HOW TO READ FINNAIR FINANCIAL STATEMENT?

Finnair financial statement hs been preseneted in a style that attempts to make it less complex and give more relevant picture of the whole by combining notes to business related sections. Each section sets out the accounting policies applied in producing these notes together with any critical accounting estimations and sources of uncertainty.

i Notes to the financial statement have been combined in a new way into sections based on their context. The aim is to give a more relevant picture of the Finnair Group and its business. The content of each section is described and explained in the beginning of that section and marked with i.

A Specific accounting principles are attached to the relevant note. The accounting principles can be recognised from mark A.

! Critical accounting estimates and sources of uncertainty have been presented together with the relevant note and specified with character !.

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THE REPORT OF THE BOARD OF DIRECTORS

Business Environment

Global air traffic is currently undergoing a structural change, the typical characteristics of which are market liberalisation, increasing competition, overcapacity, consolidation, alliances and specialisation. European network carriers, Finnair included, continued to implement structural change and cost-reduction programs in 2013 to improve their competitiveness in the prevailing tight competitive situation. Capacity growth in the market was conservative. Various partnerships increased, especially in international long-haul traffic.

The demand for passenger traffic in Europe grew in 2013 despite many European countries still being in recession. Combined with the conservative stance airlines have taken towards increasing their capacity, this led to improved load factors. The weakness of the Finnish economy was reflected in home market demand, especially in the second half of the year. Demand grew in passenger traffic between Asia and Europe but, at the same time, competition in this market increased as competitors launched new routes, particularly to Southeast Asia. Measured in passenger volume, the market for flights between Helsinki and Finnair's European destinations grew by 4.2 per cent, while the market between Finnair's Asian and European destinations grew by 1.8 per cent.* Finnair was successful in increasing its market share in both traffic areas.* Unit revenue was under pressure in passenger traffic.

The demand for leisure traffic developed positively in the first half of 2013 as industry operators adjusted their package tour supply to better match demand. However, the market took a turn in the summer as consumers' uncertainty regarding their own economic situation began to slow down sales and decrease market prices. All industry operators cancelled their winter season tours to Egypt due to unrest in the country, which was reflected in the volumes and revenues for the fourth quarter.

Cargo traffic continued to suffer from overcapacity and weak demand in 2013, which put average yields in traffic between Europe, the Nordic region and Asia under substantial pressure. High fuel prices also had a negative effect on the result for cargo traffic. However, there were early signs of a slight recovery in demand late in the year, especially in Asia.

The price of the largest individual cost factor of airlines, i.e. jet fuel, has stabilised at a high level, and the increase in fuel costs levelled out in 2013. The US dollar is a significant expense currency in Finnair's operations, while the Japanese yen is a significant income currency. The dollar-euro exchange rate remained fairly stable in 2013, but the yen depreciated substantially against the euro as a result of stimulus measures implemented by the Bank of Japan.

Strategy implementation and partnerships

Finnair's vision is to be the number one airline in the Nordic region and the most desired option for travel between Asia and Europe. In addition, its aim is to double its revenue from Asian traffic by 2020, using 2010 as the point of reference.

Finnair continued to implement its growth strategy in 2013, launching new summer season routes in June to Xi'an in China and Hanoi in Vietnam. This increased the number of Finnair's Asian destinations to 13. The sales of the new routes were in line with expectations, and the company will continue flying to both cities in summer 2014.

At the beginning of July, Finnair increased its cooperation with fellow **one**world alliance members by joining the transatlantic joint business founded by American Airlines, British Airways and Iberia. The cooperation has started well and the first months of the transatlantic joint business were in line with expectations. In October, competition authorities approved the company's entry into the joint business established by Japan Airlines and British Airways for flights between Japan and Europe. Japan is one of Finnair's most important markets, and the joint business is expected to enter into effect in the first half of 2014.

The airlines participating in the joint businesses cooperate commercially by sharing revenue and by coordinating capacity, flight schedules and fares. The aim of the participating airlines is to improve the efficiency of their operations, expand their networks and provide the public travelling between Europe and Japan with improved intercontinental connections.

Progress of the structural change and cost-reduction program

Finnair continued the implementation of its structural change and cost-reduction programs in 2013. During the first half of the year, the focus was on seeking cost reductions under the first program commenced in August 2011. The cost-reduction target of 140 million euros set for that program was achieved by the end of June 2013, six months ahead of schedule. Cost reductions have been systematically sought in several different categories, including fleet, aviation service, catering, sales, distribution and personnel costs.

The second cost-reduction program, with a target of 60 million euros, was announced in October 2012. In August 2013, Finnair stated that, as part of this cost-reduction program, it aims to reduce crew costs by approximately 35 million euros and technical services and customer service personnel costs by approximately 8 million euros. In the autumn, Finnair continued negotiations with personnel and their trade union representatives regarding the solutions and

* Finnair's estimate. The estimate is based on travel agencies' MIDT data and Finnair's estimates of airlines' own sales through their own sales channels, such as websites.

schedules for achieving these cost reduction targets. During the negotiations on new collective labour agreements, the trade unions representing Finnair's cabin crew, technical staff and ground handling personnel issued strike warnings. To prepare for the potential strikes and look after customers, Finnair had to significantly restrict its traffic in mid-November. Even if the strikes were avoided in the final stages of negotiations, the strike threat and later the support strike threats issued by labour unions caused uncertainty and harm to our passengers, and resulted in a considerable loss of turnover as well as additional costs from, for example, the rerouting of passengers.

The strikes were cancelled on 15 November 2013, as Finnair's employer union the Association of Support Service Industries (PALTA) reached an agreement with the Finnish Cabin Crew Union (SLSY) and The Finnish Aviation Union (IAU) on a new collective labour agreement in line with the national framework agreement, known as the Finnish Employment and Growth Pact, and also agreed on the schedule and processes of separate, company-specific negotiations related to Finnair's cost reductions. According to the agreement, Finnair and SLSY will negotiate on reaching the cost reductions necessary for Finnair by 28 April 2014. If cost reduction targets are met, cabin personnel will be protected from layoffs for two years. Corresponding negotiations with the IAU to reach a company-specific labour agreement for technical staff have progressed quite far, and these negotiations will continue. In addition, Finnair and the IAU will continue company-specific negotiations on labour agreements for ground handling personnel. In December, Finnair and the Finnish Air Line Pilots' Association (SLL) agreed on a new collective labour agreement in line with the national framework agreement, and also agreed that they will negotiate on reaching the cost reductions necessary for Finnair by 13 June 2014.

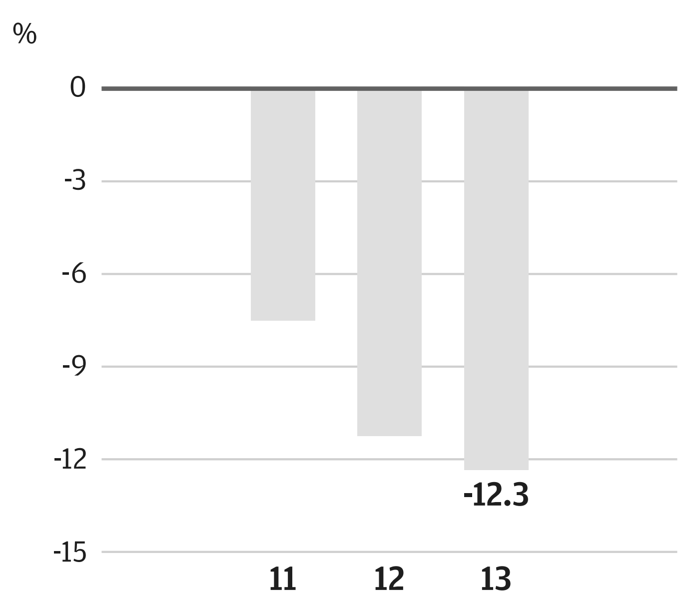
Finnair's objective in the negotiations is primarily to achieve a level of costs and wages that corresponds with market wages and costs in the industry, primarily by implementing changes to wage structures and working hours. Achieving the targets of the cost-reduction program is essential for improving the company's competitiveness, as high fuel prices, cost reduction measures taken by competitors, intensified competition and fleet investments in the coming years require a substantial improvement in profitability. The long-term return objective set for the company by Finnair's Board of Directors is an operating profit margin of six per cent.

Finnair continues to pursue savings in all of the first cost-reduction program's categories. As of the third quarter of 2013, Finnair has monitored the progress of its two cost-reduction programs combined. The combined total target is to reduce annual costs permanently by 200 million euros by the end of 2014. The point of reference for the cost reduction target is the company's unit cost level in 2010. By the end of 2013, Finnair had achieved a total cost reduction of 155 million euros, which was reflected in decreased air traffic unit costs in 2013. At the same time, the company has been able to move a substantial share of fixed costs to volume-based variable costs.

Financial performance in 2013

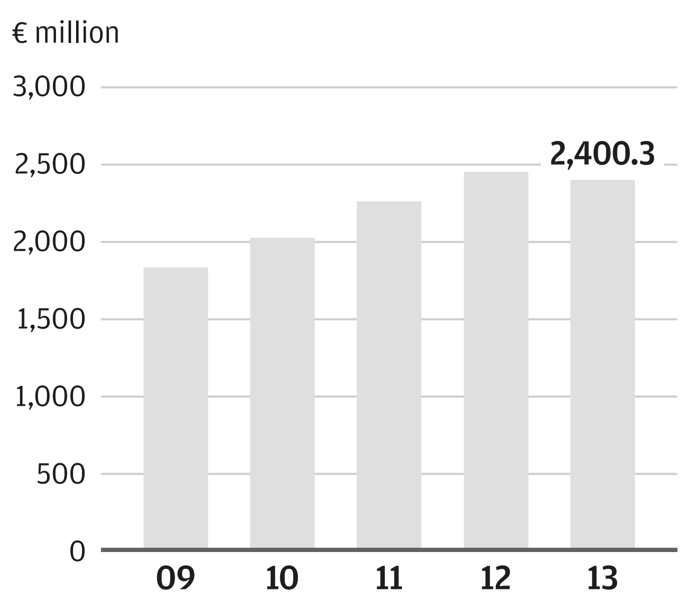
Finnair's turnover in 2013 declined by two per cent from 2012, totalling 2,400.3 million euros (2,449.4). Capacity grew by 2.6 per cent year-on-year. The main factor slowing down turnover growth was the fall in euro-denominated revenue due to the depreciation of the Japanese yen, but in the second half of the year the weaker-than-expected development of cargo and leisure traffic and lost turnover resulting from the strike threat also contributed to the decrease in turnover for the full year. Operational costs excluding fuel amounted to 1,736.6 million euros (1,758.4). Fuel costs, including hedging and costs incurred from emissions trading, increased slightly year-on-year and totalled 689.9 million euros (670.3). Personnel costs decreased by 10.6 per cent as a result of the implementation of structural changes, to 383.9 million euros (429.2), but part of the costs are now seen in the form of higher costs for outsourced catering and maintenance services. The euro-denominated operational costs were largely unchanged from the comparison year at 2,426.5 million euros (2,428.7), despite the increase in capacity. The operational result weakened substantially year-on-year and was -4.8 million euros (43.2).

CASK ex. fuel development since 2010*



* 2010 figure adjusted for ash cloud and industrial actions.

Turnover



Finnair's income statement includes the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves that took place during the period under review but will fall due later. This is an unrealised valuation result based on IFRS, where the result has no cash flow effect and which is not included in the operational result. The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 21.7 million euros (-4.0). Non-recurring items stood at -26.8 million euros (-27.6), with the majority being associated with the result of the employee consultations in technical services concluded in June. The non-recurring costs in 2012 were also primarily related to structural changes in technical services.

The operating result was -8.8 million euros (33.8). In April, Finnair sold its entire holding of shares in Norwegian Air Shuttle ASA and recorded a capital gain of 34 million euros as financial income. The result before taxes for 2013 was 10.1 million euros (14.8). The result after taxes was 11.0 million euros (10.5).

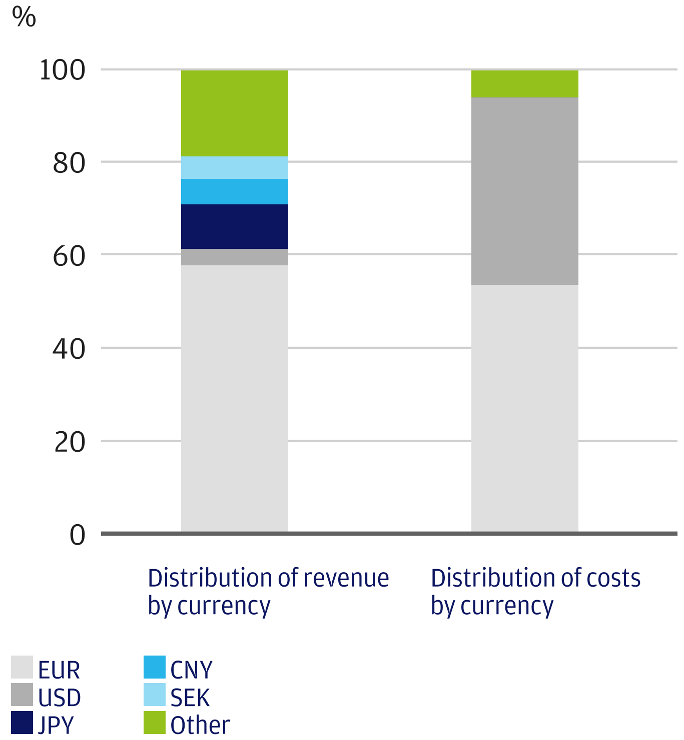
Unit revenue per available seat kilometre (RASK) declined, primarily due to the depreciation of the Japanese yen, by 3.8 per cent compared to 2012 and amounted to 6.24 euro cents (6.49). Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 0.7 per cent year-on-year. Unit cost per available seat kilometre (CASK) decreased by 0.1 per cent and amounted to 6.57 euro cents (6.58). Unit cost excluding fuel (CASK excl. fuel) decreased by one per cent to 4.46 euro cents (4.50) as a result of good progress in the cost reduction program.

Balance sheet on 31 December 2013

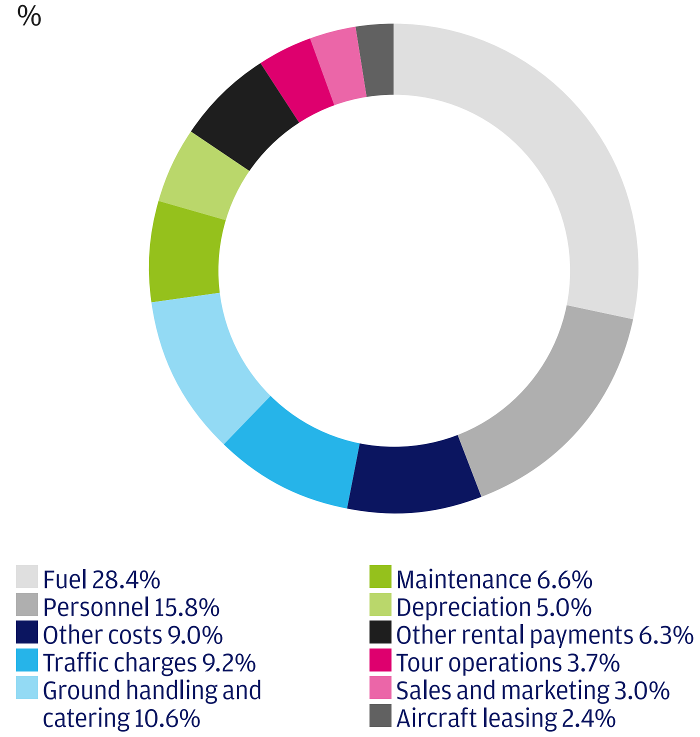
The Group's balance sheet totalled 2,200.6 million euros at the end of 2013 (2,231.3 million euros on 31 December 2012). Shareholders' equity totalled 691.8 million euros (775.3), which is 5.41 euros per share (6.06). Shareholders' equity decreased in 2013 primarily due to the repayment of the outstanding share of the hybrid bond issued in 2009.

Shareholders' equity includes a fair value reserve which is affected by changes in the fair val-

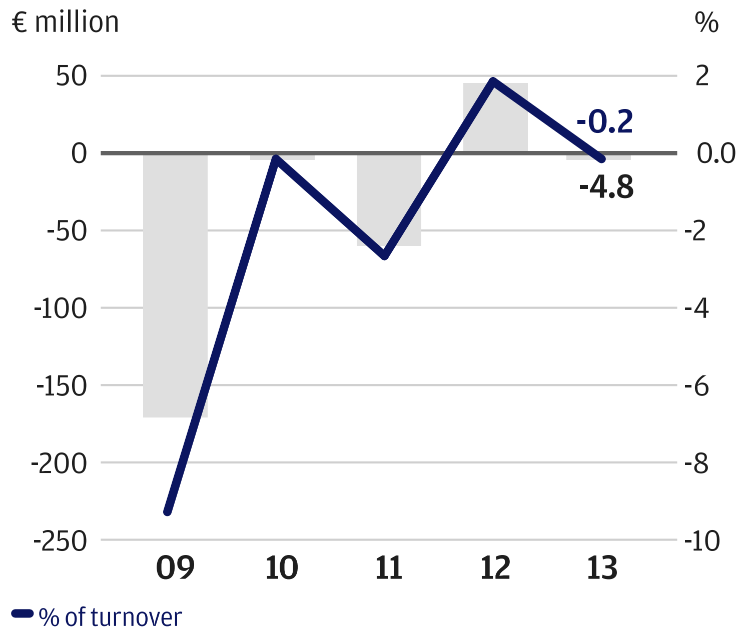
Distribution of revenue and costs by currency in 2013



Distribution of operating expenses € 2,426.5 million

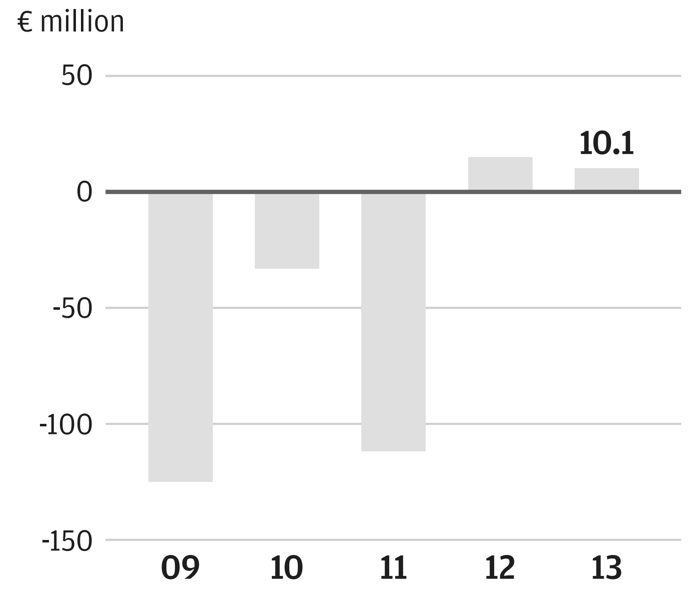


Operational result, EBIT*



* Operating result excluding changes in the fair values of derivates and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

Result before taxes



ues of oil and currency derivatives used for hedging as well as actuarial gains and losses related to defined benefit plans according to IAS 19. The value of the item at the end of 2013 was -14.7 million euros (0.3) after deferred taxes, and it is mainly comprised of actuarial losses.

Cash flow and financial position in 2013

Finnair has a strong financial position, which supports business development and future investments. In 2013, net cash flow from operating activities amounted to 107.0 million euros (154.7) and net cash flow from investments totalled 16.1 million euros (-54.2).

The equity ratio was 32.0 per cent (35.4) and gearing was 19.5 per cent (18.0). The adjusted gearing was 77.6 per cent (77.8). At the end of the period under review, interest-bearing debt amounted to 593.0 million euros (569.0) and interest-bearing net debt stood at 134.2 million euros (138.4).

The company's liquidity remained strong in 2013. The Group's short term cash and cash equivalents in balance sheet amounted to 458.8 million euros (430.5) at the end of the period. In addition to the cash funds on the balance sheet, the Group has the option of re-borrowing employment pension fund reserves worth approximately 430 million euros from its employment pension insurance company. Drawing these reserves requires a bank guarantee. The Group's entirely unused 200 million euro syndicated credit agreement, which was intended as reserve funding, matured at the end of June. Finnair negotiated a new 180 million euro syndicated credit agreement that will mature in July 2016. The limit is currently unused.

In October, Finnair redeemed the outstanding share of 52.4 million euros of the hybrid bond issued in 2009. The original size of the hybrid bond issued in 2009 was 120 million euros and it was partly redeemed in November 2012. The size of the new hybrid loan issued by Finnair in November 2012 is 120 million euros. In August, Finnair issued a 150 million euro bond that will mature in five years. The bond pays an annual coupon of five per cent, and it was listed on NASDAQ OMX Helsinki Ltd on 2 September 2013.

Advance payments related to fixed asset investments totalled 66.0 million euros (32.7).

At the end of the year, 44.5 million euros of Finnair's short-term commercial paper program totalling 200 million euros were in use. Net cash flow from financing amounted to -47.4 million euros (-98.9). Financial expenses amounted to 19.7 million euros (-25.5) and financial income to 42.6 million euros (7.9). Financial income includes a capital gain of 34 million euros recorded on the sale of shares in Norwegian Air Shuttle ASA.

Aircraft sale and leaseback agreements

Finnair's policy is to own approximately half of the fleet it operates. Various sources and instruments are used for fleet financing to ensure the lowest possible financing costs and the best possible operational flexibility and continuity.

In the second half of 2013, Finnair made sale and leaseback agreements on five new A321 Sharklet aircraft, two in September and three in December. In December, Finnair also signed memoranda of understanding on the sale and leaseback of four Finnair-owned Airbus 330 aircraft and two new Airbus 350 aircraft.

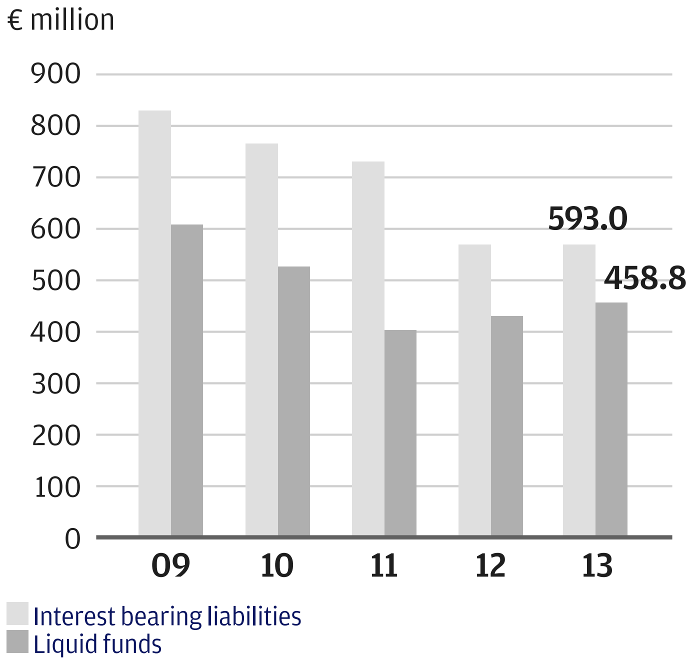
The agreements concerning new aircraft are expected to be concluded at the time of delivery in 2014–2015, while the agreements concerning A330 aircraft are expected to be concluded in the first half of 2014. The financing arrangements are part of the fleet renewal program, which involves transitioning from the current Airbus 340 and 330 fleet to the next-generation Airbus 350 aircraft. Arrangements associated with the fleet renewal program as a whole are not estimated to have a substantial effect on the company's result for 2014 and 2015.

Capital expenditure

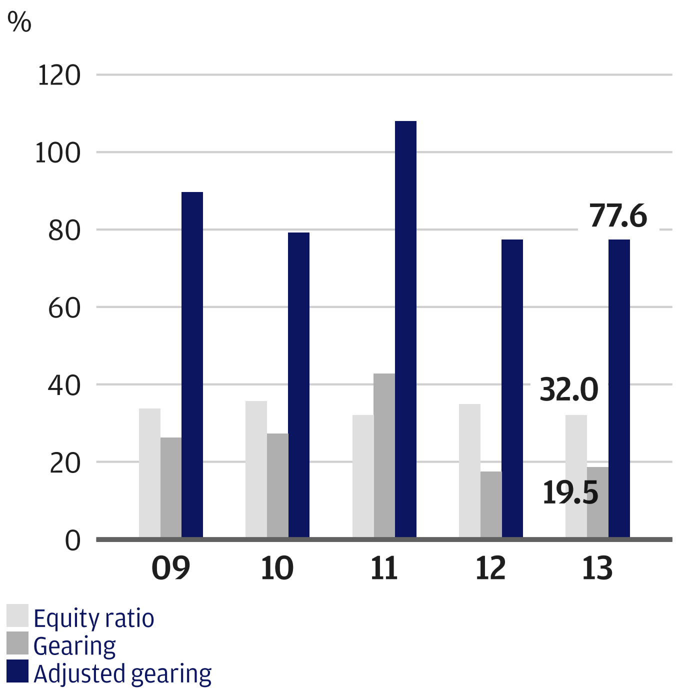
In 2013, capital expenditure, excluding advance payments, totalled 42.0 million euros (41.4) and was primarily related to one spare engine and the company's fleet. Capital expenditure for the full year 2014, including advance payments related to fixed assets, is estimated at approximately 133 million euros, with investments in the fleet representing a majority of this total.

The current state of the credit market and Finnair's good debt capacity enables the financing of future fixed-asset investments on competitive terms. The company has 36 unencum-

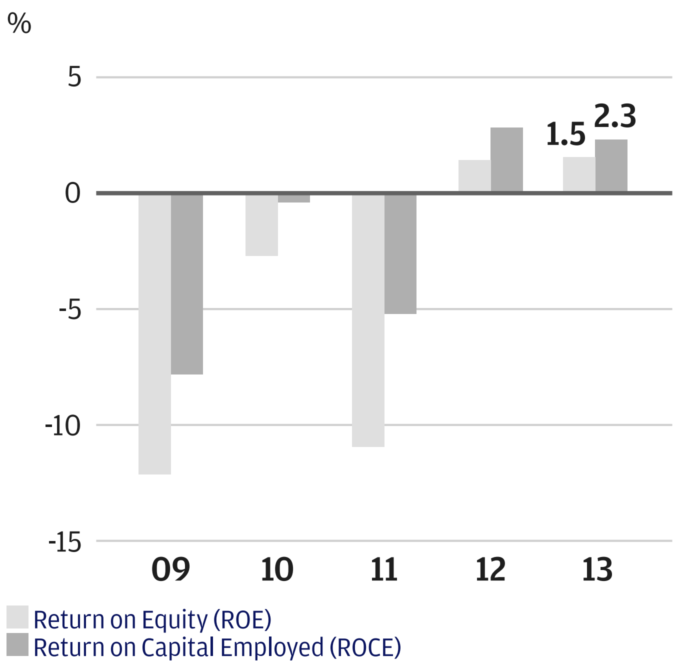
Interest bearing liablities and liquid funds



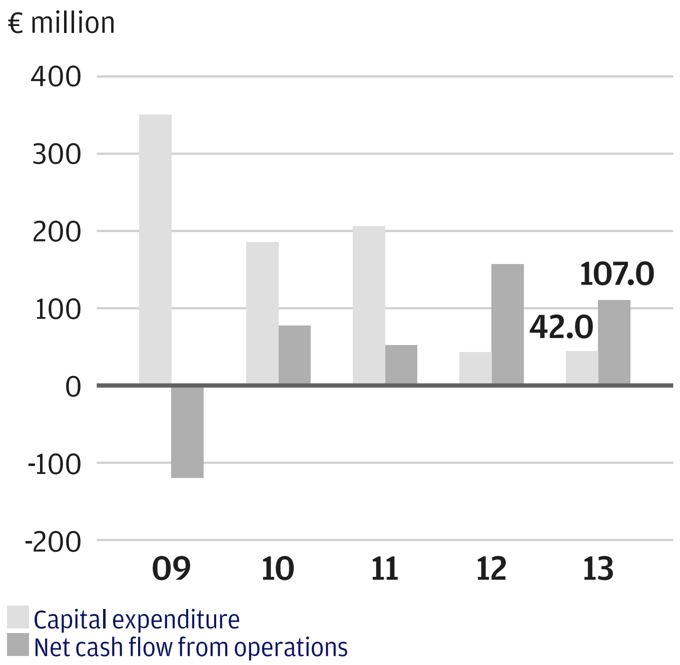
Equity ratio, gearing and adjusted gearing



Return on equity (ROE)
and return on capital employed (ROCE)



Capital expenditure and
net cash flow from operations



bered aircraft, the balance sheet value of which corresponds to approximately 47 per cent of the value of the entire fleet of 1.1 billion euros. The balance sheet value includes three finance lease aircraft.

Fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of 2013, Finnair itself operated 45 aircraft, of which 15 are widebody and 30 narrowbody aircraft. There were no changes to the size of Finnair's fleet in 2013. However, the composition of the fleet changed somewhat as Finnair received three new A321 Sharklet aircraft in the second half of the year and removed two Boeing 757 from the fleet as their leases expired. Finnair also removed from its fleet one Embraer 170 aircraft in the second quarter of the year, leasing the aircraft to an airline outside the Group.

The leases of the remaining two Boeing 757 aircraft will expire in the first half of 2014, at which time Finnair will take delivery of the last two Airbus A321 Sharklet aircraft. After this, the company will operate an all-Airbus fleet.

In addition to the aircraft operated by Finnair, its balance sheet includes 25 other aircraft owned by the company. These aircraft are operated by other airlines, mainly by Flybe Finland. The average age of the fleet operated by Finnair was 9.9 years at the end of the year and that of the Finnair owned fleet operated by other airlines 5.2 years. Finnair also has eight leased aircraft that it has subleased to be operated by other airlines.

A350 AIRCRAFT

Finnair has an A350 XWB order book of 11 firm orders and eight options. Some of these aircraft will replace aircraft currently in use in long-haul traffic. Finnair estimates that the first four A350 XWB wide-body aircraft will be delivered and added to the fleet in the second half of 2015. The remaining seven aircraft are estimated to be delivered to Finnair by the end of 2017. Finnair is evaluating alternatives to minimise the effects that any possible delays in deliveries may have.

Finnair has the possibility to adjust the size of its fleet flexibly according to demand and outlook due to its lease agreements with different durations.

Fleet operated by Finnair on 31.12.2013				**Leased**					
	Seats	**#**	**Own**	**(operational leasing)**	**(finance leasing)**	**Average age**	**Change from 31.12.2012**	**Ordered**	**Add. options**
Narrow-body fleet									
Airbus A319	138/123	9	7	2		12.4			
Airbus A320	165	10	6	4		11.4			
Airbus A321	209/196	9	4	5		8.7	+3	2	
Boeing B757	227	2	0	2		15.7	-2		
Embraer 170	76	0					-1		
Wide-body fleet									
Airbus A330	297/271/263	8	4	1	3	4.2			
Airbus A340	270/269	7	5	2		10.9			
Airbus A350	na.							11	8
Total		**45**	**26**	**16**	**3**	**9.9**	**0**	**13**	**8**

Fleet owned by Finnair and operated by other airlines on 31.12.2013*				**Leased**					
	Seats	**#**	**Own**	**(operational leasing)**	**(finance leasing)**	**Average age**	**Change from 31.12.2012**	**Ordered**	**Add. options**
ATR 72	68-72	12	12			4.4			
Embraer 170	76	5	5			7.5	+1		
Embraer 190	100	8	8			5.0			
Total		**25**	**25**			**5.2**	**+1**	**0**	**0**

* All ATR aircraft, all E190 aircraft and two E170 aircraft have been leased to Flybe Nordic and three E170 aircraft to other parties outside the Group.

Business area development in 2013

The segment reporting of Finnair Group's financial statements is based on business areas. The reporting business areas are Airline Business, Aviation Services and Travel Services.

Airline Business

This business area is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft. The Airline Business segment comprises the Commercial, Operations and Resources Management functions as well as the subsidiaries Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy, Finnair Flight Academy Oy and Finnair Aircraft Finance Oy.

Key figures	2013	2012	Change %
Turnover and result			
Turnover, EUR million	2,174.0	2,187.0	-0.6
Operating result, EBIT, EUR million	24.8	30.2	-17.8
Operating result, % of turnover	1.1	1.4	-0.3%-p
Personnel			
Average number of employees	3,619	3,660	-1.1

Traffic performance	2013	2012	2011	2010	2009
Passengers, thousands	9,269	8,774	8,013	7,139	7,433
Available Seat Kilometres, millions	31,162	30,366	29,345	25,127	26,260
Revenue Passenger Kilometres, millions	24,776	23,563	21,498	19,222	19,934
Passenger Load Factor, %	79.5	77.6	73.3	76.5	75.9
Cargo tonnes, 1,000 kg	146,654	148,132	145,883	123,154	89,234
Available Tonne Kilometres*, millions	4,709.2	4,646.7	4,570.6	3,807.8	3,920.1
Revenue Tonne Kilometres, millions	3,107.4	3,029.0	2,823.5	2,471.2	2,297.7
Overall Load Factor*, %	66.0	65.2	61.8	64.9	58.6

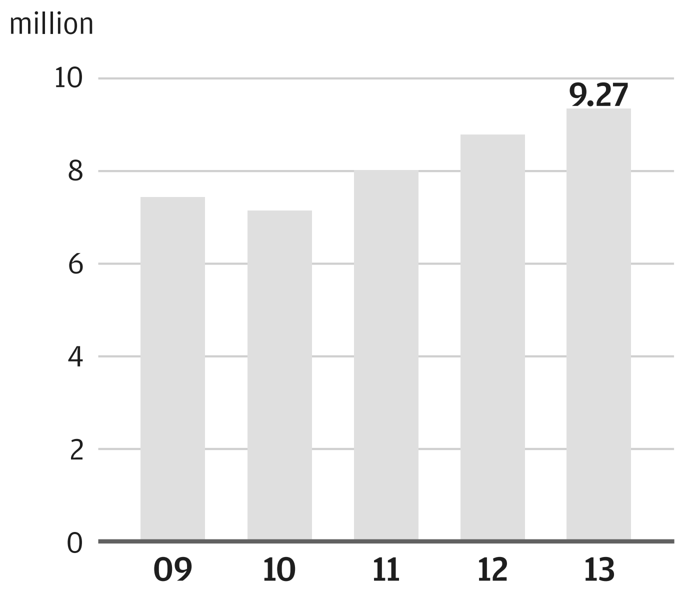
*Cargo ATK's for the year 2013 are restated due to more accurate metrics implemented in calculation.
- Available seat kilometres, ASK: Total number of seats available, multiplied by the number of kilometres flown.
- Revenue passenger kilometres, RPK: Number of revenue passengers carried, multiplied by kilometres flown.
- Passenger load factor: Share of revenue passenger kilometres of available seat kilometres.
- Available tonne kilometres, ATK: Number of tonnes of capacity for carriage of passengers, cargo and mail, multiplied by kilometres flown.
- Revenue tonne kilometres, RTK: Total revenue load consisting of passengers, cargo and mail, multiplied by kilometres flown.
- Overall load factor: Share of revenue tonne kilometres of available tonne kilometres.

The turnover of Airline Business in 2013 remained largely unchanged from the previous year and amounted to 2,174.0 million euros (2,187.0 in 2012). The main factor slowing down turnover growth was the fall in euro-denominated revenue due to the depreciation of the Japanese yen, but in the second half of the year the weaker-than-expected development of cargo and leisure traffic and lost turnover resulting from preparations for potential industrial action also contributed to the decrease in turnover for the full year. Operating profit totalled 24.8 million euros (30.2).

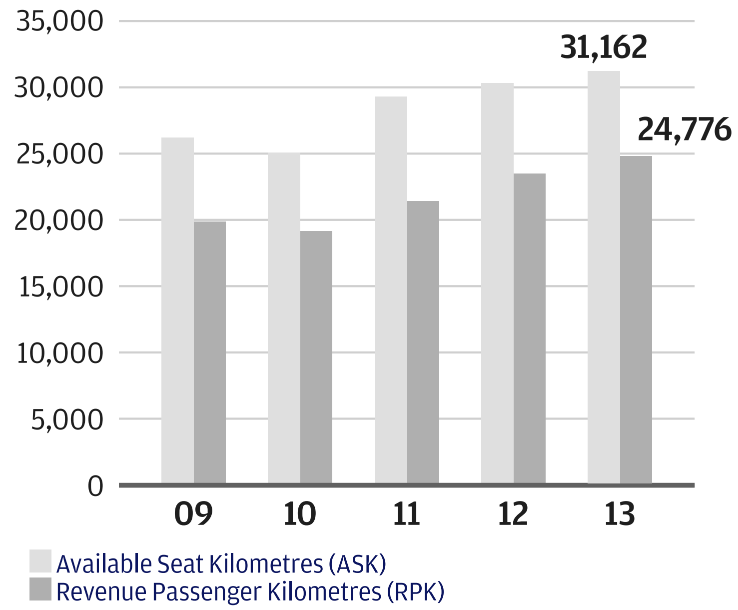
The demand for air travel grew in 2013 despite the weak economic situation. Finnair traffic measured in revenue passenger kilometres grew by 5.1 per cent, while total capacity increased by 2.6 per cent. The overall passenger load factor increased by 1.9 percentage points to 79.5 per cent.

Measured in revenue passenger kilometres, Asian traffic grew by 5.1 per cent in 2013, while capacity grew by 1.4 per cent. The load factor in Asian traffic rose by 2.8 percentage points to 80.3 per cent over the same period. Measured in revenue passenger kilometres, European traffic grew by 11.7 per cent and domestic traffic by 0.1 per cent on the comparison period. Load factors increased by 1.9 percentage points and 1.3 percentage points to 75.9 per cent and 64.8 per cent, respectively.

Number of passengers



Available seat kilometres (ASK) and revenue passenger kilometres (RPK)



Finland, Japan, China and Sweden were Finnair's largest sales units in 2013. The weak situation in the Finnish economy was reflected in home market demand, especially in the second half of the year. Finnair's market share in the route pairs operated by the company in scheduled traffic between Asia and Europe increased to 5.7 per cent (5.5).* In scheduled traffic between Finland and Europe, Finnair's market share increased to 48.6 per cent (45.8), excluding Flybe operations.*

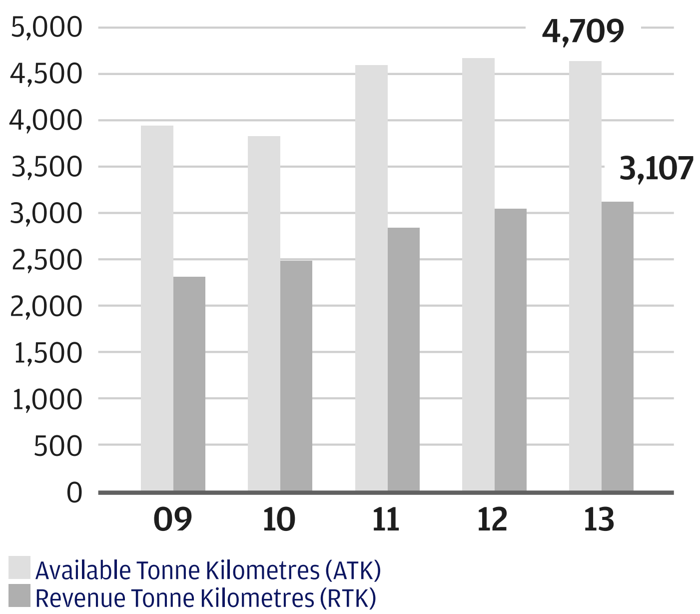
Approximately 768,000 passengers flew on Finnair's charter flights in 2013, down 5.6 per cent on the previous year. Leisure traffic capacity fell by 6.5 per cent in 2013, and the passenger load factor decreased by 0.3 percentage points to 88.3 per cent. Leisure traffic developed positively in the first half of the year. However, the market took a turn in the summer as consumers' uncertainty regarding their own economic situation began to slow down sales and decrease market prices. The decision made in August to cancel all tours to Egypt for the entire winter season due to civil unrest was reflected in the volumes and revenues for the fourth quarter.

Unit revenue per available seat kilometre (RASK) declined, primarily due to the depreciation of the Japanese yen, by 3.8 per cent compared to 2012 and amounted to 6.24 euro cents (6.49). Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 0.7 per cent year-on-year.

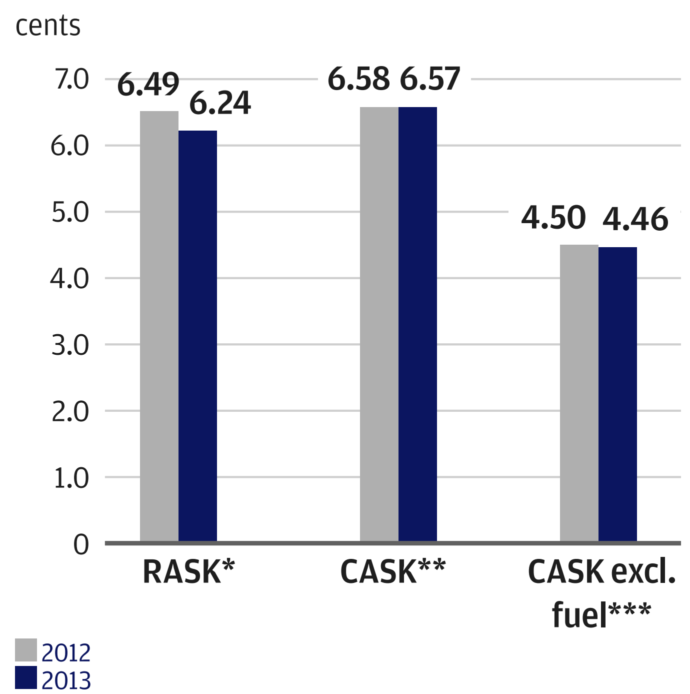
Cargo transported on scheduled flights (belly cargo) constitutes a significant proportion of the revenue from long-haul traffic. In 2013, belly cargo accounted for approximately 17 per cent of total long-haul revenue. The overall load factor in Finnair's cargo traffic improved by 0.8 percentage points to 66.0 per cent, while the available tonne kilometres rose by 1.3 per cent and the revenue tonne kilometres by 2.6 per cent. Average yields in cargo traffic were under substantial pressure due to market overcapacity and weak demand.

The most significant development in cargo traffic during the year was Finnair opening its second cargo hub in Brussels. The new operating model strengthens cargo demand in Finnair's Asian passenger flight network, as it allows Finnair Cargo to offer faster cargo connections

Available tonne kilometres (ATK) and revenue tonne kilometres (RTK), belly cargo and freighter traffic

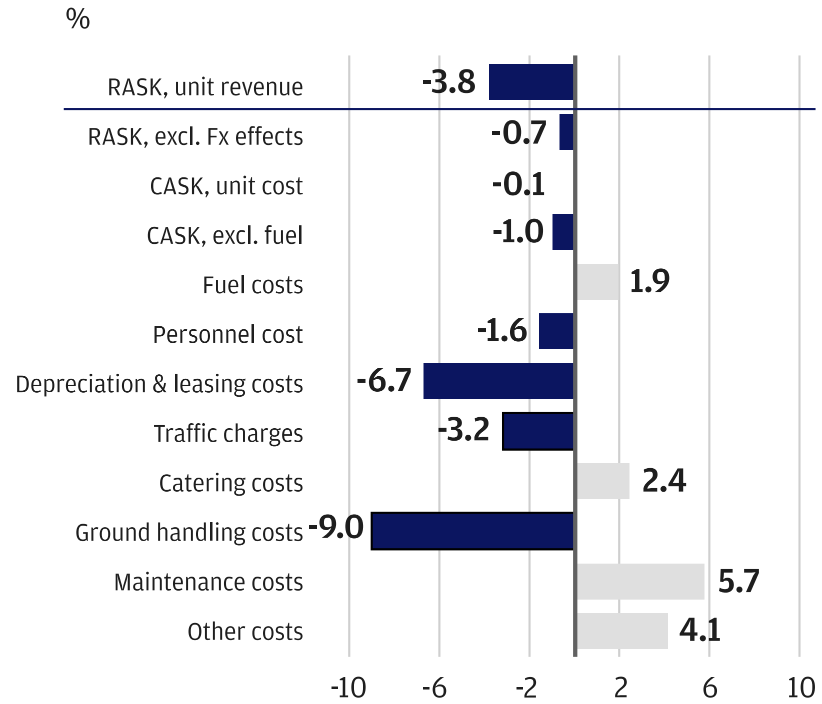


Airline Business: unit revenue and unit cost
(cents/Available seat kilometre)



* Revenue per Available Seat Kilometre
** Cost per Available Seat Kilometre
*** Cost per Available Seat Kilometre excluding fuel

Airline business:
RASK & CASK development in 2013
Change, 2013 vs. 2012



* Finnair´s estimate: The estimate is based on travel agencies´ MIDT data and Finnair´s estimates of airlines´own sales through their own sales channels, such as websites.

between Central Europe and Asia. Finnair Cargo operated separate wet-leased cargo flights to Hong Kong and New York throughout the year. The cargo aircraft route to Chicago was discontinued in May after the successful launch of the Brussels hub. Cargo flights to Mumbai were discontinued in September due to weakened forecasts of Indian cargo volume and yield as well as the significant depreciation of the Indian rupee. In the third quarter, Finnair Cargo purchased the cargo capacity on the daily Tokyo-Helsinki flights launched by Japan Airlines at the beginning of June, allowing it to offer two daily flights to Tokyo. A new cargo route was also launched to Hanoi, the capital of Vietnam, at the turn of October–November. Separate cargo flights accounted for approximately 37 per cent of total cargo traffic in 2013.

The arrival punctuality of Finnair's flights was very good in 2013, with 89.6 per cent of scheduled flights (84.9) and 89.0 (84.5) per cent of all traffic arriving on schedule.

Air traffic services and products

Route network and alliances

Finnair offers connections between Asia and Europe with over 200 route pairs and also operates more than 800 flights weekly from Helsinki to other Finnish and European destinations. In the summer season, Finnair operated at most 81 flights to Asia per week.

Malaysia Airlines joined the oneworld alliance in January 2013 and Qatar Airways in October 2013. In addition, TAM Airlines, a member of the LATAM Airlines Group, announced in March and US Airways announced in December that they will join the oneworld alliance in March 2014. Also SriLankan Airlines is planning to join the **one**world alliance in 2014. For Finnair's customers, new airlines joining **one**world enables better connections to destinations outside the Finnair network.

At the beginning of July, Finnair joined the transatlantic joint business founded by American Airlines, British Airways and Iberia, and in October, competition authorities approved the company's entry into the joint business established by Japan Airlines and British Airways for flights between Japan and Europe.

Other renewals and services

In March, Finnair launched a social check-in service for its customers. Passengers can link their travel information with their Facebook profile when checking in online and view the public Facebook information of other passengers who have enabled the service. Using the service is voluntary and it can be disabled at any time.

In March–April, Finnair carried out a trial of tablet devices and wireless Internet service on board one of its Airbus A330 wide-body aircraft, and all of the new A321 Sharklet aircraft have Samsung 3 tablet devices available to passengers for a fee. The entertainment systems of Finnair's aircraft were also upgraded in 2013, nearly doubling the selection of entertainment on long-haul flights in both Economy and Business Class.

Textiles and tableware designed by Finnish design house Marimekko for Finnair aircraft were introduced on flights in May, with Finnair also adding new Marimekko products to the Finnair PlusShop and in-flight sales selection.

Business Class in-flight dining on Finnair's long-haul flights departing from Helsinki was renewed in September with the launch of meals designed by two renowned Finnish chefs, Pekka Terävä and Tomi Björck. Finnair also renewed its Economy class meal service earlier in the year.

Also in early October, Finnair announced it will open a new Premier Lounge at Helsinki Airport in spring 2014.

Awards

The International Air Transport Association (IATA) presented a Fast Travel Gold Award to Finnair in June in recognition of Finnair's implementation of IATA's Fast Travel program at Helsinki Airport. Designed to reduce queues at airports and give passengers more options for self-service during their journey.

The aviation research institution Skytrax named Finnair Northern Europe's Best Airline at the World Airline Awards™ in June. Finnair has now won the award for four consecutive years and is the only airline in the Nordic countries with a four-star Skytrax rating. The oneworld alliance, of which Finnair is a member, was named Best Alliance at the awards. World Airline Awards™ is the most extensive and respected commercial airline rating in the industry. The classification is based on the impartial assessments of 18 million passengers. The participating passengers represent a total of 160 countries.

In early October, Finnair was named Best European Airline at the annual Asia-Pacific TTG Travel Awards. The readers of TTG's travel magazines highlighted Finnair's punctuality, service quality and quick connections.

Aviation Services

After the structural changes in Technical Services and catering implemented in 2012, the Aviation Services segment consists of aircraft maintenance and the operations of Finncatering Oy and Finnair Travel Retail Oy. The business operations of Finnair Catering Oy, which were transferred to LSG Sky Chefs on 1 August 2012, are included in the segment's figures for the comparison year until 31 July 2012. In addition, most of Finnair's property holdings, office services and the management and maintenance of properties related to the company's operational activities also belong to the Aviation Services business area. Over half of the business area's turnover comes from outside the Group.

Key figures	2013	2012	Change %
Turnover and result			
Turnover, EUR million	196.3	319.5	-38.6
Operating result, EBIT, EUR million	-35.2	-1.3	<-200
Operating result, % of turnover	-17.9	-0.4	-17.5%-p
Personnel			
Average number of employees	1,215	1,984	-38.8

The turnover of Aviation Services for the full year 2013 declined from the previous year due to the outsourcing of the engine and equipment maintenance operations to Finnair's outsourcing partner in July 2012 and the transfer of Finnair Catering Oy's operations to LSG in August 2012. In addition, Technical Services operations were adjusted in the first half of 2013 to correspond with the size of the current fleet.

The segment's turnover in 2013 amounted to 196.3 million euros (319.5). The operating result was a loss of -35.2 million euros (-1.3), primarily as a result of non-recurring items related to structural changes in Technical Services.

Travel Services (Tour Operators and Travel Agencies)

This business area consists of the tour operator Aurinkomatkat (Suntours), its subsidiary operating in Estonia, and the business travel agencies that were combined in December, namely Area, Finland Travel Bureau (FTB) and FTB's subsidiary Estravel, which operates in the Baltic countries, as well as Amadeus Finland, which produces travel sector software and solutions. Aurinkomatkat serves leisure travellers, offering its customers package tours, tailored itineraries, flight and hotel packages, flights and cruises, as well as golf, sailing and skiing holidays.

Key figures	2013	2012	Change, %
Turnover and result			
Turnover, EUR million	251.7	284.4	-11.5
Operating result, EBIT, EUR million	1.6	4.9	-67.7
Operating result, % of turnover	0.6	1.7	-1.1%-p
Personnel			
Average number of employees	751	855	-12.2

The turnover of Travel Services for the full year 2013 amounted to 251.7 million euros (284.4) and its operating result was 1.6 million euros (4.9).

Supply and demand were balanced in the Finnish package tour market in the first half of 2013, with the advance booking rate, load factor and price level increasing in the spring season. In June, however, consumers' uncertainty regarding their own economic situation and the pleasant summer weather in Finland slowed down sales and put downward pressure on prices. Aurinkomatkat cancelled all of its winter season travel to Egypt at the end of August due to travel restrictions in force in the country, which was reflected in the turnover of package tours, particularly in the fourth quarter. Weak demand decreased unit revenue from package tours, particularly in the second half of the year, while the biggest cost item, i.e. a flight's unit cost, increased.

Finnair began to replace Boeing 757 aircraft used in leisure traffic with new Airbus 321 Sharklet aircraft in the second half of the year.

Business travel continued to decrease in Finland in 2013, which was reflected in the sales and profitability of business travel agencies. Faced with a recession, the client companies of business travel agencies have reduced and restricted employee travel. Finnair subsidiaries Finland Travel Bureau and Area merged in December to form FTB, the largest Finnish business travel agency. The aim of merging the two travel agencies is to achieve volume synergies and significant reductions in costs by eliminating overlapping functions. In business travel agencies, the number of flights booked in Finland decreased in 2014 by six per cent year-on-year. The market share growth of international online travel agencies in Finland turned and their sales in Finland declined along the market.

Group structure

The companies that are part of the Finnair Group are presented in the notes to the financial statements in notes 1.3 Subsidiaries and 1.6 Investments in associates and joint ventures.

Finnair's subsidiary Finnair Facilities Management Ltd (FAMA) was merged with its parent company Finnair Plc on 31 March 2013. All employees of FAMA were transferred to Finnair Plc with existing employment conditions. In the future the former FAMA operations will form the new group Facility Services team which will operate under the group Procurement function.

Governance

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Finnair Plc's Annual General Meeting, held on 27 March 2013, confirmed the financial statements for 2012 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting adopted the Board's proposal to pay a dividend of 0.10 euros per share. The dividends were paid on 10 April 2013.

Board of Directors

The Annual General Meeting elected Klaus W. Heinemann as the Chairman of the Board of Directors. Of the previous members of the Board of Directors, Maija-Liisa Friman, Jussi Itävuori, Merja Karhapää, Harri Kerminen and Gunvor Kronman continue on the newly elected Board, with Ambassador Antti Kuosmanen elected as a new member. The term of office of the members of the Board of Directors ends at the close of the first Annual General Meeting following their election. The Annual General Meeting decided that the remuneration paid to the Board of Directors will remain unchanged. The Chairman of the Board of Directors will be paid an annual fee of 61,200 euros, the Deputy Chairman a fee of 34,200 euros and the ordinary members a fee of 30,000 euros. Members of the Board of Directors will also receive fees for participating in Board and Board Committee meetings at the amount of 600 euros per meeting for members residing in Finland and 1,200 euros per meeting for members residing abroad.

Until the Annual General Meeting 2013, the Chairman of the company's Board of Directors was Harri Sailas.

Auditors

Authorised Public Accountants PricewaterhouseCoopers continues as Finnair's auditor, with APA Mikko Nieminen acting as the principal auditor. Auditor's fees are paid in accordance with the auditor's reasonable invoice.

The Board's authorisations

The Annual General Meeting authorised the Board of Directors to decide on the repurchase of the company's own shares and/or use of shares as collateral. The authorisation applies to a maximum of 5,000,000 shares and is valid until 27 September 2014. The Annual General Meeting also authorised the Board of Directors to decide on the disposal of a maximum of 5,000,000 of the company's own shares. The authorisation is valid until the end of the next Annual General Meeting, but no longer than until 30 June 2014.

Shareholders' Nomination Board

The Annual General Meeting decided to establish a permanent Shareholders' Nomination Board. The task of the Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members of the Board of Directors. In addition, the task of the Nomination Board is to seek candidates as potential board members. The Nomination Board was established to operate until the General Meeting of the company decides otherwise. The members of the Nomination Board will be nominated annually and their term of office will end when new members are nominated to replace them. The Nomination Board will submit its proposals to the Board of Directors by 31 January each year.

The Company's three largest shareholders are each entitled to appoint one member to the Nomination Board. The right to nominate is determined on the basis of the registered holdings in Finnair's shareholder register as of the first weekday in September. The following persons were appointed to Finnair's Shareholders' Nomination Board: Eero Heliövaara, Director General of the Government Ownership Steering Department, Prime Minister's Office (Chairman); Robin Backman, Portfolio Manager, KEVA; and Per Wennberg, Director, Skagen funds. The fourth member is the Chairman of the Company's Board of Directors.

CHANGES IN THE COMPANY'S SENIOR MANAGEMENT

Pekka Vauramo (M.Sc.) took his position as CEO of Finnair on 1 June 2013. He succeeds Mika Vehviläinen, who left the company on 28 February 2013.

Anssi Komulainen, Head of Customer Service, left Finnair's Executive Board and Management Board on 31 August 2013. Customer service functions were moved partly to Finnair's Commercial Division headed by Allister Paterson and partly to Operations headed by Ville Iho. Finnair did not appoint a successor to Komulainen.

At the end of December, Finnair announced that the head of Travel Services and a member of Finnair's Executive Board, D.Sc. (Econ.), Kaisa Vikkula will leave Finnair on 31 January 2014. As the companies belonging to the Travel Services business area will now report to Allister Paterson, the head of Finnair's Commercial Division, Finnair did not appoint a successor to Vikkula.

INSIDER ADMINISTRATION

Finnair complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd that entered into force on 1 July 2013. Finnair's Board of Directors has approved Finnair's insider guidelines, which contain guidelines for permanent and project-specific insiders as well as the organisation and procedures of the company's insider controls. These insider guidelines have been distributed to all insiders.

CORPORATE GOVERNANCE STATEMENT

Finnair Plc's Corporate Governance Statement 2013 is presented on pages 131–141, and it is available on the company's website.

