing in 29 August 2018. The purchase price for the notes was 107.096 percent.
During the second, third and fourth quarters of 2017 Finnair amortized its loans according to the loan instalment program.

13. CONTINGENT LIABILITIES

in mill. EUR	31 Dec 2017	31 Dec 2016
Guarantees on behalf of group undertakings	71.0	69.0
Total	**71.0**	**69.0**

Investment commitments for property, plant and equipment as at 31 December 2017 totalled 1,013 million euros (31 December 2016: 1,601).

14. OPERATING LEASE COMMITMENTS

in mill. EUR	31 Dec 2017	31 Dec 2016
Lease commitments for fleet payments	1,163.6	1,069.9
Other lease commitments	265.8	290.0
Total	**1,429.4**	**1,359.8**

15. RELATED PARTY TRANSACTIONS

in mill. EUR	2017	2016
Sales of goods and services		
Associates and joint ventures	42.2	42.9
Pension fund	0.0	0.1
Purchases of goods and services		
Associates and joint ventures	105.6	106.8
Pension fund	3.5	3.2
Receivables		
Current receivables from associates and joint ventures		9.3
Liabilities		
Non-current liabilities to pension fund	4.1	29.7
Current liabilities to associates and joint ventures		0.2

Nordic Regional Airlines Ab was acquired to Finnair Group during fourth quarter, 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 the 2017 related party transactions, but not disclosed as receivables and liabilities.

16. EVENTS AFTER THE CLOSING DATE

Finnair has decided to reschedule the delivery of one A350 aircraft from 2023 to 2019, which means that the remaining eight A350s will be delivered to Finnair between 2018-2022.

17. CHANGES IN ACCOUNTING PRINCIPLES

IFRS 9 Financial Instruments

Finnair Group early adopted IFRS 9: Financial Instruments (2014), endorsed by the EU on 22.11.2016, with a date of initial application on 1 January 2017.

IFRS 9 replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new hedge accounting rules have aligned the accounting for hedging instruments more closely with Finnair's risk management practices. Under IFRS 9, more hedge relationships are eligible for hedge accounting. The change has decreased volatility in Finnair's operating result, because unrealised fair value changes of a larger amount of derivatives are recognised in other comprehensive income instead of operating result. Changes related to the classification and impairment of financial instruments did not have any significant effects on Finnair.

The key changes that have impacted Finnair's financial statements are described in more detail below.

1 Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL), rather than only incurred credit losses as is the case under IAS 39. The only aspect affecting Finnair is related to the credit risk from trade receivables, and the change resulted in earlier recognition of credit losses on trade receivables. There was no impact on Finnair's credit risk position when moving from IAS 39 to IFRS 9.

Credit risk from trade receivables – According to IFRS 9, Finnair can use a simplified credit loss matrix for trade receivables as trade receivables do not have a significant financing component. Accordingly, the credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables and an expected default rate. The lifetime expected credit loss allowance total was recognised as an adjustment of 1.2 million euros to the opening balance of retained earnings in the year 2017, and thereafter the changes in expected credit losses will be recognised in profit and loss. However, the yearly recognition of credit losses in profit and loss is expected to be low due to nature of the business; flight tickets and other services provided by Finnair are usually paid before the service is delivered.

The impairment model does not affect investments in bonds and money market funds included in other financial assets as those are measured at fair value through profit and loss both under IAS 39 and IFRS 9, which already takes into account expected credit losses. With respect to the assets measured at amortised cost, Finnair is actively following such instruments and will recognise impairment through profit and loss if there is evidence of deterioration in credit quality.

2 Changes in the classification of financial assets and liabilities

The new business-model driven classification of financial assets contains three different classes: amortised cost (replaces Finnair's previous classification "Loans and trade receivables" and "Held-to-maturity investments"), fair value through profit and loss (replaces "Held for trading") and fair value through other comprehensive income (replaces "Available for sale financial assets").

Based on Finnair's analysis, the application of IFRS 9 did not have any significant impact on the recognition or measurement of the Group's financial assets. Investments in debt securities, such as commercial paper and deposits, are measured at amortised cost, but only when the objective of the business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. Due to the nature of short-term receivables and other receivables, their book value is expected to be equal to the fair value. Other financial assets, such as investments in bonds and money market funds, are measured at fair value. The changes in the fair values of financial assets are recognised in the income statement.

Liabilities are classified into two different classes: amortised cost (replaces "Loans and receivables" and "Valued at amortised cost") and fair value through profit and loss. Finnair's liabilities are mainly classified as amortised cost, except for derivative liabilities. IFRS 9 did not bring any changes to company's previous classification and measurement of financial liabilities.

3 Hedge accounting

IFRS 9 introduced a new hedge accounting model to simplify hedge accounting outcomes and more closely align hedge accounting with risk management strategy and objectives.