Personnel

The number of Finnair employees decreased significantly in 2013 due to the structural changes in the company. The Group employed an average of 5,859 (6,784) people in 2013, which is 13.6 per cent fewer than in the previous year. The Airline Business segment employed an average of 3,619 (3,660) people during the year, Aviation Services 1,215 (1,984) people and Travel Services 751 (855) people. A total of 274 (285) people were employed in other functions. The number of employees was 5,803 (6,368) on 31 December 2013.

Of the personnel, 710 people worked outside Finland. Of these, 389 were employed in sales and customer service duties in Finnair's passenger and cargo traffic. A total of 321 people worked for travel agencies and tour operators based in the Baltic countries and as guides at Aurinkomatkat holiday destinations.

Full-time staff accounted for 95.5 per cent of employees, and 96.4 per cent of staff were employed on a permanent basis. The average age of the employees was 44 years. Of the personnel, 30 per cent are over 50 years of age, while five per cent are under 30 years of age. The employees' average number of years in service was 17. Employees having worked for Finnair for over 20 years account for 40 per cent of the staff, while 10 per cent have worked for Finnair for over 30 years. Of Finnair Group's personnel, 55 per cent are women and 45 per cent are men.

EMPLOYEE CONSULTATIONS CONDUCTED IN 2013

In 2013, Finnair conducted employee consultations related to personnel reductions with representatives of personnel in ground customer services, financial functions, technical services, Finnair Cargo, Aurinkomatkat-Suntours and in business travel agencies. The majority of the consultations were related to projects associated with the implementation of Finnair's structural change and cost-reduction program and in reorganizing Finnair's travel agencies.

The estimated maximum need for reductions totalled about 450 jobs. As a result of the negotiations conducted, a total of over 350 jobs were to be reduced. Some of these reductions will materialize only in 2014. By offering part-time jobs and new positions to over 50 people, Finnair was able to avoid some redundancies.

Following the employee consultations in Technical Services, Finnair offered the employees to be dismissed an additional support package. This was due to the very limited employment opportunities in the Finnish aircraft technology and maintenance sector. The package included not only monetary payments, but also re-employment support with the aim of finding new employment through Finnair's Career Gate service.

In the last quarter of 2013, Finnair trade union, the Association of Support Service Industries (PALTA), reached an agreement with the Finnish Cabin Crew Union (SLSY), Trade Union PRO, the Finnish Aviation Union (IAU) and the Finnish Air Line Pilots' Association (SLL) on a new collective labour agreement in line with the national framework agreement, known as the Finnish Employment and Growth Pact. The agreement included wages raises in line with the Finnish Employment and Growth Pact and also the schedule and processes of separate, company-specific negotiations related to Finnair's cost reductions.

PERSONNEL INCENTIVE SCHEMES

Incentive bonuses for 2013, based mainly on financial performance and quality indicators, are estimated to be paid to personnel to an amount of approximately 5.1 million euros, including social security costs. The criteria based on the Group's result for the personnel profit bonus were not met in 2013.

The remuneration of personnel, including Employee Share Savings Plan FlyShare, is discussed in more detail in the Remuneration Statement 2013 on pages 147–155.

Shares and shareholders

SHARES AND SHARE CAPITAL

On 31 December 2013, the number of Finnair shares entered in the Trade Register was 128,136,115, and the registered share capital was 75,442,904.30 euros. The company's shares are quoted on the NASDAQ OMX Helsinki Stock Exchange. Each share confers one vote at the General Meeting.

GOVERNMENT OWNERSHIP

At the end of 2013, the Finnish Government owned 55.8 per cent of Finnair's shares and votes. According to the decision made by the Finnish Parliament on 20 June 1994, the Government must own more than half of Finnair Plc's shares, and decreasing ownership below this level is subject to a Parliament decision.

SHARE OWNERSHIP BY MANAGEMENT

On 31 December 2013, members of the company's Board of Directors and the CEO did not own any Finnair shares. Members of the Executive Board owned a total of 299,716 shares, representing 0.23 per cent of all shares and votes.

OWN SHARES

Finnair acquired a total of 600,000 of its own shares in 2013. Finnair's Board of Directors decided on the acquisition of shares at its meeting of 18 December 2012, pursuant to the authorisation to acquire the company's own shares given by the Annual General Meeting of 28 March 2012. Also during 2013, the company transferred 708,679 of its own shares as incentive bonuses to key personnel belonging to the performance share plan in effect from 2010 to 2012, and a further 22,340 shares as incentive bonuses to members of the FlyShare employee share savings plan. On 31 December 2013, Finnair held a total of 279,168 (410,187) of its own shares, representing 0.2 per cent of the total share capital.

Acquisition and delivery of own shares and returns of shares	Number of shares	Acquisition value, EUR	Average price, EUR
2004	422,800	2,275,666.49	5.38
2005	-37,800	-209,838.54	5.55
2005	150,000	1,516,680.00	10.11
2006	-383,097	-2,056,847.88	5.37
2007	0	0.00	0
2008	235,526	1,538,956.35	6.53
2009	0	0.00	0
2010	22,758	114,719.52	5.04
2011	0	0.00	0.00
2012	0	0.00	0.00
2013	600,000	1,684,650.10	2.81
2013	-731,019	-4,055,744.86	5.55
31 Dec 2013	**279,168**	**808,241.18**	**2.90**

Finnair plc largest shareholders as at 31 december 2013	Number of shares	%	Changes 2013
1 State of Finland; Office of Counsil of State	71,515,426	55.8	0
2 Skagen Global Funds	6,308,221	4.9	419,792
3 KEVA (Local Government Pensions Institution)	5,285,642	4.1	-496,173
4 Ilmarinen Mutual Pension Insurance Company	2,675,564	2.1	650,000
5 Nordea Funds	2,640,810	2.1	2,066,952
6 State Pension Fund	2,100,000	1.6	0
7 Veritas Pension Insurance Company	1,530,000	1.2	0
8 Tiiviste-Group Oy	1,500,000	1.2	0
9 Fennia Pension Insurance Company	1,300,000	1.0	0
10 Evli Funds	1,050,900	0.8	256,771
11 Etra Invest Oy	1,000,000	0.8	0
12 Taaleritehdas Arvo Markka Osake Fund	1,000,000	0.8	497,170
13 OP Funds	849,769	0.7	-675,231
14 Finnair Plc Staff Fund	701,935	0.5	139,224
15 Varma Mutual Pension Insurance Company	600,000	0.5	0
Nominee registered	10,015,872	7.8	1,672,538
Others	18,061,976	14.1	
Total	**128,136,115**	**100.0**	

SHAREHOLDER AGREEMENTS

Finnair is not aware of any shareholder agreements pertaining to share ownership or the use of voting rights.

CHANGE OF CONTROL PROVISIONS IN MATERIAL AGREEMENTS

Some of Finnair's financing agreements include a change of control clause under which the financier shall be entitled to request prepayment of the existing loan or to cancel the availability of a loan facility in the event that some other person than the State of Finland acquires the control of Finnair either through majority of the voting rights or otherwise.

SHARE-BASED INCENTIVE SCHEMES

Employee share savings plan FlyShare

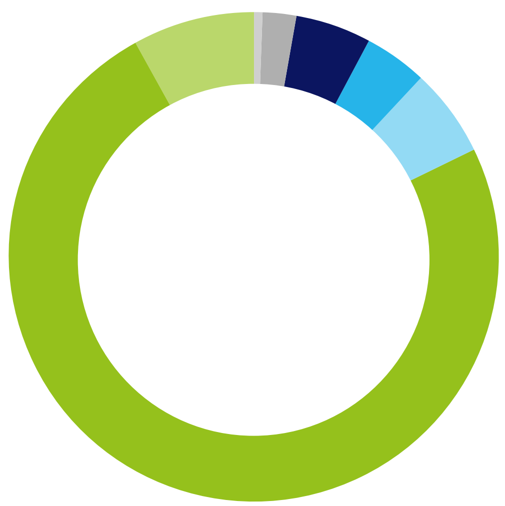
At the end of March 2013, the Board of Directors of Finnair decided to launch FlyShare, an employee share savings plan for Finnair employees. The objective of the plan is to encourage the employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long term. Over 1,000 Finnair employees, or approximately one fifth of all employees, participated in the first phase of the share savings plan. In the fourth quarter of 2013, a total of 22,340 Finnair shares held by the company were transferred to FlyShare program participants as incentive bonuses. The share savings plan is described in more detail in Remuneration Statement on pages 147–155.

Breakdown of shares at 31 december 2013	Number of shares	%	Number of shareholders	%
1-200	712,142	0.6	7,501	47.6
201-1,000	3,012,611	2.4	5,670	35.9
1,001-10,000	6,464,691	5.0	2,355	14.9
10,001-100,000	5,261,192	4.1	207	1.3
100,001-1,000,000	7,276,779	5.7	18	0.1
1,000,001-	95,373,903	74.4	11	0.1
Registered in the name of nominee	10,015,872	7.8	10	0.1
Not converted into the book entry system	18,925	0	-	-
Total	**128 136 115**	**100.0**	**15,772**	**100.0**

Shareholders by type at 31 December 2013	Number of shares	%	Number of shareholders	%
Public bodies	85,766,753	66.9	14	0.1
Households	12,916,483	10.1	15,125	95.9
Registered in the name of a nominee	10,015,872	7.8	10	0.1
Outside Finland	6,530,186	5.1	50	0.3
Private companies	6,272,034	4.9	510	3.2
Financial institutions	5,594,345	4.4	22	0.1
Associations	1,021,517	0.8	41	0.3
Not converted into the book entry system	18,925	0.0	-	-
Total	**128,136,115**	**100.0**	**15,772**	**100.0**

Shareholding by number of shares owned

%



1-200 0.6%
201-1,000 2.4%
1,001-10,000 5.0%
10,001-100,000 4.1%
100,001-1 000,000 5.7%
1 000,001- 74.4%
Registered in the name of nominee 7.8%

Shareholding by type

%

Public bodies 66.9%
Households 10.1%
Registered in the name of a nominee 7.8%
Outside Finland 5.1%
Private companies 4.9%
Financial institutions 4.4%
Associations 0,8%

Key personnel's performance share plan

In February 2013, Finnair's Board of Directors approved a new performance share plan for Finnair's key personnel. The share plan replaces the previous plan that expired at the end of 2012. The purpose of the share plan is to encourage the management to work to increase long-term shareholder value and also to commit the management to the company. The share plan is described in more detail in a Stock Exchange Release published on 8 February 2013. Long term incentive plan follows the guidelines issued by Cabinet Committee on Economic Policy.

The share plan consists of annually commencing individual plans within which 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 are achieved. The commencement of each new plan is subject to a separate approval of Finnair Board of Directors. Finnair's Board approved in February 2013 also the 2013 – 2015 share plan and its performance criteria.

Share-based incentive schemes are described in Finnair's Remuneration Statement 2013 on pages 147–155 and on the company's website.

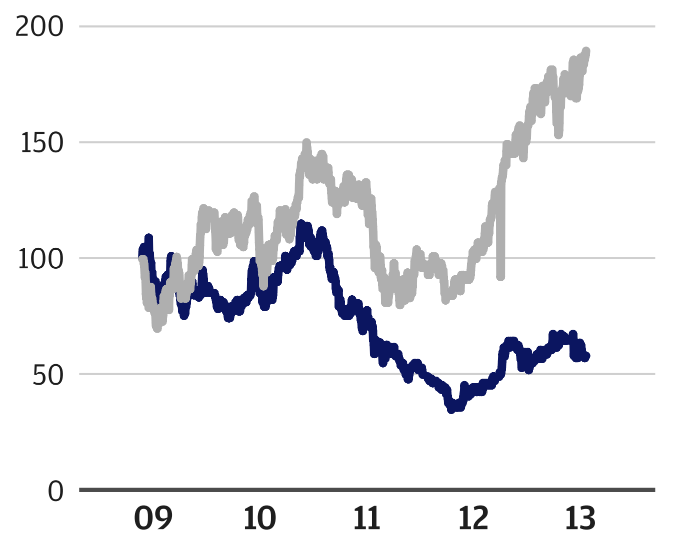
Share price development and trading

At the end of December 2013, Finnair's market value stood at 354.9 million euros (305.0), and the closing price of the share was 2.77 euros (2.38). During the January–December period, the highest price for the Finnair share on the NASDAQ OMX Helsinki Stock Exchange was 3.25 euros (2.64), the lowest price 2.40 euros (1.67) and the average price 2.85 euros (2.24). Some 26.0 million (19.7) of the company's shares, with a total value of 74.2 million euros (44.1), were traded. Traded shares represent 20.3 per cent (15.4) of all shares.

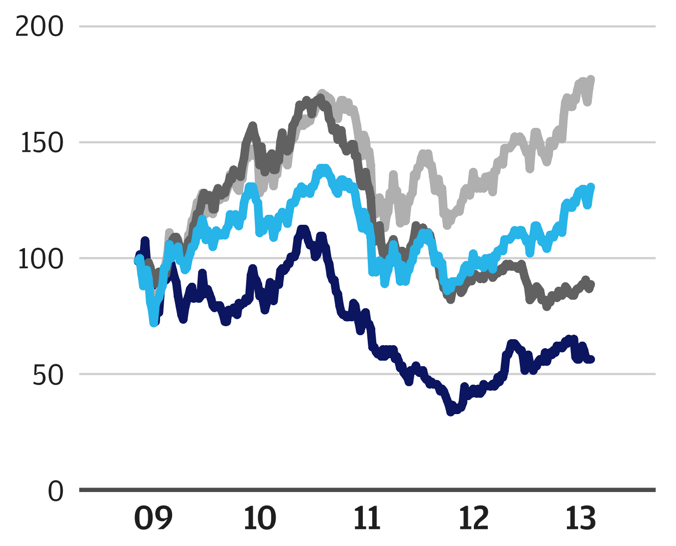
Number of shares and share prices		2013	2012	2011
Average number of shares adjusted for share issue	pcs	128,136,115	128,136,115	128,136,115
Average number of shares adjusted for share issue (with diluted effect)	pcs	128,136,115	128,136,115	128,136,115
The number of shares adjusted for share issue at the end of financial year	pcs	128,136,115	128,136,115	128,136,115
The number of shares adjusted for share issue at the end of financial year(with diluted effect)	pcs	128,136,115	128,136,115	128,136,115
Number of shares, end of the financial year	pcs	128,136,115	128,136,115	128,136,115
Trading price highest	EUR	3.25	2.64	5.37
Trading price lowest	EUR	2.4	1.67	2.3
Market value of share capital Dec. 31	EUR mill.	355	305	295
No. of shares traded	pcs	26,024,070	19,668,495	21,422,076
No. of shares traded as % of average no. of shares	%	20.31	15.35	16.72

Finnair share 2009–2013

Comparison European Airlines



Comparison NASDAQ OMX Helsinki



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. In paying dividends, the aim is to also take into account the company's earnings trend and outlook, financial situation and capital needs for any given period. In 2013, earnings per share from the result of the period (before hybrid bond interest) was 0.08 (0.08) euros, and earnings per share was 0.02 (0.01) euros.

Finnair Plc's distributable equity amounted to 284,038,140.67 euros on 31 December 2013. The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2013.

Corporate responsibility

In March, Finnair published its annual Sustainability Report, which is based on the Global Reporting Initiative (GRI). The report details and assesses the financial, social and environmental sustainability of the Finnair Group's activities in 2012 and proactively discusses topics such as the airline's efforts to reduce greenhouse gas emissions, developments in carbon trading and air traffic management, aviation's role in trade and economic development and the impact of restructuring on personnel.

In June, Finnair was certified as a pioneer in environmental management in IATA's Environmental Assessment (IEnvA) Program. The program is designed to independently assess and improve the environmental management of an airline. It helps airlines improve fuel efficiency, reduce waste and limit greenhouse gas emissions. Finnair is part of a pilot group of airlines that has been developing and participating in the program. The airline assessments are undertaken by independent accredited environmental assessment organisations.

In October, Finnair placed among the leading companies in the Carbon Disclosure Project (CDP), which assesses the quality of environmental reporting related to climate change published by companies from the perspective of identifying business risks and opportunities. Finnair was also included in the CDP Nordic 260 Climate Disclosure Leadership Index (CDLI) for the second consecutive year. The index highlights those companies listed on the Nordic stock exchanges that have displayed a particularly progressive approach to the disclosure of information regarding climate change. The Carbon Disclosure Project is the world's only global environmental disclosure system and represents 722 international investors with assets of over 87 trillion dollars.

Also in 2013, Finnair began employee training on its Code of Conduct updated at the end of 2012. An eLearning course related to the topic was published near the end of the year, and training will continue in 2014.

Significant near term risks and uncertainties

Due to the short booking horizon in passenger and cargo traffic, long-term forecasting of Finnair's business operations is difficult. Aviation is an industry that is globally sensitive to economic cycles and also reacts quickly to external disruptions, seasonal variation and changes in economic trends. Finnair has implemented a comprehensive risk management process to ensure that risks are identified and mitigated as much as possible. The risks and uncertainties described here are considered to potentially have a significant impact on Finnair's business, financial result and future outlook within the next 12 months.

The achievement of the strategic advantages and cost reductions sought through Finnair's partnership projects involve risks due to, for example, changes in partners' business operations.

Negotiations on cost reductions between Finnair and the trade unions representing its employees involve risks that, if realised, could have an effect on the achievement of the company's cost reduction targets, the uninterrupted continuity of its operations and the company's reputation. The achievement of targets in other cost reduction categories included in the cost-reduction program also involve risks.

The aviation industry is affected by a number of regulatory programs at the EU and international levels. Estimating the impact of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory programs include international regulation related to emission trading 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. The European Commission's proposal issued in October 2013 regarding the expansion of emissions trading concerning flights within the EU (so-called stop the clock model or intra-EU ETS) has been met with opposition in certain countries outside the EU, which may have a negative effect on the growth potential of Finnair's Asian traffic, especially in the medium term. The new proposal may also lead to additional costs.

Finnair's risk management and risks related to companys operations are described in more detail on pages 142–146 and on the company's website at www.finnairgroup.com.

Seasonal variation and sensitivities in business operations

Due to the seasonal variation of the airline business, the Group's turnover 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.

A one-percentage-point change in the passenger load factor or the average yield in passenger traffic has an effect of approximately 15 million euros on the Group's operating result. A one-percentage-point change in the unit cost of scheduled passenger traffic has an effect of approximately 17 million euros on the operating result.

In addition to operational activities, fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant cost item. A 10-per-cent change in the world market price of fuel has an effect of approximately 29 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis), taking hedging into account. Without hedging, a 10-per-cent change would have an effect of approximately 63 million euros on Finnair's operating result at an annual level.

Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, aircraft leasing payments and sales revenue denominated in foreign currencies. Slightly less than 60 per cent of the Group's turnover is denominated in euros. In 2013, the most important other foreign sales currencies were the Japanese yen (10 per cent of turnover), the Chinese yuan (6 per cent), the Swedish crown (5 per cent) and the US dollar (4 per cent). Approximately half of the Group's operating costs were denominated in foreign currencies. The most important purchasing currency was the US dollar, which accounted for slightly over 40 per cent of all operating costs. Significant dollar-denominated expense items are aircraft leasing payments and fuel costs as well as traffic charges. The largest investments, namely the acquisition of aircraft and their spare parts, are mainly denominated in US dollars.

A 10-per-cent change in the euro-dollar exchange rate has an effect of approximately 21 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis), taking hedging into account. Without hedging, a 10-per cent change would have an effect of approximately 68 million euros on Finnair's operating result at an annual level. The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar. A 10-per cent change in the euro-yen exchange rate has an effect of approximately 6 million euros on Finnair's operating result at an annual level (for the following 12 months), taking hedging into account. Without hedging, a 10-per-cent change would have an effect of approximately 18 million euros on Finnair's operating result at an annual level.

The company protects itself against the risks of currency, interest rate and jet fuel positions by using different derivative instruments, such as forward contracts, swaps and options, according to the risk management policy verified 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. At the end of 2013, the hedging ratio for fuel purchases was 74 per cent for the first half of 2014 and 66 per cent for the whole year. The hedging ratio for a dollar basket over the following 12 months was 67 per cent, and the hedging ratio for a yen basket was 71 per cent.

Other events in 2013

Finnair inaugurated its new head office at Tietotie 9 in Vantaa, Finland in July. All of the Group's functions in the Helsinki region, with the exception of flying crew and technical services, moved to the new HOTT Building (House of Travel and Transportation) by the end of 2013.

Events after the financial year

PROPOSALS OF THE SHAREHOLDERS' NOMINATION BOARD TO THE ANNUAL GENERAL MEETING

On 31 January 2014, the Shareholders' Nomination Board submitted its proposal on the composition of the Board of Directors to be chosen in Finnair's 2014 Annual General Meeting, and on the Chairman of the Board of Directors and the remunerations of the members of the Board of Directors. The Nomination Board proposes that present members of the Board of Directors Ms Maija-Liisa Friman, Mr Klaus W. Heinemann, Mr Jussi Itävuori, Mr Harri Kerminen and Ms Gunvor Kronman be re-elected, and that Ms Jaana Tuominen and Mr Nigel Turner be elected as new members to the Board of Directors. The Nomination Board further proposes that Mr Klaus W. Heinemann be re-elected as Chairman of the Board. The Nomination Board also proposes, that the annual remunerations of the members of the Board of Directors would remain unchanged. In addition, the Nomination Board proposes, that the meeting fees payable to Board members residing in Finland remain unchanged and to Board members residing abroad the fee of 2,400 (1,200) euros would be paid per meeting of the Board or its Committee.

2014–2016 PERFORMANCE SHARE PLAN

On 10 February 2014, Finnair Board of Directors approved a new performance share plan, covering years 2014–2016, for the key personnel of the Finnair Group. The share plan is a part of Finnair's long-term share-based incentive arrangement that Finnair Board of Directors approved in 2013, and which consists of annually commencing individual plans.

More information on the long-term share-based incentive arrangement and annual share plans is available on Finnair's website www.finnairgroup.com under Governance section.

AIRCRAFT SALE AND LEASEBACKS

The sale and leaseback agreements of two Airbus 330 aircraft owned by Finnair were finalized on 26 February 2014. The Memorandum of Understanding (MoU) on the transactions was signed on 13 December 2013. The MoU includes also two ordered Airbus 350 aircraft, and sale and leaseback agreements for these two are expected to be concluded in H2 2015, when the first two A350s ordered by Finnair are delivered.

Outlook for 2014

The ongoing uncertain economic outlook in Europe and Asia is contributing to weak consumer demand in some of our main markets. Air traffic is expected to grow moderately in 2014. Finnair, however, will not be able to benefit from that growth without progress in its cost savings program and its target cost structure in place.

Finnair estimates its turnover to be close to previous year's level in 2014. Fuel costs are expected to remain high. The outcome of Finnair's ongoing cost-saving negotiations will have a significant impact on financial performance in 2014, and therefore the company will reconsider giving guidance for its full-year 2014 financial performance after the savings negotiations have been concluded.

FINNAIR PLC
Board of Directors

FINANCIAL INDICATORS 2009–2013

INCOME STATEMENT		2013	2012	2011	2010	2009
Turnover	EUR mill.	2,400	2,449	2,258	2,023	1,838
change	%	-2.0	8.5	11.6	10.1	-18.5
Operational result	EUR mill.	-5	43	-61	-5	-171
in relation to turnover	%	-0.2	1.8	-2.7	-0.2	-9.3
Operating profit, EBIT	EUR mill.	-9	34	-88	-13	-115
in relation to turnover	%	-0.4	1,4	-3.9	-0.7	-6.3
Net financial income (+)/expenses (-)	EUR mill.	23	-18	-22	-20	-10
in relation to turnover	%	1.0	-0.7	-1.0	-1.0	-0.5
Net interest expenses	EUR mill.	-10	-13	-14	-16	-6
in relation to turnover	%	-0.4	-0.5	-0.6	-0.8	-0.3
Profit before taxes	EUR mill.	10	15	-111	-33	-125
in relation to turnover	%	0.4	0.6	-4.9	-1.6	-6.8

BALANCE SHEET		2013	2012	2011	2010	2009
Non-current assets	EUR mill.	1,424	1,501	1,621	1,514	1,596
Current assets	EUR mill.	759	699	736	827	842
Assets held for sale	EUR mill.	18	32	0	71	19
Assets total	EUR mill.	2,201	2,231	2,357	2,412	2,457
Shareholders' equity and non-controlling interests	EUR mill.	692	775	747	853	825
Liabilities total	EUR mill.	1,509	1,456	1,610	1,558	1,632
Equity and liabilities total	EUR mill.	2,201	2,231	2,357	2,412	2,457
Gross capital expenditure	EUR mill.	42	41	204	183	347
in relation to turnover	%	1.7	1.7	9.0	9.1	18.9
Average capital employed	EUR mill.	1,314	1,413	1,550	1,636	1,353
Dividend for the financial year *	EUR mill.	0	13	0	0	0
Interest bearing debt	EUR mill.	593	569	729	765	829
Liquid funds	EUR mill.	459	430	403	527	607
Interest bearing net debt	EUR mill.	134	138	326	238	221
in relation to turnover	%	5.6	5.6	14.4	11.7	12.0

KEY FIGURES		2013	2012	2011	2010	2009
Earnings/share	EUR	0.02	0.01	-0.75	-0.24	-0.76
Earnings/share adjusted for option rights (with diluted effect)	EUR	0.02	0.01	-0.75	-0.24	-0.76
Result/share (number of shares at the end of financial year)	EUR	0.02	0.01	-0.75	-0.24	-0.76
Equity/share	EUR	5.41	6.06	5.89	6.67	6.45
Dividend/share*	EUR	0.00	0.10	0.00	0.00	0.00
Dividend/earnings*	%	0.0	121.2	0.0	0.0	0.0
Dividend yield	%	0.0	4.2	0.0	0.0	0.0
Cash flow from operating activities/ share	EUR	0.84	1.21	0.40	0.59	-0.94
P/E ratio		155.88	174.96	-3.07	-21.09	-4.93
Equity ratio	%	32.0	35.4	32.6	36.2	34.2
Net debt-to-equity (Gearing)	%	19.5	18.0	43.3	27.8	26.8
Adjusted gearing	%	77.6	77.8	108.4	79.6	90.0
Return on equity (ROE)	%	1.5	1.4	-10.9	-2.7	-12.1
Return on capital employed (ROCE)	%	2.3	2.8	-5.2	-0.4	-7.8

CASH FLOW		2013	2012	2011	2010	2009
Operational cash flow	EUR mill.	107	155	51	76	-115
in relation to turnover	%	4.5	6.3	2.2	3.7	-6.3

PERSONNEL	2013	2012	2011	2010	2009
Personnel on average	5,859	6,784	7,467	7,578	8,797

* The dividend for year 2013 is a proposal of the Board of Directors to the Annual General Meeting.

CONSOLIDATED INCOME STATEMENT

EUR mill.	Note	2013	2012
Turnover	**2.1, 2.2.1**	**2,400.3**	**2,449.4**
Production for own use	3.1	2.5	1.7
Other operating income	2.2.2	18.8	20.8
Capital gains on sales of tangible fixed assets *	3.8	1.1	22.2
Operating income total		**2,422.8**	**2,494.1**
Staff costs	3.9	383.9	429.2
Fuel costs		689.9	670.3
Lease payments for aircraft		57.5	66.2
Other rents	3.3	152.0	123.2
Aircraft materials and overhaul		161.2	133.1
Traffic charges		222.3	226.0
Ground handling and catering expenses		257.3	247.2
Expenses for tour operations		89.4	96.8
Sales and marketing expenses		72.9	75.7
Depreciation and impairment	4.3	122.1	130.8
Other expenses	3.4	218.1	230.2
Operational expenses total	**3.2**	**2,426.5**	**2,428.7**
Operational result		**-4.8**	**43.2**
Fair value changes of derivatives and foreign currency denominated fleet maintenance reserves	3.8	21.7	-4.0
Non-recurring items	3.8	-26.8	-27.6
Operating expenses total		**2,431.6**	**2,460.3**
Operating profit		**-8.8**	**33.8**
Financial income	5.1	42.6	7.9
Financial expenses	5.1	-19.7	-25.5
Share of profits from associates and joint ventures	1.6	-4.0	-1.4
Profit before taxes		**10.1**	**14.8**
Income taxes	6.1	1.0	-4.3
Profit for the financial year		**11.0**	**10.5**
Attributable to			
Owners of the parent company		10.8	10.2
Non-controlling interests		0.3	0.3
Earnings per share from profit attributable to shareholders of the parent company			
Earnings per share (diluted and undiluted)		0.02	0.01

* Not included in the operational result.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	Note	2013	2012
Profit for the financial year		**11.0**	**10.5**
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Translation differences	5.9	0.0	0.0
Change in fair value of available-for-sale financial assets	5.9	-13.8	20.8
Change in fair value of hedging instruments	5.9	-5.3	-48.3
Tax effect		4.4	6.7
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	3.9.2	0.4	-47.8
Tax effect		-0.6	11.7
Other comprehensive income items total		**-15.0**	**-56.9**
Comprehensive income for the financial year		**-3.9**	**-46.4**
Attributable to			
Owners of the parent company		-4.2	-46.6
Non-controlling interests		0.3	0.2

CONSOLIDATED BALANCE SHEET

EUR mill.	Note	31 Dec 2013	31 Dec 2012 Restated	1 Jan 2012 Restated
ASSETS				
Non-current assets				
Intangible assets	4.1	19.3	25.5	32.3
Tangible assets	4.2	1,309.8	1,362.6	1,468.2
Investments in associates and joint ventures	1.6	8.2	12.3	13.7
Loan and other receivables	5.2.1	20.5	22.7	24.6
Pension receivables	3.9.2	0.0	0.0	43.5
Deferred tax receivables	6.1	65.8	77.6	75.2
Non-current assets total		**1,423.6**	**1,500.7**	**1,657.5**
Current assets				
Inventories	3.6	19.9	17.1	48.9
Trade and other receivables	2.2.3	237.1	217.5	183.2
Derivative financial instruments	5.8	43.6	33.6	100.1
Other financial assets	5.2	335.9	363.5	353.8
Cash and cash equivalents	5.2.3	122.9	67.0	49.5
Current assets total		**759.4**	**698.7**	**735.5**
Assets held for sale	1.5	17.7	31.9	0.0
ASSETS TOTAL		**2,200.6**	**2,231.3**	**2,393.0**

EUR mill.	Note	31 Dec 2013	31 Dec 2012 Restated	1 Jan 2012 Restated
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	5.9	75.4	75.4	75.4
Other equity	5.9	615.7	699.0	703.6
		691.1	**774.4**	**779.0**
Non-controlling interests		0.7	0.9	0.7
Equity total		**691.8**	**775.3**	**779.7**
Non-current liabilities				
Deferred tax liability	6.1	72.6	91.6	107.3
Borrowings	5.3	410.9	413.5	516.0
Pension obligations	3.9.2	10.6	3.6	0.0
Provisions	3.7	69.3	82.3	86.9
Non-current liabilities total		**563.4**	**591.0**	**710.2**
Current liabilities				
Provisions	3.7	40.5	38.2	46.0
Borrowings	5.3	207.5	174.2	229.9
Trade payables		61.6	70.3	69.1
Derivative financial instruments	5.8	29.1	18.5	17.0
Deferred income	2.2.4	340.8	288.0	267.1
Employee benefit related accruals	3.9	94.7	104.3	102.8
Other expenses related accruals	3.5	169.0	169.3	171.2
Current liabilities total		**943.2**	**862.8**	**903.1**
Liabilities related to assets held for sale	1.5	2.3	2.2	0.0
Liabilities total		**1,508.9**	**1,456.0**	**1,613.3**
EQUITY AND LIABILITIES TOTAL		**2,200.6**	**2,231.3**	**2,393.0**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	2013	2012
Cash flow from operating activities		
Profit for the financial year	11.0	10.5
Non-cash transactions [1]	97.3	119.5
Other adjustments to profit for the financial year		
Financial income	-42.6	-7.9
Financial expenses	19.7	23.3
Share of results from associates and joint ventures	4.0	1.4
Income taxes	-1.0	4.3
Changes in working capital	35.8	22.2
Interest paid	-12.1	-16.7
Other financial expenses paid	-3.8	-6.0
Received interest income	1.4	4.2
Taxes paid	-2.7	-0.1
Cash flow from operating activities	**107.0**	**154.7**
Cash flow from investing activities		
Investment in associates and joint ventures	0.0	-0.7
Investments in intangible assets	-2.3	-4.8
Investments in tangible assets	-61.0	-53.3
Net change in financial interest bearing assets at fair value through profit or loss [2]	14.6	-5.2
Net change in shares classified as available for sale	53.7	0.1
Sales of tangible assets	8.9	10.6
Dividends received	1.2	0.1
Change in non-current receivables	1.0	-1.0
Cash flow from investing activities	**16.1**	**-54.2**
Cash flow from financing activities		
Proceeds from loans	150.0	71.0
Loan repayments and changes	-115.0	-207.9
Hybrid bond repayments	-52.4	-67.7
Proceeds from hybrid bond	0.0	120.0
Hybrid bond interest and expenses	-15.4	-14.3
Purchase of own shares	-1.7	0.0
Dividends paid	-13.0	0.0
Cash flow from financing activities	**-47.4**	**-98.9**
Change in cash flows	**75.7**	**1.6**
Change in liquid funds		
Liquid funds, at beginning	256.1	254.5
Change in cash flows	75.7	1.6
Liquid funds, at end [3]	**331.8**	**256.1**

Notes to consolidated cash flow statement

[1] Non-cash transactions:

EUR mill.	2013	2012
Depreciation	122.1	130.8
Employee benefits	7.3	12.3
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	-21.7	4.0
Other adjustments	-10.5	-27.6
Total	**97.3**	**119.5**

[2] Net change in financial interest bearing assets maturing after more than three months.

[3] Liquid funds

Financial assets include cash and cash equivalents and investments, which are reported in the separate accounts of balance sheet. The balancing of items is presented below:

EUR mill.	2013	2012
Other financial assets	335.9	363.5
Cash and cash equivalents	122.9	67.0
Short-term cash and cash equivalents in balance sheet	**458.8**	**430.5**
Maturing after more than three months	-126.5	-141.1
Shares available for sale	-0.4	-33.3
Total	**331.8**	**256.1**

Cash and cash equivalents include cash and bank deposits as well as other highly liquid financial assets which mature within three months. Such items are e.g. certificate of deposits and commercial papers. Balance sheet items are presented in notes 5.2.2 Other current financial assets and 5.2.3 Cash and cash equivalents.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Owners of the parent company	Non-controlling interests	Equity total
Shareholders´ equity 1 Jan 2013	**75.4**	**168.1**	**0.0**	**247.1**	**112.6**	**171.1**	**774.3**	**0.9**	**775.2**
Profit for the financial year					10.8		10.8	0.3	11.0
Change in fair value of available-for-sale financial assets			-10.4				-10.4		-10.4
Change in fair value of hedging instruments			-4.2				-4.2		-4.2
Actuarial gains and losses from defined benefit plans			-0.2				-0.2		-0.2
Translation differences			0.0				0.0		0.0
Comprehensive income for the financial year total	**0.0**	**0.0**	**-15.0**	**0.0**	**10.8**	**0.0**	**-4.2**	**0.3**	**-3.9**
Dividend					-12.7		-12.7	-0.5	-13.2
Purchase of own shares				-1.7			-1.7		-1.7
Share-based payments				1.9	-0.3		1.5		1.5
Hybrid bond repayment						-52.1	-52.1		-52.1
Hybrid bond interests and expenses					-14.1		-14.1		-14.1
Shareholders´ equity 31 Dec 2013	**75.4**	**168.1**	**-15.0**	**247.3**	**96.3**	**118.9**	**691.1**	**0.7**	**691.8**

EUR mill.	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Owners of the parent company	Non-controlling interests	Equity total
Shareholders´ equity 31 Dec 2011	**75.4**	**168.1**	**29.8**	**247.2**	**111.9**	**119.4**	**751.8**	**0.7**	**752.5**
Change in accounting principles (IAS 19)			27.2				27.2		27.2
Shareholders´ equity 1 Jan 2012	**75.4**	**168.1**	**57.0**	**247.2**	**111.9**	**119.4**	**779.0**	**0.7**	**779.7**
Profit for the financial year					10.3		10.3	0.2	10.5
Change in fair value of available-for-sale financial assets			15.7				15.7		15.7
Change in fair value of hedging instruments			-36.5				-36.5		-36.5
Actuarial gains and losses from defined benefit plans			-36.1				-36.1		-36.1
Translation differences			0.0				0.0		0.0
Comprehensive income for the financial year total	**0.0**	**0.0**	**-56.9**	**0.0**	**10.3**	**0.0**	**-46.6**	**0.2**	**-46.4**
Purchase of own shares					0.3		0.3		0.3
Hybrid bond repayment, interests and expenses					-10.1	-68.3	-78.4		-78.4
Proceeds from hybrid bond						120.0	120.0		120.0
Shareholders´ equity 31 Dec 2012	**75.4**	**168.1**	**0.1**	**247.2**	**112.5**	**171.1**	**774.4**	**0.9**	**775.3**

Hybrid bond at the end of 2013 includes the 120 million euro hybrid loan issued in 2012, which after deduction of transaction costs amounts to 118.9 million euros. The decrease of 52.1 million euros in hybrid bond during 2013 relate to redemption of the outstanding share of the previous hybrid bond issued in 2009. More information on hybrid bond can be found in note 5.9 Equity-related information.

NOTES TO THE FINANCIAL STATEMENTS

1. CONSOLIDATION

Notes under Consolidation –section include basis of preparation and description of general accounting principles as well as notes that provide information relating to consolidation principles and methods. Aim of the section is to provide an overall picture of the group's structure and principles applied in preparing consolidated financial statements. Notes include in addition to general consolidation principles, information about subsidiaries, associated companies and joint ventures held, acquired or sold by the group as well as information about assets held for sale.

1.1 ACCOUNTING PRINCIPLES

HOW SHOULD THE FINNAIR'S ACCOUNTING PRINCIPLES BE READ?

Finnair describes the accounting principles in conjunction with each note in the aim of providing enhanced understanding of each accounting area. General consolidation principles are described as part of this note (accounting principles), while the ones more directly related to a specific note are attached to the corresponding note. The Group focuses on describing the accounting choices made within the framework of the prevailing IFRS policy and avoids repeating the actual text of the standard, unless Finnair considers it particularly important to the understanding of the note's content. Refer to the table below to see the note in which each accounting principle is listed and for the relevant and material IFRS standard.

Accounting principle	Note	Nr.	IFRS
Consolidation principles of subsidiaries	Subsidiaries	1.3	IAS 27
Non-controlling interests and transactions with non-controlling interests	Subsidiaries	1.3	IAS 27
Assets and liabilities held for sale	Non-current assets and liabilities held for sale	1.5	IFRS 5
Associates and joint ventures	Investments in associates and joint ventures	1.6	IAS 28
Segment reporting	Segment information	2.1	IFRS 8
Revenue recognition, other income and trade receivables	Operating income	2.2	IAS 18, IAS 39, IFRS 7
Inventories	Inventories	3.6	IAS 2
Provisions	Provisions	3.7	IAS 37
Employee benefits and share-based payments	Employee benefits	3.9	IAS 19, IFRS 2
Pensions	Pensions	3.9.2	IAS 19
Intangible assets	Intangible assets	4.1	IAS 38
Tangible assets	Tangible assets	4.2	IAS 16
Depreciation and amortization, Impairment testing	Intangible assets, Tangible assets	4.1, 4.2	IAS 16, IAS 36, IAS 38
Operating and finance lease arrangements	Leasing arrangements	4.4	IAS 17
Interest and dividend income	Financial income and expenses	5.1	IAS 18, IAS 39
Financial assets and impairment of financial assets, cash and cash equivalents	Financial assets	5.2	IAS 39, IFRS 7
Financial liabilities	Financial liabilities	5.3	IAS 39, IFRS 7
Contingent liabilities	Contingent liabilities	5.4	IAS 37
Derivative contracts and hedge accounting	Derivatives	5.8	IAS 39, IFRS 7
Equity, dividend and treasury shares	Equity-related information	5.9	IAS 32, IAS 33
Income and deferred taxes	Income taxes	6.1	IAS 12

DESCRIPTION OF THE COMPANY

The Finnair Group engages in worldwide air transport operations and supporting services. The Group's operations are divided into the Airline Business, Aviation Services and Travel Services business areas. The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 9, Vantaa. The parent company is listed on the NASDAQ OMX Helsinki Stock Exchange. The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 10 February 2014. Under Finland's Limited Liability Companies Act, shareholders have the option to accept or reject the financial statements in the Annual General meeting of the shareholders, which will be held after the publication of the financial statements.

BASIS OF PREPARATION

Finnair Plc's consolidated financial statements for 2013 have been prepared according to the International Financial Reporting Standards (IFRS) and IFRIC interpretations in effect on 31 December 2013 and as adopted by the European Union. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

The 2013 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognisable through profit and loss at fair value, financial assets available-for-sale, and derivative contracts, which have been valued at fair value. Financial statement data is presented in millions of euros, rounded to the nearest one hundred thousand euro. This means that the sum of the individual figures may differ from the total shown.

Presentation of Consolidated Income Statement and Balance Sheet

The IAS 1 Presentation of Financial Statements standard does not define 'operating result.' The Group has defined it as follows: operating profit is the net amount including turnover and other operating income, less purchase costs adjusted by change in inventories and costs arising from production for own use, less costs arising from employee benefits, depreciation and possible impairment losses as well as other operating expenses. Exchange rate differences and changes in fair values of derivatives are included in operating profit if they arise from items related to business operations; otherwise they are recognised in financial items. Operating result excludes financial items, share of results from associates and joint ventures and income taxes.

Consolidated income statement includes, in addition to operating result, operational result which is presented to better reflect the Group's business performance when comparing results to previous periods. Operational result doesn't include capital gains and losses, changes in the value of foreign currency denominated fleet maintenance reserves, changes in the unrealised fair value of derivatives or non-recurring items.

In Consolidated balance sheet, assets and liabilities are classified as current when they are expected to realize within 12 months or when they are classified as liquid funds or financial assets or liabilities classified as at fair value through profit or loss. Other assets and liabilities are classified as non-current assets or liabilities.

Use of estimates

The preparation of financial statements in accordance with IFRS standards requires Group management to make certain estimates and judgements in applying the accounting principles. Information about the judgement exercised by management in applying the Group's accounting principles and the areas where estimates and judgements have biggest impact in the financial statements are presented in the note 1.2 Critical accounting estimations and sources of uncertainty.

i = Content of the section

Application of new and amended IFRS standards and IFRIC interpretations

The following standards have been adopted by the group for the first time for the financial year beginning on 1 January 2013:

- IAS 19, 'Employee benefits' was revised in 2011, and it changed accounting for defined benefit plans by eliminating the corridor approach. Accordingly actuarial gains and losses are immediately recognised in the period they occur in equity. The revised standard did not have material effect to group's results; however it impacted equity through other comprehensive income (OCI).
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from the amendments is a requirement to classify items presented in 'other comprehensive income' (OCI) to those that are potentially reclassifiable to profit or loss subsequently and to those that cannot be reclassified through profit and loss. The amendment changed presentation of other comprehensive income and did not have impact on group's results and financial position.
- Amendment to IFRS 7, 'Financial instruments: Disclosures,' on asset and liability offsetting. This amendment includes new disclosure and it did not impact group's results or financial position.
- IFRS 13, 'Fair value measurement,' aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The change did not impact group's results or financial position.
- Annual Improvements to IFRSs 2009-2011 Cycle, issued in May 2012 . The improvements primarily remove inconsistencies and clarify wording of standards. Amendments did not have an impact on Finnair's financial statements.

Finnair will apply the following new or amended standards and interpretations starting from 1 January 2014.

- IFRS 10, 'Consolidated financial statements' identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for using the equity method. Due to new standard, IAS28 was revised to be in consistent with new standard.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Finnair has assessed the effect of the new standards by evaluating the nature of ownership interests in its current holdings. Based on the evaluation, new standards of IFRS 10, 11 and 12 will not change the existing consolidation method for currently held subsidiaries, associated companies and joint ventures. Those that have currently been classified as joint ventures will continue to be accounted for by using equity method.

Other amendments, interpretations or new standards effective on or after 1 January 2014 are not expected to have any significant impact on Finnair's financial statement.

GENERAL CONSOLIDATION PRINCIPLES

Consolidation

Consolidation, consolidation method and classification of ownership interests depends on whether group has power to control, significant influence or other interests in the entity. When group has power to control the entity, it is consolidated as subsidiary in the group according to principles described in the note 1.3 Subsidiaries. When group has significant influence over an entity but does not have power to control, entity is accounted with equity method according to principles set in note 1.6 Investments in associates and joint ventures. If group does not have power to control nor significant influence in entity, its ownership interests are classified as financial assets available for sale and accounted for according to principles described in the note 5.2 Financial assets.

Translation of foreign currency items

Items included in each subsidiary's financial statements are valued in the foreign currency that is the main currency of operating environment of each subsidiary ("operational currency"). The consolidated financial statements have been presented in euros, which is the parent company's operational and presentation currency. The income statements and Balance Sheets of foreign subsidiaries have been translated into euros using following principles:

- Monetary items denominated in foreign currency have been translated into the operating currency using the mid-market exchange rates on the closing date.
- Advance payments made and received are entered at the exchange rate of the operating currency on the date of payment.
- Non-monetary items have been translated into the operating currency using the exchange rate on the date of the transaction.
- Translation differences on operations are included in the income statement's operating profit, and translation differences on foreign currency loans are included in financial items.

Translation differences of shareholders' equity items arising from eliminations of the acquisition cost of foreign subsidiaries are recognised in the other comprehensive income. When a foreign subsidiary is sold, related translation differences are recognised in the income statement as part of the gain or loss arising from the sale. Goodwill arising from an acquisition of a foreign entity is treated as an asset of that entity and translated at the closing rate.

1.2 CRITICAL ACCOUNTING ESTIMATIONS AND SOURCES OF UNCERTAINTY

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements. Estimates are based on management's best view on the closing date. Possible changes in estimates and assumptions are entered into the accounts in the financial period during which the estimates and assumptions are adjusted and in all subsequent financial periods.

! The identified main critical estimates and sources of uncertainty are presented in connection to the items considered to be affected, attached to the corresponding note. The table below shows where to find more information about those presentations. !

Critical accounting estimations and sources of uncertainty	Note number	Note
Impairment testing	4.1, 4.2	Intangible assets, Tangible assets
Judgements of classifying lease arrangements	4.4	Leasing arrangements
Finnair Plus Customer Loyalty Program	2.2	Operating income
Deferred taxes	6.1	Income taxes
Pension obligations	3.9.2	Pensions

! = Critical accounting estimates

1.3 SUBSIDiARIES

A Consolidation principles of subsidiaries

Finnair Plc's consolidated financial statements include the parent company Finnair Plc and all its subsidiaries. The subsidiaries are defined as companies where the parent company directly or indirectly owns more than 50% of the votes or where Finnair otherwise has the power to govern the financial and operating policies. The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control, and disposed subsidiaries until the control ceases.

Acquired and established companies are accounted for using the acquisition method of accounting. Accordingly, the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess between purchase price and fair value of the Group's share of the identifiable net assets is recognised as goodwill.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless there is evidence of impairment related to the transferred asset. The accounting principles of subsidiaries have been changed to correspond Group's accounting policies.

Non-controlling interest and transactions with non-controlling interest

Non-controlling interests are presented within the equity in the Consolidated Balance Sheet, separated from equity attributable to owners of the parent. For each acquisition the non-controlling interest can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The carrying amount of non-controlling interests is the amount of the interests at initial recognition added with the non-controlling interests' share of subsequent changes in equity. Transactions with non-controlling interests are regarded as transactions with equity owners. A

Principal subsidiaries

Name of the company	Group ownership %	Name of the company	Group ownership %
Finnair Cargo Oy, Helsinki	100.00	FTS Financial Services Oy, Helsinki	100.00
Finnair Cargo Terminal Operations Oy, Helsinki	100.00	Finnair Travel Retail Oy, Helsinki	100.00
Amadeus Finland Oy, Helsinki	95.00	LSG Sky Chefs Finland Oy (Finnair Catering Oy), Vantaa *	100.00
Suomen Matkatoimisto Oy (Matkatoimisto Oy Area), Helsinki	100.00	Finnair Aircraft Finance Oy, Helsinki	100.00
A/S Estravel Ltd, Estonia	72.02	Finnair ATR Finance Oy, Helsinki	100.00
Backoffice Services Estonia Oü, Estonia	100.00	Finnair Technical Services Oy, Helsinki	100.00
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	100.00	Finnair Engine Services Oy, Helsinki	100.00
Toivelomat Oy, Helsinki	100.00	Finnair Flight Academy Oy, Helsinki	100.00
OOO Aurinkomatkat, Russia	100.00	Finncatering Oy, Vantaa	100.00
OOO Aurinko (Calypso World of Travel), Russia	100.00	Northport Oy, Helsinki	100.00
Matkayhtymä Oy, Helsinki	100.00	Finland Travel Bureau Ltd, Helsinki	100.00
Aurinko Oü (Horizon Travel Oü), Estonia	100.00	IC Finnair Ltd, Great Britain **	100.00

* The group has made an co-operation agreement which includes a call option and ceased control over the company.
** IC Finnair Ltd is a fully owned captive insurance company in Guernsey which rearnings are subject to normal taxation in Finland.

1.4 ACQUISITIONS AND DISPOSALS

During the financial year 2013 and 2012 the Group didn't have any acquisitions. During 2013 Finnair Group didn't have any disposals. During 2012 Finnair signed a co-operation agreement related to transferring of business operations of Finnair Catering Oy to LSG Sky Chefs. Due to contractual arrangements, Finnair Group has no power to control Finnair Catering Oy and the company has not been consolidated into Finnair Group from 1 August 2012 onwards.

1.5 NON CURRENT ASSETS AND LIABILITIES HELD FOR SALE

A Accounting principles

Non-current assets held for sale or disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable, during the following twelve months.

Immediately before classification, assets held for sale or assets and liabilities of disposal groups are valued at the lower of the carrying amount or their fair value less cost to sell. Depreciation of these assets is discontinued at the moment of classification. A

Non-current assets and liabilities held for sale for 2013 and 2012 include inventories and tangible asset related to Finnair technical operation's restructuring. In addition, non-current assets and liabilities held for sale include figures of subsidiary Finncatering Oy.

The book value of the assets held for sale

EUR mill.	2013	2012
Tangible assets	9.8	16.7
Inventories	5.4	12.3
Trade and other receivables	2.5	2.9
Total	**17.7**	**31.9**

The book value of the liabilities held for sale

EUR mill.	2013	2012
Trade payables and other liabilities	2.3	2.2
Total	**2.3**	**2.2**

A = Accounting principles

1.6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

A Associates are companies in which the Group usually holds 20–50% of the voting right or in which the Group has significant influence but in which it does not exercise control. Companies where the Group has joint control with another entity are considered as joint ventures. The Group's interests in associated companies and jointly controlled entities are accounted for using the equity method. The investment in associates and joint ventures include goodwill recognised at the time of acquisition. The Group recognises its share of the post-acquisition results in associates and joint ventures in the income statement. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations on behalf of the associate or joint venture.

Results from the transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investor's interests in the associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint ventures is impaired. In case of such indications, Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The impairment is recognized in share of profits from associates and joint ventures.

Accounting policies of associates and joint ventures have been changed where necessary to correspond with the accounting policies adopted by the Group. If financial statements for the period are not available, the share of the profit of certain associated company or joint venture is included in the consolidated accounts based on the preliminary financial statements or latest available information. A

The Group's share of the result in associates and joint ventures, and information on assets and liabilities of principal associates and joint ventures are presented in the following tables.

EUR mill.	2013	2012
At the beginning of the financial year	12.3	13.7
Shares of results	-4.0	-1.4
Additions	0.0	3.3
Disposals	0.0	-3.3
At the end of the financial year	**8.2**	**12.3**

Financial Statement information on the Group's principal associates and joint ventures 31.12.2013

EUR mill.	Domicile	Assets	Liabilities	Turnover	Profit/Loss	Holding %
Amadeus Estonia	Estonia	0.7	0.3	1.2	0.4	33.25
Nordic Global Airlines Oy	Finland	8.0	5.0	27.7	0.0	40.00
Flybe Nordic Ab *	Sweden	43.6	54.6	236.1	-15.8	40.00
Kiinteistö Oyj Lentäjäntie 1	Finland	26.5	20.2	1.5	0.0	28.33
Total		**78.7**	**80.1**	**266.5**	**-15.5**	

* According to official financial statment of Flybe Finland Oy as per 31 March 2013, which is holding-company Flybe Nordic Ab's subsidiary and responsible of the operations in the Flybe Nordic group.

Financial Statement information on the Group's principal associates and joint ventures 31.12.2012

EUR mill.	Domicile	Assets	Liabilities	Turnover	Profit/Loss	Holding %
Amadeus Estonia	Estonia	0.7	0.4	0.7	0.2	33.25
Nordic Global Airlines Oy	Finland	7.2	4.2	28.6	0.6	40.00
Flybe Nordic Ab	Sweden	11.2	7.6	26.6	-5.5	40.00
Kiinteistö Oyj Lentäjäntie 1	Finland	27.4	19.5	1.4	0.0	28.33
Total		**45.8**	**31.3**	**56.6**	**-4.9**	

All the associated companies and joint ventures of Finnair are unlisted. Amadeus Finland's associated company Amadeus Estonia ensures consistent products and services to Finnish travel companies operating in Estonia and helps to increase cooperation between Estonian travel agencies and Finnish travel service providers. Nordic Global Airlines Oy is a freight airline co-owned by Finnair Cargo Oy, Ilmarinen and Neff Capital Management. Flybe Nordic, owned by Finnair Plc and Flybe UK, is a regional airline operating in the Nordic countries and the Baltic states. During 2012 the shares of the Finnish Aircraft Maintenance Oy were exchanged to Flybe Nordic shares. The transaction did not effect the share of ownerships.

A = Accounting principles

2 SEGMENTS AND INCOME

i Segments and income include segment information and notes related to revenue and other operating income both from income statement and balance sheet perspective. i

2.1 SEGMENT INFORMATION

A Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. Segments are defined based on Group's business areas. A

Reporting segments are based on the Group's business area based internal organisational structure and financial reporting to management. The reporting segments are Airline Business, Aviation Services and Travel Services.

Airline Business is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft. The Airline Business segment comprises Finnair air traffic, Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy, Finnair Flight Academy Oy and Finnair Aircraft Finance Oy.

Aviation Services consists after the structural changes in 2012 of aircraft maintenance and the operations of Finncatering Oy and Finnair Travel Retail Oy. The business operations of Finnair Catering Oy, which were transferred to LSG Sky Chefs on 1 August 2012, are included in the segment's figures for the comparison year until 31 July 2012. In addition, most of Finnair's property holdings, office services and the management and maintenance of properties related to the company's operational activities also belong to the Aviation Services business area.

Travel Services consists of the Group's domestic and foreign travel agency operations as well as tour operations and travel sector software business operations. The following companies belong to the Travel Services segment: Oy Aurinkomatkat-Suntours Ltd Ab, Matkayhtymä Oy, Toivelomat Oy, Horizon Travel Oü, OOO Aurinko, Amadeus Finland Oy, Finland Travel Bureau Ltd, Matkatoimisto Oy Area and A/S Estravel.

Transactions between segments are based on commercial terms. Items excluded from operating profit are not allocated to segments. Personnel working in group functions is presented separately, but costs from group functions are allocated to segments.

Business segment data 2013

EUR mill.	Airline Business	Aviation Services	Travel Services	Group eliminations	Group functions	Group total
External turnover	2,052.5	96.8	251.0			2,400.3
Internal turnover	121.4	99.4	0.7	-221.6		0.0
Turnover	2,174.0	196.3	251.7	-221.6		2,400.3
Operating profit	**24.8**	**-35.2**	**1.6**			**-8.8**
Operational result	**5.7**	**-13.6**	**3.1**			**-4.8**
Share of profits from associates and joint ventures						-4.0
Financial income						42.6
Financial expenses						-19.7
Income taxes						1.0
Non-controlling interests						-0.3
Profit for the financial year						**10.8**
Depreciation and impairment	113.2	7.4	1.5			122.1
Average number of employees	3,619	1,215	751		274	5,859
Employees at the end of year	3,677	1,106	730		290	5,803

Business segment data 2012

EUR mill.	Airline Business	Aviation Services	Travel Services	Group eliminations	Group functions	Group total
External turnover	2,050.5	116.0	282.9			2,449.4
Internal turnover	136.5	203.5	1.5	-341.5		0.0
Turnover	2,187.0	319.5	284.4	-341.5		2,449.4
Operating profit	**30.2**	**-1.3**	**4.9**			**33.8**
Operational result	**39.6**	**-2.0**	**5.6**			**43.2**
Share of profits from associates and joint ventures						-1.4
Financial income						7.9
Financial expenses						-25.5
Income taxes						-4.3
Non-controlling interests						-0.3
Profit for the financial year						**10.2**
Depreciation and impairment	112.9	16.5	1.4			130.8
Average number of employees	3,660	1,984	855		285	6,784
Employees at the end of year	3,784	1,518	810		256	6,368

i = Content of the section
A = Accounting principles

2.2 OPERATING INCOME

i Operating income -section includes both income statement and balance sheet notes that relate to turnover and operating income, The aim is to provide more coherent picture of income related items effecting Finnair's result and financial position. Trade receivables and deferred income containing mainly prepaid flight tickets and travel tour services are presented in connection with this section, because those are an essential part in revenue recognition. i

A Revenue recognition

Revenue comprises the fair value consideration received or receivable at the time of delivery of products or upon fulfilment of services. Revenue is shown net of discounts and indirect taxes. Revenue is recognised as described below.