The key changes impacting Finnair Group´s hedge accounting include:

Risk components – IFRS 9 allows derivatives that are hedging a non-financial component of a price risk that is separately identifiable and measurable to be designated in a hedge relationship for that risk component only. Previously, non-financial components were prohibited from being designated as hedged items under IAS 39. The Group uses options and swaps on jet fuel, and could potentially use, for example, gasoil and Brent oil to hedge exposure to movements in the price of jet fuel. The change will allow Finnair to apply hedge accounting to such instruments under IFRS 9, which would not have been possible under IAS 39.

Cost of hedging – IFRS 9 allows the time value of options to be excluded from the designation of a hedging instrument and accounted for as a cost of hedging. The fair value changes of the time value are recognised in other comprehensive income, and depending on the nature of the hedged item will either be transferred to the Income Statement in the same period that the underlying transaction affects the Consolidated Income Statement or will be capitalised into the initial carrying value of a hedged item. Under IAS 39, Finnair did not apply hedge accounting when options were used for hedging future cash flows, and all the unrealised fair value changes of options were recognised in operating result as “Fair value changes in derivatives and changes in exchange rates of fleet overhauls”. Finnair may use options when hedging against foreign currency exchange and fuel price risk, and the ability to apply hedge accounting for those will reduce the fair value changes of derivative instruments being recognised in the Consolidated Income Statement as non-designated derivatives.

Hedge effectiveness – Under IFRS 9, IAS 39 requirements for retrospective effectiveness testing as well as for hedge effectiveness of 80 to 125 per cent are removed. The ineffectiveness of hedges previously used by Finnair was minor or non-existent. Finnair expects that the hedge ineffectiveness will also be minor for hedge relationships that become eligible for hedge accounting under IFRS 9.

IFRS 9 requires that the hedge effectiveness assessment is forward-looking and does not prescribe defined effectiveness parameters for the application of hedge accounting. Under IAS 39, an entity had to test effectiveness both retrospectively and prospectively, and hedge accounting could only be applied if the relationship was 80 to 125 per cent effective. Under IFRS 9, hedge effectiveness is defined as the extent to which changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item.

IFRS 9 introduces three hedge effectiveness requirements for the application of hedge accounting, the first of which is an economic relationship between the hedged item and the hedging instrument. Therefore, there must be an expectation that the value of the hedging instrument and the value of the hedged item will move in opposite directions as a result of the common underlying or hedged risk. The second criterion relates to the fact that the change in the credit risk of the hedging instrument or the hedged item must not be of such magnitude that it dominates the value changes that result from that economic relationship. The third criterion is that the hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. IFRS 9 requires that the hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes. This change has not had a material impact on the Consolidated Income Statement.

Finnair Group has applied the hedge accounting principles of IFRS 9 on a prospective basis. Accordingly, there was no transitional restatement of the Group results.

Transition adjustment to retained earnings:

The opening balance of retained earnings is adjusted to take into account the jet fuel hedges (options and swaps) and operative cash flow hedges (forwards and options), which were previously excluded from hedge accounting, but are included in hedge accounting according to IFRS 9. The adjustment due to the reclassification of certain types of derivatives from profit and loss to the hedging reserve resulted in a reduction of retained earnings by 19 million euros (15 million euros net of taxes).

On the date of initial application, 1 January 2017, the financial instruments of the company were as follows, with any reclassifications noted:

	Measurement category		Carrying amount, 1 January 2017		
	Original (IAS 39)	New (IFRS 9)	New EUR mill.	Original EUR mill.	Difference
Non-current financial assets					
Loan and other receivables	Loans and receivables	Amortised cost	7.4	7.4	-
Current financial assets					-
Cash and cash equivalents	Loans and receivables	Amortised cost	69.4	69.4	-
Commercial paper, certificates and bonds	Financial assets at fair value through profit and loss	FVPL*	261.2	261.2	-
Money market funds	Financial assets at fair value through profit and loss	FVPL*	466.6	466.6	-
Trade receivables and other receivables	Loans and receivables	Amortised cost	211.9	211.9	-
Derivatives	Hedge accounting items	Hedge accounting items	158.5	133.2	25.3
Derivatives	Financial assets at fair value through profit and loss	FVPL*	18.0	43.3	-25.3
Non-current liabilities					-
Interest-bearing liabilities	Financial liabilities valued at amortised cost	Amortised cost	499.6	499.6	-
Finance lease liabilities	Financial liabilities valued at amortised cost	Amortised cost	117.6	117.6	-
Trade payables and other liabilities	Loans and receivables	Amortised cost	4.9	4.9	-
Current liabilities					-
Interest-bearing liabilities	Financial liabilities valued at amortised cost	Amortised cost	78.5	78.5	-
Finance lease liabilities	Financial liabilities valued at amortised cost	Amortised cost	22.0	22.0	-
Derivatives	Hedge accounting items	Hedge accounting items	14.7	8.4	6.3
Derivatives	Financial liabilities at fair value through profit and loss	FVPL*	10.5	16.8	-6.3
Trade payables and other liabilities	Financial liabilities valued at amortised cost	Amortised cost	773.5	773.5	-