Airline Business sales are recognised as revenue when the flight is flown in accordance with the flight traffic program. The recognition as revenue of unused flight tickets is based on the expiry dates of the tickets.

Finnair Plus' Customer Loyalty Program offers to customers a possibility to use earned loyalty points to acquire services or goods from the Group's supply of services. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. The arrangement is a multiple-element arrangement and the revenue is recognised partly when the original acquisition is purchased and the rest when the accrued points are used to acquire a service or a good.

Aviation Services provide aircraft maintenance services mainly for group companies and due to restructurings decreasingly to external parties. The related revenue is recognised when the service has been completely performed. Revenue related to travel retail and catering businesses are mostly sale of goods and recognised at the moment the goods are transferred to the buyer.

Revenue related to Travel Services is recognised when the service has been performed, i.e. in case of tour operation services at the date of departure and in commission sales at the time of sale. In commission based sales, only the part of commission is included in the revenue.

Public grants

Public grants, for example government aid for professional training, have been recognised in other operating income. Public grants that the Group may receive for tangible asset acquisitions are recognised as a reduction in original acquisition cost and depreciated along with the original asset during the useful life.

Trade receivables

Trade receivables are recognised at fair value. When the Group has objective evidence that it may not be able to collect all trade receivables that are due, a bad debt provision is recognised. Financial difficulties that indicate that a customer is going into bankruptcy, financial restructuring or substantial delays in payments are examples of objective evidence that might cause trade receivables to be impaired. Impairment of trade receivables is recognised in other operating expenses. A

! Finnair Plus Customer Loyalty Program

Valuation and revenue recognition related to Finnair Plus -debt requires judgement of management especially related to fair valuation of unused points and timing of revenue recognition related to points expected to expire. The points of the Finnair Plus Customer Loyalty Program are valued according to the IFRIC 13 to the market value. The market value is determined from the allocation of the used points. Each form of uses is valued using the best estimates for the market value. The liability recognised is the total of accumulated points where the points expected to lapse are decreased. The net amount of points are valued using the above explained method and that amount is recognised as a liability in balance sheet. !

2.2.1 Turnover by currency

EUR mill.	2013	2012
EUR	1,389.7	1,387.0
JPY	230.4	305.3
CNY	135.3	72.2
SEK	115.0	106.1
USD	83.4	75.4
Other currencies	446.6	503.5
Total	**2,400.3**	**2,449.4**

Currency hedging policies are described in the note 5.5 Management of financial risks.

2.2.2 Other operating income

EUR mill.	2013	2012
Rental income	10,6	8,4
Other income	8,2	12,4
Total	**18,8**	**20,8**

2.2.3 Trade and other receivables

EUR mill.	2013	2012
Trade receivables	123.2	120.7
Prepaid expenses, accrued income and other receivables total	113.9	96.8
Receivables from associates and joint ventures	36.1	22.5
Other prepaid expenses, accrued income and other receivables	77.8	74.3
Total	**237.1**	**217.5**

The fair value of trade receivables do not materially differ from balance sheet value.
Receivables from associates and joint ventures are mainly receivables from Flybe.
Prepaid expenses, accrued income and other receivables include mainly aircraft lease prepayments.

i = Content of the section
A = Accounting principles
! = Critical accounting estimates

Aging analysis of trade receivables	2013	2012
Not overdue	112.6	116.3
Overdue less than 60 days	5.1	0.8
Overdue more than 60 days	5.5	3.6
Total	**123.2**	**120.7**

The Group has recognised credit losses from trade receivables 0.8 million euros (3.6) during the financial year. Trade receivables do not contain significant credit risk because of diversity in customer basis. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Trade receivables by currency

EUR mill.	2013	2012
EUR	60.6	61.6
USD	15.8	16.9
JPY	8.3	7.8
CNY	5.5	4.2
SEK	5.1	4.5
Other currencies	27.8	25.8
Total	**123.2**	**120.7**

2.2.4 Deferred income

EUR mill.	2013	2012
Unflown air transport revenues	255.6	204.6
Advances received for tour operations	32.7	35.8
Loyalty program Finnair Plus	32.2	32.5
Other items	20.3	15.0
Total	**340.8**	**288.0**

Deferred income includes prepaid, yet unflown flights (255,6) and package tours (32,7), whose departure date is in future. Finnair Plus liability (32,2) comprises unused points accumulated by the air travel and purchases of loyalty customers. These points are recognised at fair value based on the estimated timing and value of their realisation.

Other items in deferred income consists of several items, none of which are individually significant.

i = Content of the section

3 OPERATING EXPENSES

i Operating expenses -section include the income statement and balance sheet notes related to operating expenses, aiming to provide better overview of business operations and related expenses. Inventories, that inherently relate to overhaul expenses, as well as heavy maintenance provisions of aircraft are included in the operating expenses -section. Accrued expenses, like liabilities related to jet fuel and traffic charges, are also presented in this section. All the income statement and balance sheet items related to employee benefits are also presented in this section as a separate note. Employee benefits include the different forms of benefits, like share-based payments and pensions as well as their effect to balance sheet, and information on management remuneration. i

3.1 PRODUCTION FOR OWN USE

EUR mill.	2013	2012
Component production	2.0	1.4
Heavy maintenance	0.6	0.3
Total	**2.5**	**1.7**

3.2 OPERATIONAL EXPENSES BY CURRENCY

EUR mill.	2013	2012
EUR	1,302.5	1,254.1
USD	983.9	1,036.9
JPY	31.6	34.8
CNY	15.9	10.7
SEK	13.2	14.1
Other currencies	79.5	78.0
Total	**2,426.5**	**2,428.7**

Currency hedging policies are described in the note 5.5 Management of financial risks.

3.3 OTHER RENTS

EUR mill.	2013	2012
Rental of cargo capasity	18.7	18.4
Other rental of flight capasity	93.2	63.3
Office and other rents	40.1	41.5
Total	**152.0**	**123.2**

3.4 OTHER EXPENSES

EUR mill.	2013	2012
IT expenses and booking fees	82.3	84.5
Other items	135.8	145.7
Total	**218.1**	**230.2**

Other items consists of several items, none of which are individually significant.

Audit fees in other expenses

EUR mill.	2013	2012
PricewaterhouseCoopers Oy		
Auditor's fees	0.2	0.2
Tax advising	0.1	0.0
Other fees	0.1	0.1
Total	**0.4**	**0.3**

3.5 ACCRUALS RELATED TO OTHER EXPENSES

EUR mill.	2013	2012
Jet fuels and traffic charges	78.3	80.8
Aircraft materials and overhaul	11.9	12.0
Expenses for tour operations	10.3	11.9
Other items	68.6	64.7
Total	**169.0**	**169.3**

Other items consists of several items, none of which are individually significant.

3.6 INVENTORIES

A **Inventories**

The Group's inventories include the aircraft spare parts and work in progress related to overhaul of aircrafts. Inventories are carried at the lower of acquisition cost and net realisable value. Inventory valuation is based on the average cost method. The acquisition costs of inventories also include a proportion of variable and fixed production overheads. A

EUR mill.	2013	2012
Materials and supplies	19.8	15.1
Work in progress	0.1	2.0
Total	**19.9**	**17.1**

The cost of inventories recognised as expense and included in aircraft materials was 33.6 million euros (32.5). In the financial year a write-down of 0.1 million euros (2.1) was recognised as expense related to inventories. Inventories recognised as assets held for sale were 1.3 million euros in financial year 2013 (12.3).

3.7 PROVISIONS

A **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as the result of a past event, the fulfilment of the payment obligation is probable, and a reliable estimate of the amount of the obligation can be made. The amount to be recognised as provisions corresponds to the management's best estimate of the expenses that will be necessary to meet the obligation at the end of the reporting period.

Restructuring provisions are recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or has announced it. A restructuring plan must include at least the following information: the operations affected, the main operating points affected, the workplace locations, working tasks and estimated number of the people who will be paid compensation for the ending of their employment, the likely costs and the date of implementation of the plan.

The Group is obliged to return leased aircraft at the required redelivery condition. To fulfil these maintenance obligations the Group has recognised airframe heavy maintenance, engine maintenance and engine life limited part provisions. The basis for the provision is flight hours flown during the maintenance period. A

EUR mill.	Aircraft maintenance provision	Restructuring provision	2013	Aircraft maintenance provision	Restructuring provision	2012
Provision at the beginning of period	109.7	10.8	**120.5**	115.8	17.1	132.9
Provision for the period	20.2	17.4	**37.6**	19.2	10.8	30.0
Provision used	-33.1	-10.8	**-43.9**	-24.1	-17.1	-41.2
Exhange rate differences	-4.5		**-4.5**	-1.2		-1.2
Total	**92.4**	**17.4**	**109.8**	**109.7**	**10.8**	**120.5**
Of which non-current	69.3		**69.3**	82.3		82.3
Of which current	23.1	17.4	**40.5**	27.4	10.8	38.2
Total	**92.4**	**17.4**	**109.8**	**109.7**	**10.8**	**120.5**

Non-current aircraft maintenance provisions are expected to be used by 2020.
The restructuring provision for personnel and the rents of empty premises is part of the structural change of the Group.

A = Accounting principles

3.8 ITEMS EXCLUDED FROM OPERATIONAL RESULT

Operational result do not include non-recurring items and other items affecting comparability. Fair value changes of derivatives recognised through income statement and fair value changes of foreign currency denominated fleet maintenance reserves are considered as items affecting comparability in Finnair.

EUR mill.	2013	2012
Fair value changes of derivatives	17.2	-5.2
Fair value changes of foreign currency denominated fleet maintenance reserves	4.5	1.2
Capital gains on sales of tangible assets	1.1	22.2
Non-recurring items	-26.8	-27.6
Total	**-4.0**	**-9.4**

3.9 EMPLOYEE BENEFITS

3.9.1 EMPLOYEE BENEFIT EXPENSES AND SHARE-BASED PAYMENTS

A Share-based payments

Finnair provides a number of share-based compensation plans for its employees, under which the Group receives services from employees as consideration for share-based payments. For the awards to be paid on share-based incentive plans for key personnel, performance criteria set by the Board of Directors need to be met. Share-based savings plan for employees (FlyShare) requires the employees to remain in Finnair's service for the defined period but does not depend on any performance criteria.

The total expense for share-based payments is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The portion of the earned reward that the participants receive in shares is accounted for as an equity settled transaction, and the portion of the earned reward settled in cash covering the tax and other charges, is accounted for as cash settled transaction. The equity-settled share awards are valued based on the market price of the Finnair share as of the grant date, and recognized as an employee benefit expense over the vesting period with corresponding entry in the equity. The liability resulting from the cash-settled transactions is measured based on the market price of the Finnair share at the balance sheet date and accrued as an employee benefit expense for service period with corresponding entry in the liabilities until the settlement date.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

For accounting principles related to **Pensions, see** note 3.9.2 for more information A

Staff costs

EUR mill.	2013	2012
Wages and salaries	**304.4**	**341.8**
Pension expenses	58.6	64.1
Defined contribution schemes	51.1	57.3
Defined benefit schemes	7.5	6.8
Other social expenses	20.9	23.3
Total	**383.9**	**429.2**
Staff costs included in non-recurring items	17.9	12.2
Total staff costs in income statement	**401.8**	**441.4**

In Finnair, the total salary of personnel consists of fixed pay, short- and long-term incentives, fringe benefits and other personnel benefits. The total amount of short-term incentives recognised for 2013 were 5.1 million euros (8.2). In addition to staff costs, non-recurring items include personnel related restructuring costs of 17.9 million euros (12.2) as agreed in the Group's statutory employer-employee negotiations. Including non-recurring items, total staff costs amounted to 401.8 million euros (441.4).

Transfer to Personnel Fund

Finnair has a Personnel Fund that is owned and controlled by personnel. A share of Finnair's profits is allocated to the fund. The share of profit allocated to the fund is determined on the basis of the targets set by the Board of Directors. The CEO and other members of the Executive Board are not members of the Personnel Fund. Personnel Fund is obliged to invest part of the bonus in Finnair Plc's shares. In 2013 profits were not allocated to the fund. From 2012 results a total of 5 million euros were transferred to the fund, of which 4.8 million euros was recognised during 2012 and 0.2 million euros in 2013 results.

Employee benefit related accruals

EUR mill.	2013	2012
Holiday payments	66.4	66.0
Other employee related accrued expenses	28.3	38.3
Employee benefit related accruals total	**94.7**	**104.3**

Other employee related accrued expenses mainly include witholding tax and accrued expenses related to social security costs. In addition, restructuring provisions included in the current provisions amounted to 15.7 million euros (10.8).

Management remuneration

The President and CEO and Executive Board remuneration

Employee benefits recognised	President and CEO Pekka Vauramo	Deputy CEO Ville Iho	President and CEO Mika Vehviläinen	Excecutive Board*	Total 2013	President and CEO Mika Vehviläinen	Excecutive Board	Total 2012
Thousand EUR								
Fixed pay	361	225	178	1,620	**2,384**	576	1,739	2,315
Short-term incentives **	64	30	0	180	**274**	202	557	759
Fringe benefits	0	13	7	60	**80**	38	87	125
Termination benefits	0	0	0	502	**502**	-	231	231
Share-based payments ***	0	33	4	206	**242**	147	775	922
Pensions (statutory) ****	62	49	48	340	**499**	133	396	529
Pensions (voluntary defined benefit)	0	0	0	53	**53**	0	122	122
Pensions (voluntary defined contribution)	0	22	0	95	**117**	115	165	280
Total	**487**	**371**	**236**	**3,057**	**4,151**	**1,211**	**4,072**	**5,283**

* Salary and remuneration of Acting CEO Ville Iho for 2013 is not included in Executive Board figures. His salary and remuneration is presented separately for the whole year of 2013.

** Short-term incentives for the financial year 2013 are estimates as at the balance sheet date the final review of targets has not been done.

*** Related to former President and CEO Mika Vehviläinen, a total amount of 328,158 euros was recognised as share-based payment expense in 2012, but due to his resignment during 2013, he was not paid a share-based bonus and related cost of 178,011 euros was reversed during 2013. According to rules of the 2010-2012 plan, Mr. Vehviläinen was paid in 2013 an incentive bonus of 150,147 euros based on the purchase of shares earned in 2012.

**** Statutory pensions include Finnair's share of contribution paid related to Finnish statutory "Tyel" pension plan.

Management remuneration is presented on accrual basis. Share-based payments in 2013 and 2012 relate to Finnair's share-based bonus scheme 2010–2012. The shares earned were paid during 2013, but the income statement effect is accrued to vesting period for 2010–2016 up to ending of lock-up period, according to IFRS 2. Performance share plan for key personnel 2013–2015 didn't cause any income statement effect as the performance targets set for 2013 were not met. Management has not been provided any other long-term incentives in addition to share-based payments. More information on share-based payment schemes can be found in the note 3.9.2 and in a separate Remuneration statement, which also provides additional information on management cash-based remuneration.

The pension plans of the members of the Executive Board have been arranged through Finnish pension insurance company, and the retirement age is 63. All management pension schemes taken after 1 October 2009 are defined contribution plans and from 2013 onwards new excecutive service contracts do not include defined benefit supplementary pensions. Voluntary defined benefit pension plans for Excecutive Board will cease during 2014.

The Board of Directors remuneration

Compensation paid for board service, EUR	Total 2013	Fixed remuneration	Meeting compensation	Fringe benefits	Total 2012
Board of Directors total	**382,410**	245,400	105,600	31,410	349,715
Friman Maija-Liisa	53,022	30,000	12,300	10,722	
Heinemann Klaus	75,000	53,400	21,600	0	
Itävuori Jussi	55,180	30,000	21,600	3,580	
Karhapää Merja	43,529	30,000	10,800	2,729	
Kerminen Harri	51,295	34,200	15,300	1,795	
Kronman Gunvor	49,707	30,000	12,000	7,707	
Kuosmanen Antti, from 27 March 2013 on	33,487	22,500	7,800	3,187	
Sailas Harri, till 27 March 2013	21,190	15,300	4,200	1,690	

SHARE-BASED PAYMENTS

The note below provides description and information on effects of the Group's share-based incentive schemes. More information on share-based personnel bonus schemes can be found in Remuneration statement.

Performance share plan for key personnel 2013–2015

On 7 February 2013, Finnair's Board of Directors decided to launch a new performance share plan for key personnel for 2013–2015. The share plan replaces the previous program, which expired at the end of 2012. The purpose of the share plan is to encourage the management to work to increase long-term shareholder value. The share plan is in line with the statement by the Finnish Cabinet Committee on Economic Policy regarding the remuneration of executive management and key individuals. The program consists of annually commencing individual plans. The commencement of each new plan is subject to separate decision made by Finnair's Board of Directors.

Each plan contains a three-year performance period which is followed by a restriction period, during which the participant may not sell or transfer the shares received as a reward. The restriction period is three years for the members of Finnair's Executive Board and one year for other participants. In addition, the President and CEO, and members of Finnair's Executive Board are required to accumulate and, once achieved, to maintain, a share ownership in Finnair corresponding to his or her annual base salary as long as he or she holds a position as a member of Finnair's Executive Board.

The potential reward will be delivered in Finnair shares. The share delivery is split into three share tranches that will be delivered to the participants during the three years following the performance period: 50% in 2016, 30% in 2017 and 20% in 2018. No shares will be delivered under the long-term incentive plan in 2014 and 2015. As Finnair is adopting a program consisting of annually commencing individual plans, in which the shares are paid in three tranches, the program also includes a bridge element to supplement payments in 2016 and 2017. This takes into consideration the fact that the share savings plan will not be in full effect until 2018.

If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board participating in the program will be 30% of his or her annual base salary. If the performance criteria set for the plan are met at the maximum level, the incentive paid in Finnair shares will be 60% of the participant's annual base salary. The target level for incentives for other key personnel is 20–25% of the person's average annual base salary according to the job grade. If the performance criteria set out for 2013-2015 plan are met at the target level, the estimated value of the shares to be paid would be approximately 2.6 million euros, corresponding to 0.9 million shares based on share price at the balance sheet date, and if the maximum targets would be met, estimated value of shares to be paid would be approximately 5.2 million euros (approximately 1.9 million shares).

According to the rules of the share program, the maximum value of shares delivered to an individual participant based on the share program in any given year may not exceed 60% of the person's annual base salary. The amounts of shares above are stated before tax. The number of shares delivered will be deducted by an amount corresponding to the income tax and transfer tax payable for the incentive at the time of payment.

The performance criteria applied to the plan for 2013–2015 are the Group's relative operating EBIT margin growth and decrease in unit costs in European traffic. These two criteria are assigned weights of 60% and 40%, respectively. The performance criterion for the share plan's bridge element is the operating EBIT margin. The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors. Performance against the criteria is monitored quarterly. In 2013 the performance criteria were not met and therefore the plan did not effect 2013 results or financial position.

FlyShare employee share savings plan 2013–2014

On 27 March 2013, Finnair's Board of Directors decided to launch FlyShare, an employee share savings plan. The objective of the plan is to encourage employees to become shareholders in the company, and to thereby strengthen the employees' interest in the development of Finnair's shareholder value and reward them in the long term.

Through the plan, each eligible Finnair employee is offered the opportunity to save part of his or her salary to be invested in Finnair shares. The maximum monthly savings are 8% and the minimum 2% of each participant's gross base salary per month, with the annual maximum savings set at EUR 8,000 per participant. Shares are purchased with the accumulated savings at the market price quarterly, after the publication dates of Finnair's interim reports. The first purchases of shares were made in October–November 2013.

To increase the attractiveness of the plan, Finnair awarded 20 bonus shares in October 2013 to each employee that participated in at least the first three months of the plan. The related effect has been recognised as expense during period. In spring 2016, Finnair will award each participating employee one share for each two shares purchased. The awarded additional shares are taxable income for the recipient. The cost related to additional shares delivered at 2016 is recognised as expense during vesting period.

Total savings during 2013-2014 cannot exceed 2.5 million euros, which calculated with the closing share price of 30 December 2013 (2.77 euros per share) would correspond approximately 0.9 million shares.

Effect of FlyShare share savings plan on Group's results and financial position, thousand EUR	2013
Fair value of matching rights delivered during period	275
Total income statement effect of share-based payments	76
Share-based payments, share-settled	69
Liabiltity related to share-based payments at the closing date	7

Finnair Plc's share-based bonus scheme 2010–2012

The Board of Directors of Finnair Plc approved a share-based bonus scheme for 2010–2012 on 4 February 2010. In the share bonus scheme, key individuals had the possibility of receiving company shares and cash for a three-year performance period according to how financial targets set for the performance period have been achieved.

The Board of Directors decided annually the financial targets to be set for each performance period. Achieving the targets set for the performance period determined how large proportion of the maximum bonus and of the incentive based on the acquisition of Finnair shares will be paid. In a three-year period, the total of the share bonuses, however, could not exceed three years' gross earnings.

Incentive bonus based on the purchase of shares

If key individuals belonging to the share bonus scheme purchased Finnair Plc shares during 2010-2012, they were paid a cash incentive bonus in the spring of the year following the acquisitions. The incentive bonus was equal to the proportion of the value of the shares, acquired by the key individual, corresponding to the percentage fulfilment of set targets. This bonus will be supplemented by a cash sum, which in most cases will correspond to taxes and tax-related payments arising to key individuals from the receipt of their bonus. In any single year of the performance period the number of shares acquisition taken into account is at most half of the key individual's share bonus allocation, i.e. the number of shares that the key individual can at most receive as a share bonus for the year in question. The size of the cash bonus is determined as follows: number of shares acquired by key individual x the company's share price at the time of payment x the target realisation percentage x 2.5.

Shares delivered based on the plan and effects of the plan on results and financial position

Shares were earned annually in the period 2010–2012. The long-term incentive for the three-year period was achieved at an average level of 43%. This share-based incentive for the full three-year period was paid in spring 2013, and total amount of 708,679 shares were delivered. At the same time, a cash bonus intended for payment of taxes was paid, amounting to 1.5 times the value of the shares at the time of payment. After the payment of shares, there is a three-year embargo on their sale and shares are held in lock-up. A total amount of 5,297,346 euros was paid related to the plan, of which 1,795,580 euros was delivered as shares, 2,693,370 euros paid as cash to cover tax payments and 808,396 euros paid as incentive bonus based on the purchase of shares.

The income statement effect related to the plan has been accrued to vesting period 2010-2016 based on the applied IFRS 2 standard. The effect on 2013 results for the program totalled 857,134 euros (2,450,437) of which the amount settled in shares amounted to 534,461 euros.

3.9.2 PENSIONS

A Change in accounting principles
Finnair has adopted the revised standard concerning employee benefits (IAS19 revised) from 2013 onwards due to which accounting principles of pensions have changed. Previously applied corridor method in recognising actuarial gains and losses is no longer used. All the actuarial gains and losses are recognised as they occur through other comprehensive income. Items recognized in other comprehensive income are no longer recycled through profit and loss. The standard has been applied retrospectively and comparative figures of 2012 have been restated to be in line with the new changed accounting principles. The effect of the restatement is presented in the note 6.5 Change of accounting principle.

Revised accounting principles
Pension schemes are classified as defined benefit and defined contribution plans. Payments made into defined contribution pension plans are recognised in the income statement in the period to which the payment applies. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Current service cost is the present value of the post employment benefit, which is earned by the employees during the year and it is recognised as employee benefit expense. The liability recognised in the balance sheet in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. A

! The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The note below includes description of exposure to most significant risks and sensitivity analysis on impacts of changes in actuarial assumptions. !

Description of pension plans in Finnair
The statutory pension plan of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The statutory pension plan is a defined contribution plan. The Group's foreign sales offices and subsidiaries have various defined contribution plans that comply with local rules and practices. The voluntary pension schemes of the parent company's five members of the Excecutive Board are arranged in a pension insurance company and the retirement age under these agreements is in average 63 years. These pension schemes are also defined contribution schemes except for 2 persons who have a defined benefit scheme, that will end during 2014. Other (voluntary) pension plans of the Group's domestic companies have been arranged in Finnair Plc's Pension Fund, in which the pension schemes are defined benefit plans. These pension plans cover old age pensions, disability and survivors' pensions. According to Finnish legislation the pension fund is fully funded.

A = Accounting principles
! = Critical accounting estimates

Exposure to most signifigant risks
Volatility of plan assets: Some of the plan assets are invested in equities which causes volatility but which are in the long run expected to provide higher returns than corporate bonds. Discount rate of plan obligations is defined based on interest rates of corporate bonds.

Changes in bond yield: A decrease in corporate bond yields increases plan obligations due to the fact that the pension obligation is discounted to net present value with a rate that is based on corporate bond rates. The increase is partly netted with the increase of bond fair values in plan assets.

Life expectancy: The most significant part of the provided pension benefits relate to old age pensions. Therefore, an increase in life expectancy rate results in an increase of plan obligations.

Inflation risk: Pension obligations are linked to inflation which is why higher inflation leads to increased obligations. As only some of the plan assets increase with inflation, an increase in inflation will likely decrease the solvency of the pension plan.

Defined benefit pension schemes

EUR mill.	2013	2012
Items recognised in the income statement		
Current service costs	8.0	7.2
Past service cost	-0.4	2.3
Settlements and curtailments	0.0	-0.3
Service cost total	**7.6**	**9.2**
Net interest expenses	-0.1	-2.3
Included in personnel expenses total	**7.5**	**6.8**
Amounts recognised through other comprehensive income		
Experience adjustment on plan obligation	16.5	18.1
Changes in financial actuarial assumptions	0.2	64.9
Changes in demographical actuarial assumptions	-0.8	0.0
Net return on plan assets	-16.3	-35.1
Amounts recognised through other comprehensive income total	**-0.4**	**47.8**
Number of persons involved, pension fund	5,048	5,271
Management pension (defined benefit), persons involved	2	4

Items recognised in the balance sheet

EUR mill.	2013	2012
Present value of funded obligations	406.9	392.5
Fair value of scheme assets	-396.3	-388.8
Net defined benefit liability	**10.6**	**3.6**

The net defined benefit liability in 2013 includes 10.5 million euros (3.1) related to defined benefit plans insured through pension fund and 0.1 million euros (0.5) related to defined benefit plans of management.

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0.4 million euros (0.3) and buildings used by the Group with a fair value of 36.2 million euros (36.2).

Changes in pension obligations

EUR mill.	2013	2012
Net present value of pension obligations at 1 January	392.5	309.4
Current service cost	8.0	7.2
Past service cost	-0.4	2.3
Settlements and curtailments	0.0	-0.7
Interest expense	12.4	14.1
Expenses recognised in income statement	**19.9**	**22.8**
Changes in actuarial assumptions	-0.6	64.9
Experience adjustment on plan obligation	16.5	18.1
Remeasurements recognised through OCI	**15.9**	**82.9**
Benefits paid	-21.5	-22.7
Net present value of pension obligations	**406.9**	**392.5**

Changes in plan assets

EUR mill.	2013	2012
Fair value of plan assets at 1 January	388.8	352.9
Expected return on plan assets	12.5	16.5
Settlements and curttailments	0.0	-0.4
Items recognised through profit and loss	**12.5**	**16.0**
Acturial gain (loss) on plan assets	16.3	35.1
Items recognised through OCI	**16.3**	**35.1**
Contributions paid	0.2	7.5
Benefits paid	-21.5	-22.7
Fair value of plan assets at 31 December	**396.3**	**388.8**

Plan assets are comprised as follows

%	2013	2012
Listed shares	22.0	18.8
Debt instruments	50.0	55.7
Property	17.0	17.2
Other	11.0	8.3
Total	**100.0**	**100.0**

Defined benefit schemes: principal actuarial assumptions

	2013	2012
Discount rate	3.25%	3.25%
Inflation	2.0%	2.0%
Annual rate of future salary increases	3.00%	3.00%
Future pension increases	2.10%	2.10%
Estimated remaining years of service	13	12

Sensitivity analysis

Sensitivity analysis describes the effect of change in actuarial assumptions to net defined benefit obligation. The analysis is based on a change in an assumption while holding all other assumptions constant. The method used is the same as which has been applied when measuring the defined benefit obligation recognised in balance sheet.

Defined benefit schemes: principal actuarial assumptions

Actuarial assumption	Change in assumption	Impact when increase in assumption, EUR mill.	%	Impact when decrease in assumption, EUR mill.	%
Discount rate	0.25%	-13.4	-3.29	13.0	3.19
Inflation	0.25%	14.1	3.47	-13.6	-3.35
Annual rate of future salary increases	0.25%	3.8	0.93	-3.8	-0.92
Future pension increases	0.25%	10.3	2.53	-10.1	-2.47
Life expectancy at birth	1 year	10.8	2.67	-10.6	-2.61

According to Finnish legislation, pension fund needs to be fully funded. Expected contribution payments for future five years are approximately 38 million euros. The amount of payments depends on future returns on plan assets.

The weighted average duration of defined benefit obligation is 13.92 years. The weighted average duration is calculated with discount rate 3.25%.

4 AIRCRAFT AND OTHER INTANGIBLE AND TANGIBLE ASSETS AND LEASING ARRANGEMENTS

i Aircraft and other intangible and tangible assets and leasing arrangements include particularly notes related to aircraft fleet. Notes related to the aircraft operated by the Group, both owned and leased aircraft under different kind of lease arrangements, are combined in this section so that the overview of the fleet would be easier to perceive. i

4.1 INTANGIBLE ASSETS

A Intangible assets are stated at historical cost less accumulated amortisation and impairment loss if applicable. Depreciation and impairment of intangible assets are based on the following expected economic lifetimes:

- Goodwill: impairment testing
- Computer software: 3-8 years
- Other intangible assets: 3-10 years

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other intangible assets

Other intangible assets include mainly computer software, capitalised renovation costs of office rentals and connection fees. Major software development costs are capitalised when they are expected to generate economic value over a one year period. Acquired user rights and licenses are as computer software at the acquisition cost, including the costs of making the license and software ready for use. Maintenance and and minor development costs are recognised as expense at the time they occur. Computer software and other intangible assets are depreciated over a useful life of 3-10 years, except for connection fees which are not depreciated.

Research and development costs

Except for major software development costs, research and development costs are expensed as they occur. Research and development of aircraft, systems and operations is conducted primarily by the manufacturers.

Impairment

On every closing date the Group reviews individual intangible asset items for any indication of impairment losses. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the estimated recoverable amount. The need for impairment is examined on the cash generating unit level.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment. A

i = Content of the section
A = Accounting principles

Intangible assets 2013

EUR mill.	Goodwill	Other intangible assets	Total
Acquisition cost			
Acquisition cost 1 Jan 2013	1.2	97.6	98.8
Additions		1.5	1.5
Disposals		-5.3	-5.3
Transfer between items		0.5	0.5
Acquisition cost 31 Dec 2013	**1.2**	**94.2**	**95.5**
Accumulated depreciation and impairment			
Accumulated depreciation and impairment 1 Jan 2013	0.0	-73.4	-73.4
Depreciation		-8.1	-8.1
Accumulated planned depreciation of disposals		5.3	5.3
Accumulated depreciation and impairment 31 Dec 2013	**0.0**	**-76.2**	**-76.2**
Book value 31 Dec 2013	**1.2**	**18.0**	**19.3**

Intangible assets 2012

EUR mill.	Goodwill	Other intangible assets	Total
Acquisition cost			
Acquisition cost 1 Jan 2012	1.2	100.2	101.4
Additions		4.8	4.8
Disposals		-7.4	-7.4
Acquisition cost 31 Dec 2012	**1.2**	**97.6**	**98.8**
Accumulated depreciation and impairment			
Accumulated depreciation and impairment 1 Jan 2012	0.0	-69.1	-69.1
Depreciation		-11.1	-11.1
Accumulated planned depreciation of disposals		6.8	6.8
Accumulated depreciation and impairment 31 Dec 2012	**0.0**	**-73.4**	**-73.4**
Book value 31 Dec 2012	**1.2**	**24.3**	**25.5**

The goodwill is recognised 0.5 million euros in Airline Business and 0.7 million euros in Travel Services. The recoverable cashflows used in the impairment test are determined based on value-in-use calculations in both segments. The cash-flow projections for the next year are based on forecasts approved by management and after that period the cashflows are extrapolated by using 2 % growth factor.

Travel Services' goodwill is allocated to the business operations of Aurinko Oü (former Horizon Travel Oü) and the key assumptions used for value in use calculations are as follows:
WACC pretax 10.0%
EBITDA 1.0%
Growth rate 2%

The increase of WACC by 27.5 per cent points in the whole period under review or the decrease of EBITDA by 67 % means that the recoverable amount is equal to carrying amount for the asset.

4.2 TANGIBLE ASSETS

A Tangible assets are stated at historical cost less accumulated depreciation and impairment loss if applicable. The cost of an asset includes costs directly attributed to preparing an asset for its intended use. Tangible assets comprise mainly aircraft and buildings. The acquisition cost of aircraft is allocated to the aircraft body, engines and heavy maintenance and these are depreciated as separate assets. Depreciation of tangible assets is based on the following expected economic lifetimes:

- Buildings, over 50 years from time of acquisition to a residual value of 10% or 3-7% of the diminishing balances
- Aircraft and engines (aircraft) as well as flight simulators (other equipment) on a straight-line basis as follows:
  - Airbus A320 and Embraer fleet, over 20 years to a residual value of 10%
  - Airbus A330 fleet, over 18 years to a residual value of 10%
  - New Airbus A340 family aircraft, over 15 years to a residual value of 10%
  - Used jet aircraft more than six years old, over 10 years to a residual value of 10%
  - Turboprop aircraft, over 12 years to a residual value of 10%
  - Aircraft to be withdrawn, fully on a straight-line basis during the useful life outlined in the fleet modernization plan
- Heavy maintenance of aircraft, on a straight-line basis during the maintenance period
- Embraer components (aircraft), over 20 years to a residual value of 10%
- Airbus components (aircraft), over 15 years to a residual value of 10%
- Other tangible assets, 23% of the diminishing balances

Land areas are not depreciated. The residual values and estimated useful lives of assets are assessed at each closing date and if they differ significantly from previous estimates, the depreciation periods and residual values are changed accordingly.

Significant expenses of modernisation and improvement projects (mainly aircraft modifications) are recognised as a separate asset when it is probable that future economic benefits associated with the item will flow to the Group and the acquisition cost can be measured reliably. The carrying amount of the replaced parts is written down. Other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Gains on disposal of tangible assets are included in operating income in the income statement, and losses in non-recurring items. Gains and losses are not included in operational result.

Impairment

On every closing date the Group reviews individual tangible asset items for any indication of impairment losses. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the estimated recoverable amount. The need for impairment is examined on the cash generating unit level.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The value in use is based on the expected discounted future net cash flows obtainable from the asset or cash-generating unit. An impairment loss is recognised in the income statement when the carrying amount of the asset is greater than the recoverable amount. If the recoverable amount of the asset has changed after the impairment loss was recognised, the impairment loss is reversed up to the carrying amount, excluding impairment loss, of the asset. A

! Impairment testing

The recoverable amounts of cash generating units have been determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Estimates are based on budgets and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the USD/EUR and JPY/EUR exchange rates, unit revenue, estimated sales volumes and jet fuel price. !

Tangible assets 2013

EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances paid	Total
Acquisition cost						
Acquisition cost 1 Jan 2013	0.7	148.0	1,987.3	84.3	32.7	2,253.0
Additions		0.1	33.5	2.2	37.9	73.7
Disposals			-1.8	-12.7		-14.5
Transfer between items			3.4	1.9	-4.7	0.6
Transfer to assets held for sale			-5.6			-5.6
Acquisition cost 31 Dec 2013	**0.7**	**148.1**	**2,016.9**	**75.7**	**66.0**	**2,307.3**
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2013	0.0	-110.5	-729.7	-50.2		-890.4
Depreciation		-1.8	-107.5	-5.9		-115.2
Accumulated planned depreciation of disposals			1.7	6.3		8.0
Accumulated depreciation of assets classified as held for sale			0.0			0.0
Accumulated depreciation and impairment 31 Dec 2013	**0.0**	**-112.3**	**-835.5**	**-49.8**	**0.0**	**-997.6**
Book value 31 Dec 2013	**0.7**	**35.8**	**1,181.4**	**25.9**	**66.0**	**1,309.8**

Tangible assets 2012

EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances paid	Total
Acquisition cost						
Acquisition cost 1 Jan 2012	0.7	160.4	2,022.1	98.7	6.5	2,288.4
Additions		0.2	33.5	3.3	26.2	63.2
Disposals		-12.6	-53.9	-8.0		-74.5
Transfer to assets held for sale			-14.4	-9.7		-24.1
Acquisition cost 31 Dec 2012	**0.7**	**148.0**	**1,987.3**	**84.3**	**32.7**	**2,253.0**
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2012	0.0	-108.4	-658.1	-53.7		-820.2
Depreciation		-2.2	-110.8	-6.6		-119.6
Accumulated planned depreciation of disposals		0.1	35.2	3.5		38.8
Accumulated depreciation of assets classified as held for sale			4.0	6.6		10.6
Accumulated depreciation and impairment 31 Dec 2012	**0.0**	**-110.5**	**-729.7**	**-50.2**	**0.0**	**-890.4**
Book value 31 Dec 2012	**0.7**	**37.5**	**1,257.6**	**34.1**	**32.7**	**1,362.6**

The value of aircraft that have been pledged as a security for external loans amount to EUR 599.7 million (740.9). Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

A = Accounting principles
! = Critical accounting estimates

Impairment test

The impairment test of the aircraft based on the fair value and value-in-use has been prepared on the closing date. The test based on value-in-use did not cause any need for impairment.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations, which are based on Groups' assumptions. These calculations are prepared based on management estimate of future pre-tax cash flow and profit for 2014. The forecast for the years 2015–2020 is based on the main assumptions and fleet forecast used as the basis for the best estimate. The residual value used in the calculation represents the estimated value of aircrafts in 2020. The fair values of aircrafts are based on bulletins of two independent aircraft valuators.

The key assumptions used for value-in-use calculations are as follows:
WACC pretax 8.00%
EUR USD 1.34 exchange rate
Inflation 2%
RASK base level 6.17 (c/ASK)

	2014	2015	2016
Fuel, USD/ton	980	980	980
RASK change, %	2.0%	2.0%	2.0%

The value-in-use calculation is sensitive to all key assumptions. The most sensitive is RASK (revenue per available seat kilometer), and after that the fuel price and exchange rate EUR/USD. The decrease of RASK by 3 per cent during the period under review will decrease the recoverable amount to equal the carrying amount for the asset. The average fuel price increase by 11 per cent decrease the recoverable amount so that it would equal the carrying amount.

The value-in-use calculation of aircraft is sensitive to USD exchange rate, the USD strengthening of 11 per cent will decrease the recoverable amount so that the impairment should be recognised. However, the strengthening of the USD by 6 per cent would increase the euro equivalent of the current market values of the aircraft above the carrying value. The decrease of yen by 40 per cent during the period under review will decrease the recoverable amount to equal to the carrying amount of the asset.

Investment commitments

At the end of financial year investment commitments totalled 974 million euros (1,000) including firm aircraft orders. The total commitment fluctuates between the order and the delivery of the aircraft mainly due to exchange rate EUR/USD and the escalation clauses included in airline purchase agreements. The final amount of the commitment in relation to each aircraft is only known at the time of the delivery.

4.3 DEPRECIATION AND IMPAIRMENT

EUR mill.	2013	2012
Depreciation of tangible assets		
Buildings	1.8	2.2
Aircraft	107.5	110.8
Other equipment	4.7	6.6
	114.0	**119.6**
Depreciation of intangible assets		
Other intangible assets	8.1	11.2
Total	**122.1**	**130.8**

In addition, non-recurring items include depreciation of other equipment 1.2 million euros (0,1).

4.4 LEASING ARRANGEMENTS

A The Group as the lessee

Lease agreements of tangible assets, where a substantial part of the risks and rewards of ownership are transferred to the Group, are classified as finance leases. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding sum is recognised as a finance lease liability. The lease payments are allocated between finance charges and the reduction of the outstanding liability. The corresponding rental obligations, net of finance charges, are included in the non-current or current interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease term so as to achieve a constant interest rate on the remaining balance of the liability for each period. Asset items acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Lease agreements of tangible assets, where the lessor retains a substantial part of the risks and rewards, are classified as operating leases. Payments under operating leases are charged to the income statement over the lease term.

The Group as the lessor

The agreements, where the Group is the lessor, are accounted for as operating leases, when a substantial part of the risks and rewards of ownership are not transferred to the lessee. The assets are included in the tangible assets and they are depreciated during their useful life. Depreciation is calculated using the same principles as the tangible assets for own use. Under the provisions of certain aircraft lease agreements, the lessee is required to pay periodic additional rent or maintenance reserve which accumulate funds for maintenance related to the usage of the aircraft. The Company's obligations to make contributions or reimbursements for such maintenance are recognised as liabilities. Contributions or reimbursements to the lessee upon acceptance of evidence of qualifying maintenance work are charged against the existing liabilities. The rents for premises are recognized in income statement as other operating income over the lease term and the rents for aircraft as turnover.

Sale and leaseback

If sale and leaseback transaction is resulting in a finance lease agreement, the difference between the selling price and the carrying amount of the asset sold is deferred and amortised over the lease period.

If sale and leaseback transaction is resulting in an operating lease agreement, the difference between the selling price and the carrying amount of the asset sold is recognised in the income statement when the selling price is based on fair value. Otherwise the sales gain or loss is deferred and amortised over the lease period. A

! The classification of lease arrangements in Group's Airline Business to financial and other leases requires management discretion in interpretation and application of accounting standards. Where the management has made a judgement that risks and rewards of ownership belong to Group the lease is handled as a financial lease otherwise as other lease. !

A = Accounting principles
! = Critical accounting estimates

Finance lease arrangements

Assets acquired under finance leases are included in tangible assets and depreciation.

Finance leases 2013

EUR mill.	Buildings	Aircraft	Other equipment	Total
Acquisition cost 1 Jan 2013	6.5	197.2	28.0	231.7
Additions	0.0	0.0	1.1	1.1
Disposals	0.0	0.0	-6.3	-6.3
Acquisition cost 31 Dec 2013	**6.5**	**197.2**	**22.8**	**226.6**
Accumulated depreciation and impairment 1 Jan 2013	-1.8	-26.5	-17.3	-45.6
Depreciation	-0.6	-13.6	-1.0	-15.2
Accumulated depreciation of disposals	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment 31 Dec 2013	**-2.4**	**-40.1**	**-18.3**	**-60.8**
Book value 31 Dec 2013	**4.0**	**157.2**	**4.6**	**165.8**

Finance leases 2012

EUR mill.	Buildings	Aircraft	Other equipment	Total
Acquisition cost 1 Jan 2012	28.2	197.2	35.3	260.7
Additions	0.0	0.0	1.6	1.6
Disposals	-21.7	0.0	-8.9	-30.6
Acquisition cost 31 Dec 2012	**6.5**	**197.2**	**28.0**	**231.7**
Accumulated depreciation and impairment 1 Jan 2012	-9.9	-16.6	-19.4	-45.9
Depreciation	-1.1	-9.9	-2.5	-13.5
Accumulated depreciation of disposals	9.2	0.0	4.6	13.8
Accumulated depreciation and impairment 31 Dec 2012	**-1.8**	**-26.5**	**-17.3**	**-45.6**
Book value 31 Dec 2012	**4.7**	**170.7**	**10.7**	**186.1**

Buildings in finance lease arrangements are depreciatedover the useful life in 6–21 years and other equipment is depreciated in 5–12 years. Aircrafts are depreciated over the useful life in 18 years. In the financial and comparison period no variable rents from finance leases have been recognised.

Finance lease liabilities

	Minimum lease payments		Future financial expenses		Present value of minimum lease payment	
EUR mill.	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
less than a year	19.8	22.1	2.9	3.7	16.9	18.4
1-5 years	79.8	87.2	9.0	10.6	70.8	76.6
more than 5 years	75.1	97.7	10.8	13.1	64.3	84.6
Total	**174.8**	**207.0**	**22.8**	**27.4**	**152.0**	**179.6**

Other lease arrangements

The Group is the lessee

Minimum rental payments for irrevocable lease agreements are as follows:

	Aircraft		Premises		Other equipment	
EUR mill.	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
less than a year	53.6	52.0	19.1	19.6	6.8	7.0
1-2 years	45.9	37.0	18.3	18.0	5.7	6.5
2-3 years	35.1	30.4	17.8	16.5	1.2	5.8
3-4 years	24.9	21.6	17.8	16.3	0.4	1.5
4-5 years	19.2	13.5	17.6	16.3	0.0	1.1
more than 5 years	80.5	15.5	140.0	149.5	0.0	0.0
Total	**259.2**	**170.0**	**230.7**	**236.2**	**14.1**	**21.9**

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have different renewal and other index-linked terms and conditions. The Group has leased 24 aircraft on leases of different lengths. Rental payments of aircraft have increased mainly because of the new Airbus A321 Sharklet aircraft received during the financial year.

The Group is the lessor

Minimum rental payments for irrevocable lease agreements are as follows:

	Aircraft		Premises	
EUR mill.	**2013**	**2012**	**2013**	**2012**
less than a year	57.8	50.2	3.5	1.0
1-2 years	56.7	48.4	3.4	1.0
2-3 years	46.1	47.0	3.3	0.9
3-4 years	37.3	41.9	3.3	0.9
4-5 years	12.8	33.1	3.3	0.9
more than 5 years	8.4	12.5	36.4	9.0
Total	**219.1**	**233.1**	**53.2**	**13.7**

The Group has leased premises as well as aircraft with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 33 aircraft on leases of different lengths. Rental payments of premises have increased mainly because of lease agreements with outsourcing partners.

5 CAPITAL STRUCTURE AND FINANCING COSTS

5.1 FINANCIAL INCOME AND EXPENSES

i The notes from financial assets and liabilities and equity has been gathered into capital structure and financing costs-section to give a better overall view of the Groups financial position. i

A Interest income and expenses
Interest income and expenses are recognised on a time-proportion basis using the effective interest method. More detailed information about financial assets in note 5.2 Financial assets and about interest bearing liabilities in note 5.3 Financial liabilities.

Dividend income
Dividend income is recognised when the company has acquired a legal right to receive the dividends. A

EUR mill.	2013	2012
Interest income from financial assets classified as held for trading	2.6	4.5
Other interest income	1.7	1.2
Dividend income	0.1	0.1
Exchange gains	1.5	0.3
Other financial income *	36.7	1.8
Financial income total	**42.6**	**7.9**
Interest expenses for financial liabilities valued at amortised acquisition cost	-11.7	-13.1
Interest on finance leases	-2.5	-5.5
Exchange losses	-2.7	-2.0
Other financial expenses	-2.8	-4.9
Interest rate swaps, fair value hedges	1.2	0.0
Fair value adjustment to bond book value attributable to interest rate risk	-1.2	0.0
Financial expenses total	**-19.7**	**-25.5**
Financial expenses, net	**22.9**	**-17.6**

* Other financial income in 2013 include a capital gain on the sale of Norwegian Air Shuttle ASA's shares of 34 million euros.

According to testing of the effectiveness of Group's hedge accounting both cash flow and fair value hedging are effective. Thus, as in the comparison year 2012, no inefficiency is included in financial items for 2013. Financial income includes an identical amount of profits and losses for fair value hedging instruments and for hedging items resulting from the hedged risk.

i = Content of the section
A = Accounting principles

5.2 FINANCIAL ASSETS

A Financial assets
In the Group, financial assets have been classified according to the IAS 39 standard "Financial Instruments: Recognition and Measurement" into the following categories: financial assets at fair value through profit and loss (assets held for trading), held-to-maturity investments, loans and other receivables, as well as available-for-sale financial assets. The classification is made at the acquisition date based on purpose of the acquisition. All purchases and sales of financial assets are recognised on the trade date.

The financial assets recognised at fair value through profit and loss include assets held for trading purposes and assets measured at fair value through profit and loss on initial recognition. Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short-term changes in market prices. All those derivatives that do not meet the requirements for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are valued at each balance sheet date at fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Unrealised gains are excluded from operational result, while realized are recognised either in other operating income and expenses or in financial items. Financial assets at fair value through profit and loss as well as those maturing within 12 months are included in current assets.

Held-to-maturity investments are financial assets that are not derivative contracts and which mature on a specified date and which a company has the firm intent and ability to hold to maturity. They are valued at amortised cost and they are included in non-current assets. On the closing date the Group had no assets belonging to the said group.

Investments which do not have a maturity date and which date of sales has not been decided are classified as available-for-sale financial assets. Available-for-sale financial assets are presented in the balance sheet in short-term financial assets. A change in the fair value of available-for-sale financial assets is recognised in the fair value reserve of other comprehensive income, from which it is transferred to the income statement when sold. Unquoted shares are valued in the Finnair Group at their acquisition price when fair value cannot be reliably measured.

Loan receivables and other receivables are recognised at amortised cost using the effective interest method. Loans and other receivables include trade receivables, deferred charges, other long term receivables and security deposits for aircraft operational lease agreements.

Derecognition of financial assets takes place when the Group has lost its contractual right to receive the cash flows or when it has substantially transferred the risks and rewards outside the Group.

Finnair Group assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. Principles of impairment of financial assets are described below. The loss is recognised through profit and loss.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has reliably estimated impact on the estimated future cash flows of the financial asset or group of financial assets.

When a receivable is impaired, the carrying amount is written down to its recoverable amount. Recoverable amount is the estimated future cash flow discounted with the original effective interest rate of the instrument. The unwinding of discounting is recognised as interest income from there on. Interest income on impaired loans is recognised using the original effective interest rate.

Cash and cash equivalents
Cash and cash equivalents consist of cash reserves and short-term bank deposits maturity under three months. Foreign exchange-denominated items have been converted into euros using the mid-market exchange rates at the closing date. A

5.2.1 Non-current loan and other receivables

EUR mill.	2013	2012
Loan receivables	10.2	10.2
Other receivables	10.3	12.5
Total	**20.5**	**22.7**

Other receivables are lease collateral for aircraft operational lease agreements.

In the event that other contractual parties are not able to fulfil their obligations relating to financial instruments, the maximum amount of credit risk equals to balance sheet values excluding the fair value of guarantees. Receivables do not exposue the Group to significant credit risk. The fair values of receivables are presented in note 5.6 Classification of financial assets and liabilities.

5.2.2 Other current financial assets

EUR mill.	2013	2012
Commercial papers and certificates	255.4	290.7
Money market funds	35.0	34.6
Deposits, maturing after 3 months	45.1	5.0
Listed shares	0.0	32.3
Unlisted shares	0.4	1.0
Total	**335.9**	**363.5**
Ratings of counterparties		
Better than A	89.7	38.9
A	81.3	117.6
BBB	63.7	40.7
BB	10.0	10.0
Unrated	91.3	156.4
Total	**335.9**	**363.5**

In year 2013 all of the listed shares which were classified as available for sale investments were sold. During year 2012 there have not been any acquisitions or sales and the change in value was caused by changes in currency exchange rates and stock prices. Investing of the Group's financial assets and risk management policy are described in more detail in note 5.5 Management of financial risks. IFRS classification and fair values of financial assets are presented in note 5.6 Classification of financial assets and liabilities.

5.2.3 Cash and cash equivalents

EUR mill.	2013	2012
Cash and bank deposits	57.8	14.6
Deposits, maturing in less than 3 months	65.1	52.4
Total	**122.9**	**67.0**

Items include cash and bank deposits realised on demand. Foreign currency cash and bank deposits have been valued at mid-market exchange rates on the closing date. The reconciliation of cash and cash equivalents is illustrated in notes of consolidated cash flow statement.

5.3 FINANCIAL LIABILITIES

A Financial liabilities

Financial liabilities are initially recognised at fair value on the basis of the original consideration received. Transactions costs have been included in the original book value of the financial liabilities. Thereafter, all non-derivative financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in long- and short-term liabilities and they can be interest-bearing or non-interest-bearing. Loans that are due for payment within 12 months are presented in short-term liabilities. Foreign currency loans are valued at the mid-market exchange rate on the closing date and translation differences are recognised in financial items.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities takes place when Group has filled the contractual obligations. A

Non-current liabilities

EUR mill.	2013	2012
Bank loans	114.1	254.9
Bonds	150.6	0.0
Finance lease liabilities	120.8	139.8
Interest-bearing liabilities total	**385.5**	**394.7**
Non-interest-bearing liabilities	25.4	18.8
Total	**410.9**	**413.5**

Non-interest-bearing liabilities include mainly lease and maintenance reserves related to the aircraft leased to other airlines.

Current interest-bearing liabilities

EUR mill.	2013	2012
Bank loans	139.6	66.2
Commercial papers	44.5	80.9
Finance lease liabilities	14.8	16.7
Other loans	8.6	10.4
Total	**207.5**	**174.2**

A = Accounting principles

The currency mix of non-current interest-bearing liabilities (including cross currency interest rate swaps) is as follows:

EUR mill.	2013	2012
EUR	564.6	526.5
USD	29.0	42.4
Total	**593.6**	**568.9**

Weighted average effective interest rate on non-current interest-bearing liabilities was 3.1 % (2.1%).

Interest rate re-fixing period of interest-bearing liabilities

	2013	2012
Up to 6 months	64.2%	87.0%
6-12 months	0.0%	0.0%
1-5 years	35.0%	12.0%
More than 5 years	0.8%	1.0%
Total	**100.0%**	**100.0%**

Maturity dates of interest-bearing financial liabilities 31 Dec 2013	2014	2015	2016	2017	2018	Later	Total
Bank loans, fixed interest	8.5	48.3	0.0	0.0	0.0	0.0	56.8
Bank loans, variable interest	131.1	14.7	14.7	12.2	9.8	14.4	196.9
Bonds	0.0	0.0	0.0	0.0	151.2	0.0	151.2
Commercial papers	44.5	0.0	0.0	0.0	0.0	0.0	44.5
Finance lease liabilities	14.8	14.8	15.4	16.1	16.7	57.7	135.6
Other loans	8.6	0.0	0.0	0.0	0.0	0.0	8.6
Interest-bearing liabilities total	**207.5**	**77.8**	**30.1**	**28.3**	**177.7**	**72.1**	**593.6**
Payments from currency derivatives	844.1	273.1	0.0	0.0	0.0	0.0	1,117.2
Income from currency derivatives	-843.0	-274.3	0.0	0.0	0.0	0.0	-1,117.3
Commodity derivatives	-10.1	-4.3	0.0	0.0	0.0	0.0	-14.4
Interest rate derivatives	0.0	0.5	0.0	-0.2	-1.2	0.0	-0.9
Trade payables and other liabilities	696.9	0.0	0.0	0.0	0.0	0.0	696.9
Interest payments	13.5	8.6	7.3	6.2	6.1	0.0	41.7
Total	**908.9**	**81.4**	**37.4**	**34.3**	**182.6**	**72.1**	**1,316.7**

Maturity dates of interest-bearing financial liabilities 31 Dec 2012	2013	2014	2015	2016	2017	Later	Total
Bank loans, fixed interest	10.5	40.8	18.0	0.0	0.0	0.0	69.3
Bank loans, variable interest	55.7	129.6	14.9	14.9	12.4	24.3	251.8
Commercial papers	80.9	0.0	0.0	0.0	0.0	0.0	80.9
Finance lease liabilities	16.7	16.6	16.1	16.7	16.0	74.4	156.5
Other loans	10.4	0.0	0.0	0.0	0.0	0.0	10.4
Interest-bearing liabilities total	**174.2**	**187.0**	**49.0**	**31.6**	**28.4**	**98.7**	**568.9**
Payments from currency derivatives	560.8	256.7	0.0	0.0	0.0	0.0	817.5
Income from currency derivatives	-566.6	-258.8	0.0	0.0	0.0	0.0	-825.4
Commodity derivatives	2.4	0.7	0.1	0.0	0.0	0.0	3.2
Trade payables and other liabilities	650.3	0.0	0.0	0.0	0.0	0.0	650.3
Interest payments	9.3	5.3	0.9	0.4	0.2	0.2	16.3
Total	**830.4**	**190.9**	**50.0**	**32.0**	**28.6**	**98.9**	**1,230.8**

Part of the loans are secured by bank guarantees which are due earlier than underlining bank loans. Bank loan repayments include these loans 89 million euros in year 2014 and 37.8 million euros in year 2015. Bank loans include one non-current currency and interest rate swap and one interest rate swap that hedge two loans. Interest rate re-fixing period in variable interest loans is 3 or 6 months. Fixed interest bond maturing in 2018 does not include the amortized cost of 0.6 million euros which was paid in 2013. The minimum lease payments, discount values and present values of finance lease liabilities are presented in note 4.4 Leasing arrangements.