* FVPL = financial assets or liabilities measured at fair value through profit or loss

On the date of initial application, 1 January 2017, the derivative contracts of the company were as follows, with any change in the application of hedge accounting noted:

	Carrying amount, 1 January 2017	
	New EUR mill.	Original EUR mill.
Currency derivatives		
Jet fuel currency hedging	16.5	16.5
- of which in cash flow hedge accounting	16.5	16.5
Fair value hedging of aircraft acquisitions	74.6	74.6
- of which in fair value hedge accounting	74.6	74.6
Currency hedging of lease payments	9.6	9.6
- of which in cash flow hedge accounting	9.6	9.6
Operational cash flow hedging (forward contracts)	3.3	3.3
- of which in cash flow hedge accounting	3.3	
Operational cash flow hedging (options)	3.5	3.5
- of which in cash flow hedge accounting	3.5	
Hedging of assets held for sale	-7.3	-7.3
Balance sheet hedging (forward contracts)	1.5	1.5
Commodity derivatives		
Jet fuel forward contracts	19.5	19.5
- of which in cash flow hedge accounting	19.5	18.9
Jet fuel options	8.9	8.9
- of which in cash flow hedge accounting	11.6	
Currency and interest rate swaps and options		
Interest rate swaps	3.6	3.6
- of which in fair value hedge accounting	3.6	3.6
Cross currency Interest rate swaps	16.1	16.1
Equity derivatives		
Stock options	1.6	1.6
- of which in fair value hedge accounting	1.6	1.6
Derivatives total	**151.4**	**151.4**
-Items in cash flow hedge accounting total*	**64.0**	**45.0**
-Items in fair value hedge accounting total	**79.9**	**79.9**

*The change in the carrying amount of items in cash flow hedge accounting resulting from the application of IFRS 9 was recognised as an adjustment to the opening balance of retained earnings on the date of initial application.

IFRS 15 Revenue from Contracts with Customers
Finnair will adopt 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 will supersede all current revenue recognition requirements under IFRS. Finnair applies cumulative catch-up method in the transition.

Finnair has finalized its evaluation of the effects of the new standard for different revenue streams (products). Finnair has worked with other airlines through the IATA (International Air Transport Association) Industry Accounting Working Group (IAWG) in coordination with the Airlines Revenue Recognition Task Force of the AICPA (American Institute of Certified Public Accountants) to agree harmonised accounting treatment for issues requiring clarity under the new standard. Finnair applies these published industry papers in its interpretations. Based on evaluation, IFRS 15 will change 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 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. Currently ticket revenue is recognised when the tickets are used or when the rights expire. In practice the recognition of breakage means that revenue is recognised earlier but the impact will be insignificant. Finnair Plus loyalty program accounting treatment or point valuation will not change due to implementation of IFRS 15.

In ancillary sales, the revenue related to change fees will be recognised later than currently, 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 will be minor.

In the beginning of 2018, Finnair will make an adjustment of -4.7 million euros to its retained earnings related to these chang-es 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.

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. 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. 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 2017 amounted to 1,429 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. RESTATEMENT OF KEY RATIO

Finnair has adjusted its methodology for the calculation of belly cargo capacity (available cargo tonne kilometres) from June 2017. As opposed to the previous method based on fixed allotments by aircraft type and traffic area, the new method is utilises actual cargo capacity available for sale on each flight, which also reflects the weather conditions and other payload.

Key figures Periodic key figures	Restated Q1 2017	Reported Q1 2017
Available cargo tonne kilometres (cargo ATK), million	320	336

Key figures	Restated				Reported			
Periodic key figures	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Available cargo tonne kilometres (cargo ATK), million	327	368	368	322	352	386	371	354

Key figures	Restated				Reported			
Cumulative key figures	2016	Q1-Q3 2016	Q1-Q2 2016	Q1 2016	2016	Q1-Q3 2016	Q1-Q2 2016	Q1 2016
Available cargo tonne kilometres (cargo ATK), million	1,385	1,057	690	322	1,464	1,112	725	354

19. 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, %:

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

Gearing, %:

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

Adjusted gearing, %:

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

Return on equity (ROE), %:

$$\frac{\text{Result for the period, LTM}}{\text{Shareholders' equity + non-controlling interest (average)}} \times 100$$

Return on capital employed (ROCE), %:

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

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

Available cargo tonne kilometres (cargo ATK):
Number of tonnes of capacity for carriage of cargo and mail × kilometres flown

Revenue cargo tonne kilometres (cargo RTK):
Total revenue load consisting of cargo and mail × kilometres flown

Overall load factor, %:
Share of revenue tonne kilometres of available tonne kilometres

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).

Cargo traffic unit revenue per cargo revenue tonne kilometre:
Cargo Revenue by product divided by Revenue cargo tonne kilometres (cargo RTK).

The figures of the Financial Statements Bulletin are unaudited.