5.4 CONTINGENT LIABILITIES

A Contingent liabilities are possible obligations resulting from previous events, the existence of which will only be ascertained once the uncertain event that is beyond the Group's control materialises. Existing obligations that are not likely to require the fulfilment of a payment obligation or the amount of which cannot be reliably determined are also considered contingent liabilities. Conditional liabilities are presented in the notes. A

EUR mill.	2013	2012
Other pledges given on own behalf	503.7	633.5
Guarantees on behalf of group companies	67.6	65.3
Guarantees on behalf of others	2.3	2.5
Total	**573.6**	**701.3**

Contingent liabilities include mainly pledging of aircraft for guarantee of loans and guarantees related to tour operations.

5.5 MANAGEMENT OF FINANCIAL RISKS

Principles of financial risk management

The nature of the Finnair Group's business operations exposes the company to variety of financial risks: foreign exchange, interest rate, credit and liquidity, and commodity price risks. The Group's policy is to limit the uncertainty caused by such risks on cash flow, financial performance and equity.

The management of financial risks is based on the risk management policy approved by the board of directors. The policy specifies the minimum and maximum levels permitted for each type of risk. Financial risk management is directed and supervised by the Financial Risk Steering Group. Practical implementation of risk management policy and risk management have been centralised in the parent company's finance department.

In the risk management of foreign exchange, interest rate and jet fuel positions, and electricity price risk, the company uses different derivative instruments, such as forward contracts, swaps and options. Derivatives are designated at inception as hedges for future cash flows (cash flow hedges), hedges for firm orders (hedges of the fair value of firm commitments) or as financial derivatives not qualifying for hedge accounting (economic hedges). In terms of the hedging of future cash flows (cash flow hedging), the Finnair Group implements, in accordance with IAS 39 hedge accounting principles, foreign exchange hedging of lease payments, interest rate hedging to issued bond (fair value hedging), hedging of jet fuel price and foreign exchange risks and hedging of electricity price risk and as hedges of the fair value of firm commitment aircraft purchases.

Fuel price risk in flight operations

Fuel price risk means the cash flow and financial performance uncertainty arising from fuel price fluctuations.

Finnair hedges against jet fuel price fluctuations using jet fuel forward contracts and options. As the underlying asset of jet fuel derivatives, the Jet Fuel CIF Cargoes NWE index is used, because around 65 per cent of Finnair's fuel purchase contracts are based on the benchmark price index for North and West Europe jet fuel deliveries.

Finnair applies the principle of time-diversification in its fuel hedging for Scheduled Passanger traffic, which makes up 90 per cent of the risk. The hedging horizon according to the risk management policy is two years. Under the risk management policy, hedging must be increased in each quarter of the year so that the hedge ratio for Finnair's Scheduled Passenger Traffic for the first six months is more than 60 per cent and so that thereafter a lower hedge ratio applies for each period. By allocating the hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the fuel cost rises more slowly. Finnair hedges the fuel price risk of Leisure traffic according to own policy, at least 60 per cent of the jet fuel consumption is hedged.

In terms of the accounting, the fuel hedges are recognised in Finnair in two different ways. In terms of the fuel consumption of Finnair, the first approximately 40 percentage points per period are treated in accounting as cash-flow hedging in accordance with IAS 39 hedge accounting principles. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IAS 39 are posted directly to the fair value reserve included in equity. The change in fair value recognised in the equity hedging reserve is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting – which do not fulfil IAS 39 hedge accounting criteria – are recognised in other operating expenses over the tenor time of the derivative.

At the end of the financial year, Scheduled Passenger Traffic had hedged 74 per cent of its fuel purchases for the first six months of 2014 and 57 per cent for the second half of the year. The Leisure Traffic has hedged 60 per cent of its fuel purchases for the remaining winter season and 60 per cent of its purchases for the coming summer season. At the end of the financial year Leisure Traffic has no jet fuel price or exchange rates price clauses with tour operators.

In the financial year 2013, fuel used in flight operations accounted for somewhat over one fourth compared to the Group's turnover. At the end of the financial year, the forecast for 2014 is the same, somewhat over one fourth compared to the Group's turnover. On the closing date, a 10 per cent rise in the market price of jet fuel – excluding hedging activity calculated using Scheduled Passenger Traffic's forecasted flights for 2013 – increases annual fuel costs by an estimated 60 million euros. On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 29 million euros. Situation as at 31 December represents well the mean of a calendar year.

Electricity price risk

The costs of electricity are less than one per cent of the Finnair Group's costs but due to the high volatility the price risk is hedged. The Group applies the principle of time-diversification in its electricity price risk hedging. The hedging horizon is six years.

In terms of the accounting, the electricity hedges are recognised as cash flow hedges. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IAS 39 are posted directly to the fair value reserve included in equity. The change in fair value recognised in the equity hedging reserve is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting – which do not fulfil IAS 39 hedge accounting criteria – are recognised in other operating expenses over the tenor time of the derivative.

Foreign exchange risk

Foreign exchange risk means the cash flow and financial performance uncertainty arising from exchange rate fluctuations.

Finnair Group's foreign exchange risk arises mainly from fuel and aircraft purchases, aircraft leasing payments and foreign currency incomes. Somewhat under 60 per cent of Group turnover is denominated in euros. The most important foreign sales currencies are the Japanese yen (10 %, percentage of turnover), the Chinese yuan (6 %), the Swedish crown (5 %) and the US dollar (4 %). Approximately half of the Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for somewhat over 40 per cent of all operating costs. Significant dollar-denominated expense items are fuel costs and aircraft leasing payments. The largest investments - aircraft and their spare parts - also take place mainly in US dollars.

The risk management policy divides the foreign exchange position into two parts, a profit and loss position and an investment position.

The profit and loss position mainly consists of dollar costs and revenues in a number of different currencies. The purpose of currency risk hedging - for P&L exposure – is to cut the volatility of cash flows and operating income due to fluctuating currency prices. This is done by layering hedges for the biggest two currencies and utilising diversification benefits of the portfolio of various currencies. The hedging limits are set only for the main contributors of currency risk, the US dollar and the Japanese yen. For these two currencies, the hedging horizon is two years which is divided into four six-month periods. In order to achieve time diversification, the minimum hedge ratio for the closest six-month period is 60% with a decreasing slope ending at 0% for the fourth six-month period. Even though the policy doesn't require hedging of smaller currency flows, it is allowed, in which case the layered hedging strategy is partially applied although no minimum hedging ratio is required.

The investment position includes all foreign exchange-denominated aircraft investments for which a binding procurement contract has been signed. According to the risk management policy, at least half of the investments recognised in the balance sheet must be hedged after the signing of a firm order. New hedges in investment position will be made as IAS 39 fair value hedge of a firm commitment.

At the end of the financial year, Finnair had a hedging ratio of 67 per cent in the USD-basket and 71 per cent in JPY for the coming 12 months. On the closing date – without hedging – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the annual result of around 68 million euros and a 10 per cent weakening of the Japanese yen against the euro has a negative impact on the annual result of around 18 million euros. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 21 million euros and a 10 per cent weakening of the Japanese yen weakens the result by around 6 million euros. In the above numbers, the USD-basket risk includes also the Chinese yuan and the Hong Kong dollar, whose historical correlation with the dollar is high. Situation as at 31 December represents well the mean of a calendar year.

Interest rate risk

Interest rate risk means the cash flow and financial performance uncertainty arising from interest rate fluctuations.

In Finnair Group the interest rate risk is measured using the interest rate re-fixing period. If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period. According to the risk management policy, the mandate for the investment portfolio's interest rate re-fixing period is 0-12 months and for interest-bearing liabilities 0–24 months. On the closing date the investment portfolio's interest rate re-fixing period was 4 months and for interest-bearing liabilities approximately 16 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio about 3.0 million euros and the interest expenses of the loan portfolio about 3.1 million euros. Situation as at 31 December represents well the mean of a calendar year.

Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group is applying hedge accounting (fair value hedge) to hedge the fair value interest rate risk of its 150 million euro fixed rate unsecured bond issued in August 2013.

Credit risk

The Group is exposed to counterparty risk when investing its cash reserves and in using derivative instruments. The credit risk is managed by making contracts, within the framework of risk management policy of counterparty risk limits, only with financially sound domestic and foreign banks, financial institutions and brokers. Liquid assets are also invested, within company-spesific limits, in bonds and commercial papers issued by conservatively selected companies. This way risk towards single counterparties are not significant. Change in fair value of groups loans rise from changes in FX and interest, not from credit risk. Groups' maximum exposure to credit risk is other financial assets presented in note 5.2.2, cash and cash equivalent presented in note 5.2.3 and trade receivables presented in note 2.2.3.

Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. With respect to aircraft acquisitions, the company's policy is to secure financing, for example through committed loans, at a minimum of 6 months before delivery. Counterparties of groups' long term loans are solid financial institutions with good reputation.

The Group's liquid assets were 458.4 million euros at the end of financial year 2013. Finnair Plc has a domestic commercial paper programme of 200 million euros, of which 44.5 million euros was used on the closing date. In addition, Finnair has a 180 million euro committed credit facility unused. The credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175 per cent, while at the closing date the figure was 77.6 per cent. The maximum level set by the Board of Directors is 140 per cent.

Capital management

The aim of the Group's capital management is, with the aid of an optimum capital structure, to support business operations by ensuring normal operating conditions and to increase shareholder value with the best possible return being the goal. An optimum capital structure also ensures lower capital costs. The capital structure is influenced for example via dividend distribution and share issues. The Group can vary and adjust the level of dividends paid to shareholders or the amount of capital returned to them or the number of new shares issued, or can decide on sales of asset items in order to reduce debt. It is the aim the Finnair´s dividend policy to pay on average at least one third of the earnings per share as dividend during an economic cycle.

The development of the Group's capital structure is monitored continuously using adjusted gearing. When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity. The Group's adjusted gearing at the end of 2013 was 77.6 per cent (76.8).

5.6 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

EUR mill.	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at amortised cost	Book value
31 Dec 2013						
Financial assets						
Receivables				20.5		20.5
Other financial assets		290.4		45.0		335.5
Trade and other receivables				236.2		236.2
Derivatives	18.2	26.8				45.0
Unlisted shares			0.4			0.4
Cash and cash equivalents				122.9		122.9
Book value total	**18.2**	**317.2**	**0.4**	**424.6**		**760.4**
Fair value total	**18.2**	**317.2**	**0.4**	**424.6**		**760.4**
Financial liabilities						
Interest bearing liabilities					457.4	457.4
Finance lease liabilities					135.6	135.6
Derivatives	21.6	7.9				29.5
Trade payables and other liabilities				36.0	774.9	810.9
Book value total	**21.6**	**7.9**		**36.0**	**1,367.9**	**1,433.4**
Fair value total *	**21.6**	**7.9**		**36.0**	**1,372.7**	**1,438.2**

* The issued bond was quoted at 103.6 as per 31.12.2013 which explains the difference between book value and fair value.

EUR mill.	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at amortised cost	Book value
31 Dec 2012						
Financial assets						
Receivables				22.7		22.7
Other financial assets		330.3				330.3
Trade and other receivables				217.4		217.4
Derivatives	26.5	7.1				33.6
Listed shares			32.3			32.3
Unlisted shares			1.0			1.0
Cash and cash equivalents				67.0		67.0
Book value total	**26.5**	**337.4**	**33.3**	**307.1**		**704.3**
Fair value total	**26.5**	**337.4**	**33.3**	**307.1**		**704.3**
Financial liabilities						
Interest bearing liabilities					402.0	402.0
Finance lease liabilities					156.5	156.5
Derivatives	14.7	4.5				19.2
Trade payables and other liabilities					786.8	786.8
Fair value total	**14.7**	**4.5**			**1,345.3**	**1,364.5**
Book value total	**14.7**	**4.5**			**1,345.3**	**1,364.5**

Interest rate derivatives (currency and interest-rate swaps) are included in derivatives. In other notes they are included in bank loans or bonds. The item other financial assets mainly includes USD-denominated security deposits for leased aircraft. Trade payables and other liabilities include: trade payables, deferred expenses, pension obligations as well as other interest-bearing and non-interest-bearing liabilities. Group has 72.6 million euros (91.6) of deferred tax liabilities that are not included in this note, but presented in the note 6.1 Income taxes. The valuation principles of financial assets and liabilities are outlined in the accounting principles in notes 5.2 Financial assets and 5.3 Financial liabilities.

Fair value hierarchy of financial assets and liabilities valued at fair value
Fair values at the end of the reporting period

EUR mill.	31 Dec 2013	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit and loss				
Securities held for trading	290.4	35.0	255.4	
Derivatives held for trading				
Currency and interest rate swaps	1.4		1.4	
- of which in fair value hedge accounting	1.2		1.2	
Currency derivatives	27.9		27.9	
- of which in fair value hedge accounting	4.4		4.4	
- of which in cash flow hedge accounting	0.1		0.1	
Commodity derivatives	15.7		13.4	2.3
- of which in cash flow hedge accounting	12.5		12.5	
Financial assets available-for-sale				
Share investments				
Total	**335.4**	**35.0**	**298.1**	**2.3**
Liabilities				
Financial liabilities recognised at fair value through profit and loss				
Derivatives held for trading				
Interest rate swaps	0.5		0.5	
- of which in fair value hedge accounting	0		0	
Currency derivatives	27.7		27.7	
- of which in fair value hedge accounting	2.2		2.2	
- of which in cash flow hedge accounting	18.7		18.7	
Commodity derivatives	1.3		1.3	
- of which in cash flow hedge accounting	0.7		0.7	
Total	**29.5**		**29.5**	

During the financial year 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 values of Level 3 instruments on the other hand are based on asset or liability input data that are not based on observable market information (unobservable inputs), rather to a significant extent on confirmations supplied by counterparties based on generally accepted valuation models.

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.

Reconciliation of financial assets and liabilities valued at fair value according to Level 3
Fair value at the end of the reporting period

	Recognised at fair value through profit and loss		Available-for-sale share investments	Total
EUR mill.	**Securities held for trading**	**Derivatives held for trading**		
Opening balance	-	-1	-	-1
Profits and losses in income statement, total	-	0.6	0	0.6
In comprehensive income	-	0	-	-
Purchases (and sales)	-	-	-	-
Settlements (and issues)	-	2.7	-	2.7
Transfers to and from Level 3	-	-	-	-
Closing balance	**0**	**2.3**	**0**	**2.3**
Total profits and losses recognised for the period for assets held at the end of the reporting period				
In other operating expenses	0	0.6	0	0.6

During the financial year, no transfers took place to or from fair value hierarchy Level 3 in the fair value levels of financial assets and liabilities. According to management estimates, the changing of input data used in determining the fair value of financial instruments valued at Level 3 to some other possible alternative assumption would not significantly change the fair value of items valued at fair value in Level 3, given the relatively small amount of the said assets and liabilities.

5.7 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

EUR mill.	2013	2012
Derivative assets gross amounts	46.1	37.7
Gross amounts of recognised financial liabilities set off in the balance sheet	0.0	0.0
Net amounts of financial assets presented in the balance sheet	**46.1**	**37.7**
Enforceable master netting agreement	-30.7	-21.3
Derivative assets net amount	**15.4**	**16.4**
Derivative liabilities gross amounts	30.7	22.9
Gross amounts of recognised financial assets set off in the balance sheet	0.0	0.0
Net amounts of financial liabilities presented in the balance sheet	**30.7**	**22.9**
Enforceable master netting agreement	-30.7	-21.3
Derivative liabilites net amount	**0.0**	**1.6**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

5.8 DERIVATIVES

A Derivative contracts and hedge accounting

According to its risk management policy, Finnair Group uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from group's balance sheet items, currency denominated purchase contracts, anticipated currency denominated purchases and sales as well as future jet fuel purchases.

The derivatives are initially recognised in the balance sheet at original acquisition cost (fair value) and thereafter are subsequently valued at fair value in each financial statement and interim report. Derivative instruments are valued in the balance sheet at fair value, which is determined as the value at which the instrument could be exchanged between knowledgeable, willing and independent parties, with no compulsion in the sales situation to sell or buy. The fair values of derivatives are determined as follows:

The fair values of all derivatives are calculated using the exchange rates, interest rates, volatilities and commodity price quotations on the closing date. The fair values of currency forward contracts are calculated at the present value of future cash flows. The fair values of currency options are calculated using generally accepted option valuation models. The fair values of interest rate swap contracts are calculated at the present value of future cash flows. The fair values of interest rate and currency swap contracts are calculated at the present value of future cash flows. The fair values of interest rate options are calculated using generally accepted option valuation models. The fair values of commodity forward contracts are calculated at the present value of future cash flows. The fair values of commodity options are calculated using generally accepted option valuation models.

Gains and losses arising from changes in the fair value are presented in the financial statements according to the original classification of the derivative. Gains and losses on derivatives qualifying for hedge accounting are recognised in accordance with the underlying asset being hedged. Derivative contracts are designated at inception as future cash flows hedges, hedges of binding purchase contracts (cash flow hedges or fair value hedges) or as derivatives not meeting the hedge accounting criteria or to which hedge accounting is not applied (economic hedges). Hedging of the fair value of the net investment of foreign units or embedded derivatives have not been used.

At the inception of hedge accounting, Finnair Group documents the relationship between the hedged item and the hedging instrument as well as the Group's risk management objectives and the strategy for the inception of hedging. The Group documents and assesses, at the inception of hedging and at least in connection with each financial statements, the effectiveness of hedge relationships by examining the capacity of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet item short-term financial asset and liabilities.

Finnair Group implements the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). Principles are applied to the price and foreign currency risk of jet fuel, price risk of electricity, foreign currency risk of aircraft lease payments and aircraft purchases.

The change in the fair value of effective portion of derivative instruments that fulfil the terms of cash flow hedging are entered directly in the fair value reserve of other comprehensive income to the extent that the requirements for the application of hedge accounting have been fulfilled. The gains and losses recognised in fair value reserve are transferred to the income statement in the period in which the hedged item is entered in the income statement. When an instrument acquired for the hedging of cash flow matures or is sold or when the criteria for hedge accounting are no longer fulfilled, the gain or loss accrued from hedging instruments remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is released immediately to the income statement.

The effectiveness of hedging is tested on a quarterly basis. The effective portion of hedging is recognised in the fair value reserve of other comprehensive income, from which it is transferred to income statement when the hedged item is realised or, in terms of investments, as an acquisition cost adjustment.

Fair value hedging is implemented in respect of firm orders for new aircraft and to hedge the fixed interest rate bond. The binding purchase agreements for new aircraft´s are treated under IFRS as firm commitments in which fair value changes of hedged part arising from foreign currency movements are recognised in the balance sheet as an asset item and corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases is presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss.

Changes in the fair value of derivatives to hedge the fixed interest rate bond that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged bond that is attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swap hedging fixed rate borrowings is recognised in the income statement within financial income and expenses. The gain or loss relating to the ineffective portion is recognised in the income statement within in other operating income and expenses. The change in fair value of the bond is recognised in the income statement within financial income and expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Finnair Group uses foreign exchange and interest rate swap contracts in the hedging of the interest rate and foreign exchange risks of foreign currency denominated loans. The translation difference arising from foreign exchange and interest-rate swap contracts that fulfil the conditions of hedge accounting is recognised concurrently against the translation difference arising from the loan. Other changes in fair value are recognised in terms of the effective portion in the fair value reserve of other comprehensive income. Interest income and expenses are recognised in financial income and expenses.

Finnair Group uses jet fuel swaps (forward contracts) and options in hedging the price risk of jet fuel. Changes in the fair value of jet fuel hedging derivatives are recognised directly in the fair value reserve of other comprehensive income in respect of derivatives defined as cash-flow hedges that fulfil the requirements of IFRS hedge accounting. Accrued gains and losses on derivatives recognised in shareholders' equity are recognised in the income statement as income or expenses for the financial period in which the hedged item is recognised in the income statement. If a forecasted cash flow is no longer expected to occur, the accrued gains and losses reported in the shareholder's equity are presented directly as other income and expenses for the financial period. Changes in the fair value of derivative contracts, so far as the IFRS hedge accounting criteria are not fulfilled, are presented in other operating income and expenses during their term to maturity.

Finnair Group uses electricity derivative contracts in hedging the price risk of electricity. The electricity price risk hedges are recognised as cash flow hedges. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IFRS are posted directly to the fair value reserve of other comprehensive income. The recognised change in fair value is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting (which do not fulfil IFRS hedge accounting criteria) are recognised in other operating expenses over the tenor time of the derivative.

The change in the fair value of derivatives not qualifying for hedge accounting and which are arranged to hedge operational cash flow are recognised in the income statement item other operating expenses. Changes in the fair value of interest rate derivatives not qualifying for hedge accounting are recognised in the income statement's financial income and expenses. A

A = Accounting principles

	2013				2012			
EUR mill.	**Nominal value**	**Positive fair values**	**Negative fair values**	**Fair net value**	**Nominal value**	**Positive fair values**	**Negative fair values**	**Fair net value**
Currency derivatives *								
Hedge accounting items (forward contracts):								
Jet fuel currency hedging	370.5	0.0	-17.1	-17.0	413.5	5.7	-5.4	0.3
Hedging of aircraft acquisitions								
Fair value hedging	244.1	4.4	-2.3	2.2	291.1	15.2	-1.8	13.4
Cash flow hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hedging of lease payments	58.3	0.1	-1.7	-1.6	40.3	0.3	-0.5	-0.2
Hedge accounting items total	**672.9**	**4.5**	**-21.0**	**-16.4**	**744.9**	**21.2**	**-7.7**	**13.5**
Items outside hedge accounting:								
Operational cash-flow hedging (forward contracts)	407.9	7.3	-4.9	2.4	173.3	0.7	-1.6	-0.9
Operational cash-flow hedging (options)								
Call options	149.8	16.1	0.0	16.1	105.5	5.9	0.0	5.9
Put options	169.5	0.0	-0.8	-0.8	110.5	0.0	-0.8	-0.8
Balance sheet hedging (forward contracts)	20.4	0.0	-1.2	-1.2	47.8	0.4	-0.4	0.0
Items outside hedge accounting total	**747.5**	**23.4**	**-6.9**	**16.5**	**437.1**	**7.0**	**-2.8**	**4.2**
Currency derivatives total	**1,420.4**	**27.9**	**-27.8**	**0.1**	**1,182.0**	**28.2**	**-10.5**	**17.7**
Commodity derivatives **								
Hedge accounting items:								
Jet fuel forward contracts, tonnes	563,550	12.5	-0.7	11.8	574,660	5.3	-7.0	-1.7
Electricity derivatives, MWh	17,568	0.0	0.0	0.0	0	0.0	0.0	0.0
Hedge accounting items total		**12.5**	**-0.7**	**11.8**		**5.3**	**-7.0**	**-1.7**
Items outside hedge accounting:								
Jet fuel forward contracts, tonnes	18,000	0.8	0.0	0.8	0	0.0	0.0	0.0
Options								
Call options, jet fuel, tonnes	201,000	3.4	0.0	3.4	214,000	3.1	0.0	3.1
Put options, jet fuel, tonnes	201,000	0.0	-1.1	-1.1	301,000	0.0	-4.1	-4.1
Electricity derivatives, MWh	71,100	0.1	-0.6	-0.5	91,536	0.0	-0.5	-0.5
Items outside hedge accounting total		**4.3**	**-1.6**	**2.6**		**3.1**	**-4.6**	**-1.5**
Commodity derivatives total		**16.8**	**-2.3**	**14.4**		**8.4**	**-11.6**	**-3.2**
Interest rate derivatives								
Hedge accounting items:								
Interest rate swaps	150.0	1.2	0.0	1.2	0.0	0.0	0.0	0.0
Hedge accounting items total	**150.0**	**1.2**	**0.0**	**1.2**		**0.0**	**0.0**	**0.0**
Items outside hedge accounting:								
Cross currency interest rate swaps	17.3	0.2	0.0	0.2	22.9	1.0	0.0	1.0
Interest rate swaps	25.0	0.0	-0.5	-0.5	25.0	0.0	-1.1	-1.1
Items outside hedge accounting total	**42.3**	**0.2**	**-0.5**	**-0.3**	**47.9**	**1.0**	**-1.1**	**-0.1**
Interest rate derivatives total	**192.3**	**1.4**	**-0.5**	**0.9**	**47.9**	**1.0**	**-1.1**	**-0.1**
Derivatives total ***		**46.1**	**-30.7**	**15.4**		**37.6**	**-23.2**	**14.4**

* A change in the fair value of currency derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset in the result against the hedged item. This is recognised as cash flow hegding. Exceptions to this are firm commitment hedges of aircraft purchases and hedging fixed interest rate bond qualifying for hedge accounting, whose fair value changes of hedged part arising from foreign currency movements (aircraft purchases) and fair value changes (fixed interest rate bond) is recognised in the balance sheet as an asset item and any corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases and bond are presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss. This is recognised as fair value hedging. A change in the fair value of operational cash flow hedging outside hedge accounting is recognised in the income statement's other operating income and expenses, and a change in fair value of balance sheet hedges is recognised in financial items.

** The effective portion of a change in the fair value of commodity derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset against the hedged item when expired. A change in the fair value of commodity derivatives outside hedge accounting is recognised in the income statement other operating expenses. Realised gains and losses are instead recognised against the hedged item.The jet differential is the price difference between jet fuel and gasoil.

*** The positive/negative fair value of derivatives 31 Dec 2013 are shown as balance sheet receivables and liabilities. Jet fuel options 31 Dec 2013 were shown as a net amount in receivables.

Ratings of derivative counterparties

EUR mill.	2013	2012
Better than A	11.6	9.9
A	2.9	4.6
BBB	0.9	-0.1
BB	-	-
Unrated	-	-
Total	**15.5**	**14.4**

5.9 EQUITY-RELATED INFORMATION

A Shareholders' equity

The nominal value of shares has been recognised in the share capital before an amendment to the Articles of Association registered on 22 March 2007.

Share issue profits that arose related to increases in share capital between 1997-2006 have been recognised in the share premium account. In addition, before the change in Limited Liability Companies Act in 2006 the gains on sale of treasury shares were recognised in share premium.

Share issue profits that arose before 1997 have been recognised in the legal reserve.

The share issue profit from the 2007 share issue, less transaction expenses and tax, has been recognised in the invested unrestricted equity fund. The acquisitions of own shares can also be recognised unless they are recognised in retained earnings. In addition, share-based payments according to IFRS 2 are recognised in invested unrestricted equity fund.

Hedging reserve and other OCI items include changes in the fair value of derivative instruments used in cash-flow hedging, in addition to actuarial gains and losses related to defined benefit pension plans, fair value gains and losses of available for sale financial assets and translation differences arising from consolidating foreign subsidiaries that have another reporting currency than euro.

Retained earnings include profit from previous financial years, less dividends distributed and acquisitions of own shares unless they are recognised in the invested unrestricted equity fund. Changes in accounting principles and errors are also recognised in the results of previous financial years.

A hybrid bond on equity terms is recognised in shareholders' equity (after equity belonging to shareholders). The bond has no maturity date, but the company has the right to redeem it four years after the date of issue. The hybrid bond is unsecured and is in a weaker preference position than promissory notes. Its preference position is, however, better than other items listed in the company's shareholders' equity. A holder of a hybrid bond note has no shareholder rights, nor does the bond dilute the ownership of the company's shareholders. The bond is recognised originally at fair value. Transactions expenses have been included in the original carrying amount of the bond.

Dividend

The dividend liability to the company's shareholders is recognised as a liability in the consolidated financial statements when the Annual General Meeting has decided on the dividend distribution.

Treasury shares

When the company have acquired its own shares or subsidiaries have acquired the parent company shares, the company's shareholders' equity is deducted by an amount consisting of the consideration paid less transaction costs after taxes unless the own shares are cancelled. No gain or loss is entered in the income statement for the sale or issue of own shares; the consideration received is presented as a change in shareholders' equity. A

	Number of registered shares	Share capital, EUR	Share premium, EUR	Legal reserve, EUR
1 Jan 2012	128,136,115	75,442,904.30	20,407,351.01	147,712,376.39
31 Dec 2012	128,136,115	75,442,904.30	20,407,351.01	147,712,376.39
31 Dec 2013	**128,136,115**	**75,442,904.30**	**20,407,351.01**	**147,712,376.39**

	Number of own shares	Price, EUR	Average price, EUR
1 Jan 2012	410,187	3,179,335.94	7.75
31 Dec 2012	**410,187**	**3,179,335.94**	**7.75**
Purchase of own shares	600,000	1,684,650.10	2.81
Assignment of own shares	-731,019	-4,055,744.86	5.55
31 Dec 2013	**279,168**	**808,241.18**	**2.90**

All issued shares are fully paid. The share has no nominal value.

Obligation to redeem clause

The Articles of Association have no obligation to redeem clause.

CHANGES IN RESERVES INCLUDED IN SHAREHOLDERS' EQUITY

Other restricted funds

There has been no changes during 2013 or 2012 in other restricted equity funds.

Unrestricted equity funds

The changes in unrestricted equity funds during 2013 relate to purchase of treasury shares and share-based payments related to Group's long-term incentive plan 2010-2012.

Hedging reserve and other OCI items

The items included in hedging reserve and other OCI items is presented below:

EUR mill.	2013	2012
Translation differences	-0.3	-0.2
Jet fuel price hedging	11.8	-1.7
Jet fuel currency hedging	-17.0	0.3
Hedging of lease payments	-1.6	-0.2
Electricity pricehedging	0.0	0.0
Available for sale financial assets	0.0	13.8
The actuarial gains and losses of defined benefit plan	-11.5	-11.8
Deferred tax asset (liability)	3.7	-0.1
Total	**-15.0**	**0.1**

A = Accounting principles

Maturity dates of fair values recognised in the hedging reserve

EUR mill.	2014	2015	2016	2017	2018	Later	Total
Translation differences						-0.3	-0.3
Jet fuel price hedging	7.3	4.4	0.1				11.8
Jet fuel currency hedging	-14.0	-3.0					-17.0
Hedging of lease payments	-1.4	-0.2					-1.6
Electricity price hedging							0.0
Available for sale financial assets							0.0
The actuarial gains and losses of defined benefit plan	-11.5						-11.5
Deferred tax asset (liability)	3.9	-0.2	0.0				3.7
Total	**-15.7**	**1.0**	**0.1**	**0.0**	**0.0**	**-0.3**	**-15.0**

Derivatives in income statement

During 2013, -3.9 million euros (50.0) has been recognised from fair value reserve as a change in expenses in the income statement. Of this, -3.4 million euros (47.8) is an adjustment of fuel expenses, -0.3 million euros (2.5) an adjustment of aircraft lease expenses and -0.2 million euros (-0.3) an adjustment of electricity expenses.

Finnair hedges against price fluctuation with derivatives based on its risk management policy. Hedge accounting is not or can not be applied to all hedging relationships. For this fuel purchases hedging outside IFRS hedge accounting, -0.6 million euros (3.7) was realised and recognised as an adjustment to fuel expenses and 18.8 million euros (9.3) in other operating expenses in the income statement during 2013.

Sensitivity analysis of the fair value reserve

If the price of Jet fuel CIF NWE had been 10 per cent higher, the balance of the reserve would have been 40.5 million euros (43.2) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 40.5 million euros (43.2). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 42.6 million euros (45.1) and a 10 per cent stronger dollar would have had a positive impact of 42.6 million euros (45.1). Elctricity price hedging was ineffective at the end of the year 2013, thus their valuation would have had no impact to the balance of the fair value reserve (0.0). The effect of change in interests to the fair value reserve in own equity is not essential. The enclosed sensitivity figures do not take into account any change in deferred tax liability (tax assets).

Own shares (Treasury shares)

The acquisition cost of own shares held by the Group is included in invested distributable funds. For further information on the share bonus scheme see Note 3.9.1. Total amount of the acquisition cost of own shares held by the Group is 0.8 million euros.

Hybrid bond

Shareholders' equity (after equity belonging to shareholders) includes a 120 million euro hybrid bond issued in 2012. The hybrid bond coupon is fixed 8.875 per cent per year for the first 4 years and therafter at least 11.875 per cent per year. Finnair can postpone intrest payment, if it does not distribute dividends or any other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it 4 years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Earnings per share

The undiluted earnings per share figure is calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares. The fair value of the share is based on the weighted average price of the shares in trading.

EUR mill.	2013	2012
Profit for the financial year, EUR mill.	10.8	10.2
Interest of hybrid bond, EUR mill.	-8.5	-8.5
Weighted average number of shares, 1000 pcs	128.1	128.1
Undiluted and diluted earnings per share, EUR	0.02	0.01
Effect of own shares	0.00	0.00

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2013. The Annual General Meeting on 27 March 2013 decided to distribute a dividend of 0.10 euros per share. The total dividend was 12.7 million euros, based on the number of shares registered on 3 April 2013. The dividend was paid on 10 April 2013.

Finnair Plc's distributable equity

EUR mill.	31 Dec 2013
Retained earnings at the end of financial year	0.0
Unrestricted equity funds	250.5
Hedging reserve	-4.2
Result for the financial year	37.7
Distributable equity total	**284.0**

6 OTHER NOTES

i Other notes include all such notes that do not specifically relate to any previous subject matters. i

6.1 INCOME TAXES

A The tax expense for the period includes current and deferred tax and adjustments to previous years' taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or other equity items.

Deferred taxes are calculated for temporary differences between accounting and taxation using the valid tax rates for future years at the closing date. Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Temporary differences arise mainly from sales of tangible assets, depreciation, revaluations of derivative contracts, defined benefit pension scheme and unused tax losses. Deferred tax is recognised for subsidiaries' undistributed earnings only when related tax effects are probable. A

! Utilising deferred tax assets related to tax losses requires management to make expectations of future performance of operations. !

Income taxes

EUR mill.	2013	2012
Taxes for the financial year		
Current tax	0.2	0.1
Adjustments recognised for current tax of prior periods	0.8	0.2
Deferred taxes	-2.0	4.0
Total	**-1.0**	**4.3**

The table below explains the difference between teorethical tax cost calculated with Finnish nominal tax rate (24.5%) and tax expense in the consolidated income statement:

EUR mill.	2013	2012
Profit before taxes	10.1	14.8
Taxes calculated using the Finnish tax rate	2.5	3.6
Effect of the tax rate change	-4.5	0.0
Different tax rates of foreign subsidiaries	0.0	0.0
Share of result in associates and joint ventures	1.0	0.2
Tax-exempt income	-0.4	0.3
Non-deductible expenses	0.5	0.0
Adjustments recognised for taxes of prior periods	-0.1	0.2
Income taxes, total	**-1.0**	**4.3**
Effective tax rate	-9.8%	29.2%

Effective tax rate was -9.8% (29.2%). Finnish Parliament decided in December 2013 to lower corporate income tax rate from 24.5% to 20%, which caused a one-time positive effect of 4.5 million euros in income statement 2013. Although the tax rate change is valid from 1 of January 2014 onwards, the change effected taxes in income statement already in 2013 due to revaluation of deferred taxes. Tax rate excluding the effect of tax rate change was 27.5%.

i = Content of the section
A = Accounting principles
! = Critical accounting estimates

DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during 2013:

EUR mill.	2012	Recognised in the income statement	Recognised in shareholders' equity	2013
Deferred tax assets				
Confirmed losses	69.6	-12.4	1.5	58.6
Employee benefits	0.0	-0.6	2.7	2.2
Finance leasing	0.9	-0.3	0.0	0.6
Capitalisation of overhead expenses	1.1	-0.1	0.0	1.0
Heavy maintenance allocations	0.5	-0.5	0.0	0.0
Engine maintenance allocations	0.5	-0.5	0.0	0.0
Finnair Plus	1.5	-1.5	0.0	0.0
Other temporary differences	3.4	-1.3	0.0	2.1
Valuation of derivatives at fair value	0.1	0.0	1.2	1.3
Total	**77.6**	**-17.3**	**5.4**	**65.8**
Deferred tax assets that can be used after more than 12 months	8.5			0.6

EUR mill.	2012	Recognised in the income statement	Recognised in shareholders' equity	2013
Deferred tax liabilities				
Accumulated depreciation difference	2.5	0.0	0.0	2.5
Gains from sale of tangible fixed assets	81.4	-15.5	0.0	65.9
Employee benefits	-0.9	-2.4	3.3	0.0
Other temporary differences	5.6	-1.5	0.0	4.1
Valuation of derivates at fair value	3.0	0.0	-3.0	0.0
Total	**91.6**	**-19.3**	**0.3**	**72.6**
Deferred tax liabilities that are expected to realise after 12 months or more	88.6			69.6

Confirmed tax losses expire earliest within 6-10 years.
Distributing retained earnings of foreign subsidiaries as dividends would cause a tax effect of 0.4 million euros (0.8).

Changes in deferred taxes during 2012:

EUR mill.	2011	Recognised in the income statement	Recognised in shareholders' equity	2012
Deferred tax assets				
Confirmed losses	64.4	4.6	0.6	69.6
Finance leasing	1.1	-0.2	0.0	0.9
Revenue recognition	0.1	0.0	0.0	0.1
Capitalisation of overhead expenses	0.6	0.5	0.0	1.1
Heavy maintenance allocations	1.0	-0.5	0.0	0.5
Engine maintenance allocations	2.3	-1.8	0.0	0.5
Other temporary differences	2.7	0.6	0.0	3.3
Finnair Plus	3.0	-1.5	0.0	1.5
Valuation of derivates at fair value	0.0	0.0	0.1	0.1
Total	**75.2**	**1.7**	**0.7**	**77.6**
Deferred tax assets that can be used after more than 12 months	10.8			8.5

EUR mill.	2011	Recognised in the income statement	Recognised in shareholders' equity	2012
Deferred tax liabilities				
Accumulated depreciation difference	2.5	0.0	0.0	2.5
Gains from sale of tangible fixed assets	80.1	1.3	0.0	81.4
Other temporary differences	3.7	0.8	0.4	4.9
Hybrid bond, interest	0.7	0.0	0.0	0.7
Employee benefits	1.8	-2.7	0.0	-0.9
Valuation of derivates at fair value	9.7	0.0	-6.7	3.0
Total	**98.5**	**-0.6**	**-6.3**	**91.6**
Deferred tax liabilities payable after more than 12 months	91.9			88.6

6.2 RELATED PARTY TRANSACTIONS

Related party of Finnair group includes its subsidiaries, management, associated companies and joint ventures and Finnair pension fund. Subsidiaries are listed in the note 1.3 and associates and joint ventures in the note 1.6. Related party transactions include such operations that do not eliminate in group's consolidated financial statement.

Finnish government owns 55.8% (55.8%) of Finnair's shares. All the transactions with other government owned companies are with arms length basis.

The following transactions have taken place with associated companies and joint ventures:

EUR mill.	2013	2012
Sales of goods and services		
Associates	4.7	4.5
Joint ventures	60.8	20.5
Purchases of goods and services		
Associates	20.3	17.7
Joint ventures	85.5	81.2
Receivables and liabilities		
Current receivables from associates	3.1	0.1
Current liabilities to associates	3.5	0
Current receivables joint ventures	32.9	22.4
Current liabilities to joint ventures	4.5	8.7

Transactions with related parties are with arms length, and are with similar terms than transactions carried out with independent parties. Guarantees and other commitments made on behalf of related parties are presented in note 5.4 Contingent liabilities. Management remuneration is presented in note 3.9. Management has not been granted any loans and there has not been any other transactions with management.

Finnair pension fund

The Finnair pension fund in Finland is a stand-alone legal entity which mainly provides additional pension coverage to Finnair's personnel in the form of defined benefit plan, and manages related pension assets. The assets include Finnair's shares representing 0.1% (0.1%) of the company's outstanding shares. Real estate and premises owned by the pension fund have been mainly leased to Finnair. In 2013 Finnair didn't pay any contributions to the fund (7.5).

6.3 DISPUTES AND LITIGATION

Finnair reports only cases of which the interest is 400,000 euros or more and that are not insured.

On 31 December 2013 there were no such disputes pending.

6.4 EVENTS AFTER THE CLOSING DATE

There have not been other remarkable events after closing date as told in the Board of Director's report

6.5 CHANGE OF ACCOUNTING PRINCIPLE

From 1 January 2013 Finnair Group has adopted the amendments to IAS 19 Employee Benefits. The change is allocated for the Airline Business segment. Previously applied corridor method in recognising actuarial gains and losses is no longer used. All the actuarial gains and losses are recognised as they occur through other comprehensive income. Items recognised in other comprehensive income are no longer recycled through profit and loss. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset.

The grouping of de-icing, cleaning of aircraft and a few other expenses have been changed.

Effect of restatement to 2012 consolidated income statement

EUR mill.	Reported	IAS 19 Employee Benefits	De-icing and cleaning of aircraft	Other adjustment	Restated
Operating income	**2,494.1**	**0.0**	**0.0**	**0.0**	**2,494.1**
Staff costs	426.9	1.7	0.0	0.6	429.2
Fleet materials and overhaul	156.0	0.0	-22.9	0.0	133.1
Ground handling and catering expenses	224.3	0.0	22.9	0.0	247.2
Sales and marketing expenses	74.3	0.0	0.0	1.4	75.7
Other expenses	232.2	0.0	0.0	-2.0	230.2
Other expenses total	1,344.9	0.0	0.0	0.0	1,344.9
Operating result, EBIT	**35.5**	**-1.7**	**0.0**	**0.0**	**33.8**
Profit before taxes	**16.5**	**-1.7**	**0.0**	**0.0**	**14.8**
Income taxes	-4.7	0.4	0.0	0.0	-4.3
Profit for the financial year	**11.8**	**-1.3**	**0.0**	**0.0**	**10.5**

Effect of the restatement to the 2012 opening and closing date balance sheet

EUR mill.	1 January 2012 Reported	Adjustment	Restated	31 December 2012 Reported	Adjustment	Restated
ASSETS						
Non-current assets						
Financial assets and pension receivables	32.1	36.0	68.1	33.1	-10.4	22.7
Other non-current assets	1,589,4	0.0	1,589.4	1,478.0	0.0	1,478.0
Non-current assets total	1,621.5	36.0	1,657.5	1,511.1	-10.4	1,500.7
Short-term receivables total	735.5	0.0	735.5	730.6	0.0	730.6
Assets total	**2,357.0**	**36.0**	**2,393.0**	**2,241.7**	**-10.4**	**2,231.3**
Shareholders' equity and liabilities						
Shareholders' equity	75.4	0.0	75.4	75.4	0.0	75.4
Other equity	676.4	27.2	703.6	709.2	-10.2	699.0
Equity attributable to shareholders of the parent company	751.8	27.2	779.0	784.6	-10.2	774.4
Non-controlling interests	0.7	0.0	0.7	0.9	0.0	0.9
Equity total	**752.5**	**27.2**	**779.7**	**785.5**	**-10.2**	**775.3**
Deferred tax liability	98.5	8.8	107.3	94.9	-3.3	91.6
Pension obligations	0.0	0.0	0.0	0.5	3.1	3.6
Other long-term liabilities	602.9	0.0	602.9	495.8	0.0	495.8
Long-term liabilities total	701.4	8.8	710.2	591.2	-0.2	591.0
Short-term liabilities total	903.1	0.0	903.1	865.0	0.0	865.0
Liabilities total	**1,604.5**	**8,8**	**1,613,3**	**1,456.2**	**-0.2**	**1,456.0**
Shareholders' equity and liabilities total	**2,357.0**	**36.0**	**2,393.0**	**2,241.7**	**-10.4**	**2,231.3**

7 PARENT COMPANY FINANCIAL STATEMENTS

FINNAIR PLC INCOME STATEMENT

EUR mill.	Note	2013	2012
Turnover	**2**	**2,012.7**	**2,015.2**
Other operating income	3	37.6	10,1
Operating income total		**2,050.3**	**2,025.3**
Materials and services	4	1,125.9	1,098.9
Staff costs	5	272.9	287.4
Depreciation	6	8.1	6.3
Other operating expenses	7	718.4	702.7
Operating expenses total		**2,125.3**	**2,095.3**
Operating profit/loss		**-75.0**	**-70.0**
Financial income and expenses	8	30.2	-6.0
Profit/loss before extraordinary items		**-44.8**	**-76.0**
Extraordinary items	9	103.6	74.8
Profit/loss before appropriations and taxes		**58.8**	**-1.2**
Appropriations	10	0.2	0.0
Income taxes	11	21.3	-0.2
Profit/loss for the financial year		**37.7**	**-1.0**

FINNAIR PLC BALANCE SHEET

EUR mill.	Note	2013	2012
ASSETS			
Non-current assets			
Intangible assets	12	12.0	13.2
Tangible assets	13	39.7	2.0
Investments	14		
Shares in group companies		449.1	489.7
Shares in associated companies		15.4	13.1
Other investments		0.4	0.7
Loan and other receivables	15	68.9	299.9
Non-current assets total		**585.5**	**818.6**
Current assets			
Current receivables	16	915.0	478.8
Marketable securities	17	335.5	362.6
Cash and bank equivalents	18	118.2	62.1
Current assets total		**1,368.7**	**903.4**
ASSETS TOTAL		**1,954.1**	**1,722.0**
EQUITY AND LIABILITIES			
Equity	19		
Share capital		75.4	75.4
Share premium account		24.7	24.7
Legal reserve		147.7	147.7
Hedging reserve		-4.2	9.3
Unrestricted equity funds		250.5	250.4
Retained earnings		0.0	13.7
Profit/loss for the financial year		37.7	-1.0
Equity total		**531.9**	**520.3**
Accumulated appropriations	20	9.1	0.0
Provisions	21	94.0	109.7
Liabilities			
Non-current liabilities	22	322.3	237.3
Current liabilities	23	996.8	854.7
Liabilities total		**1,319.1**	**1,092.0**
EQUITY AND LIABILITIES TOTAL		**1,954.1**	**1,722.0**

FINNAIR PLC CASH FLOW STATEMENT

EUR mill.	2013	2012
Cash flow from operating activities		
Profit/loss before extraordinary items	-44.8	-76.0
Depreciation	8.1	6.3
Other non-cash transactions	-39.7	4.7
Financial income and expenses	-30.2	6.0
Changes in working capital	-18.9	-0.5
Interest and other financial expenses paid	-26.6	-23.9
Received interest and other financial income	12.0	18.7
Taxes paid	0.0	-0.1
Cash flow from operating activities	**-140.0**	**-64.8**
Cash flow from investing activities		
Investments in intangible and tangible assets	-3.6	-4.1
Other investments	0.0	-3.8
Proceeds from sales of other investments	54.1	0.0
Dividends received	5.1	0.1
Change in long-term receivables	26.4	25.3
Cash flow from investing activities	**82.0**	**17.5**
Cash flow from financing activities		
Proceeds from loans	150.0	70.8
Loan repayments and changes	-71.1	-152.8
Hybrid bond repayments	-52.4	-67.7
Proceeds from hybrid bond	0.0	120.0
Received group contributions	74.8	105.0
Purchase of own shares	-1.7	0.0
Dividends paid	-12.7	0.0
Cash flow from financing activities	**87.0**	**75.3**
Change in cash flows	**28.9**	**28.0**
Change in liquid funds		
Liquid funds, at beginning	424.7	396.7
Change in cash flows	28.9	28.0
Liquid funds, at end	**453.6**	**424.7**

NOTES TO FINNAIR PLC FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

The financial statements of Finnair Plc have been prepared in accordance with the Finnish Accounting Standards (FAS).

Foreign currency items

Business transactions in foreign currencies have been valued using the exchange rate at the date of transaction. Receivables and liabilities on the balance sheet date are valued using the exchange rate on the balance sheet date. Advances paid and received are valued in the balance sheet using the exchange rate at the date of payment. Exchange rate differences on trade receivables and payables are treated as the adjustments to turnover and other operating expenses. Exchange rate differences on other receivables and liabilities are entered under financial income and expenses.

Derivative contracts

According to its risk management policy, Finnair uses foreign exchange, interest rate and commodity derivatives to reduce the risks which arise from the company's currency denominated purchase contracts, forecasted purchases and sales as well as future jet fuel purchases. Derivative contracts are valued using the rates on the balance sheet date according to Accounting Act 5:2 a §. The accounting principles related to derivative contracts and hedge accounting are described more specifically in Group's accounting principles in the section 5.8 Derivatives.

Financial assets and liabilities

Financial assets have been classified into the following categories: financial assets at fair value through profit or loss (assets held for trading), held-to-maturity investments, loans and other receivables. The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition. All purchases and sales of financial assets are recognised on the trade date. Liabilities are recognised at acquisition cost. Financial assets at fair value through profit and loss as well as assets and liabilities maturing within 12 months are included in current liabilities.

Finnair assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. If there is objective evidence that an impairment loss has arisen for loans and other receivables entered at amortised acquisition cost on the balance sheet or for held-to-maturity investments, the size of the loss is determined as the difference of the book value of the asset item and the present value of expected future cash flows of the said financial asset item discounted at the original effective interest rate. The loss is recognised through profit and loss.

Other financial assets and liabilities are recognised at fair value. Other financial assets include trade receivables, accrued income and prepaid expenses as well as other non-current receivables like loan receivables and other investments as well as the securities for aircraft leases. Other financial liabilities include trade payables, accruals and deferred income.

De-recognition of financial assets takes place when the company has lost its contractual right to receive the cash flows or when it has substantially transferred the risks and rewards outside the company.

Fixed assets and depreciation

The balance sheet values for fixed assets are based on original acquisition costs less planned depreciation. Land areas are not depreciated. Planned depreciation is based on the expected economic lifetimes:

- IT software: 3–8 years
- Other intangible assets: 3–10 years
- Buildings: over 50 years from time of acquisition to a residual value of 10% or 3–7% of the diminishing balances
- Other tangible assets 23% of the diminishing balances

Research and development costs

Except for major software development costs, research and development costs are expensed as they occur. Research and development of aircraft, systems and operations is conducted primarily by the manufacturers.

Leasing

Lease payments for aircraft are significant. Annual lease payments are treated as rental expenses. Lease payments due in future years under aircraft lease contracts are presented as off-balance sheet items.

Extraordinary items

Extraordinary items consist of income and expenses which deviate from the ordinary activities of the company, such as group contributions.

Appropriations

The difference between total and planned depreciation is shown as accumulated appropriations in the balance sheet and the change during the financial year in the income statement.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, adjustments to taxes in previous financial years and the change in deferred taxes.

Pension schemes

The mandatory pension cover of the company's domestic employees has primarily been arranged through a Finnish pension insurance company and other additional pension cover through the Finnair pension fund or a Finnish pension insurance company. Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage. The Finnair pension fund's pension obligation is fully covered with respect to additional coverage. Pension fund liabilities are presented in the notes to the financial statements.

Provisions

Provisions in the balance sheet and entered as expenses in the income statement comprise those items which the company is committed to covering through agreements or otherwise in the foreseeable future and which have no corresponding revenue and whose monetary value can be reasonably assessed.

The company is obliged to return leased aircraft at the required redelivery condition. To fulfil these maintenance obligations the company has recognised provisions based on flight hours flown during the maintenance period. Restructuring provisions are recognised when the company has prepared a detailed restructuring plan and has begun to implement the plan or has announced it.

2. TURNOVER AND OPERATING PROFIT BY BUSINESS AREA

EUR mill.	2013	2012
Turnover by division		
Airline Business	2,012.7	2,015.2
Distribution of turnover by market areas based on flight routes, % of turnover		
Finland	17%	17%
Europe	38%	37%
Other countries	45%	46%
Total	**100%**	**100%**
Operating profit by business area		
Airline Business	-75.0	-70.0

3. OTHER OPERATING INCOME

EUR mill.	2013	2012
Rental income	28.5	0.0
Capital gains on sales of tangible assets	0.0	0.0
Other income	9.1	10.1
Total	**37.6**	**10.1**

4. MATERIALS AND SERVICES

EUR mill.	2013	2012
Ground handling and catering expenses	179.3	170.1
Fuel costs	667.4	639.1
Aircraft materials and overhaul	183.5	194.9
IT expenses	48.0	43.0
Other items	47.7	51.8
Total	**1,125.9**	**1,098.9**

5. STAFF COSTS

EUR mill.	2013	2012
Wages and salaries	220.0	226.1
Pension expenses	36.4	44.1
Other social expenses	16.5	17.1
Total	**272.9**	**287.4**
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Executive Officer and his debuty	0.9	0.8
Board of Directors	0.4	0.3
Personnel on average		
Airline Business	3,436	3,484
Other functions	139	144
Total	**3,575**	**3,628**

6. DEPRECIATION

EUR mill.	2013	2012
Planned depreciation and amortisation		
On other long-term expenditure	5.4	5.8
On buildings	0.8	0.0
On other equipment	1.8	0.5
Total	**8.1**	**6.3**

7. OTHER OPERATING EXPENSES

EUR mill.	2013	2012
Lease payments for aircraft	238.9	251.0
Other rents for aircraft capacity	93.0	63.3
Office and other rents	30.3	15.8
Traffic charges	218.3	220.1
Sales and marketing expenses	59.5	60.9
Other expenses	78.4	91.7
Total	**718.4**	**702.7**

8. FINANCIAL INCOME AND EXPENSES

EUR mill.	2013	2012
Dividend income		
From group companies	4.0	0.0
From other companies	1.1	0.1
Total	**5.1**	**0.1**
Interest income		
From group companies	10.6	14.5
From associates and joint ventures	0.6	0.0
From other companies	2.0	4.5
Total	**13.3**	**18.9**
Other financial income		
From group companies	8.4	0.0
From other companies	1.1	0.0
Total	**9.4**	**0.0**
Gains on disposal of shares	**35.2**	**0.0**
Interest expenses		
To group companies	-1.6	-1.6
To other companies	-20.1	-17.3
Total	**-21.6**	**-18.8**
Other financial expenses		
To group companies	-6.1	0.0
To other companies	-2.9	-4.9
Total	**-9.0**	**-4.9**
Exchange gains and losses	**-2.2**	**-1.2**
Financial income and expenses total	**30.2**	**-6.0**

9. EXTRAORDINARY ITEMS

EUR mill.	2013	2012
Received group contribution	103.6	74.8

10. APPROPRIATIONS

EUR mill.	2013	2012
Change in depreciation difference	0.2	0.0

11. DIRECT TAXES

EUR mill.	2013	2012
Income taxes on regular business operations	-15.5	-22.7
Income taxes on extraordinary items	25.4	18.3
Change in deferred taxes	11.5	4.1
Total	**21.3**	**-0.2**

12. INTANGIBLE ASSETS

EUR mill.	2013	2012
Other long-term expenditure		
Acquisition cost 1 January	39.1	35.2
Additions	0.4	3.9
Effect of the merger	5.0	0.0
Disposals	-1.8	0.0
Acquisition cost 31 December	**42.6**	**39.1**
Accumulated depreciation 1 January	-25.9	-20.1
Accumulated planned depreciation of disposals	1.8	0.0
Effect of the merger	-1.1	0.0
Depreciation	-5.4	-5.8
Accumulated depreciation 31 December	**-30.6**	**-25.9**
Book value 31 December	**12.0**	**13.2**

13. TANGIBLE ASSETS

Tangible assets 2013

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 January 2013	0.0	0.0	8.5	0.0	8.5
Additions			2.1	1.1	3.2
Effect of the merger	0.7	51.0	3.0	3.0	57.8
Disposals			-5.3		-5.3
Acquisition cost 31 December 2013	**0.7**	**51.0**	**8.3**	**4.1**	**64.1**
Accumulated depreciation 1 January 2013	0.0	0.0	-6.5	0.0	-6.5
Accumulated planned depreciation of disposals			4.3		4.3
Effect of the merger		-18.4	-2.3		-20.7
Depreciation		-0.8	-0.8		-1.6
Accumulated depreciation 31 December 2013	**0.0**	**-19.3**	**-5.2**	**0.0**	**-24.5**
Book value 31 December 2013	**0.7**	**31.7**	**3.1**	**4.1**	**39.7**
The share of machines and equipment in the book value of tangible assets 31 December 2013			3.0		

Tangible assets 2012

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 January 2012			8.3		8.3
Additions			0.2		0.2
Disposals			0.0		0.0
Acquisition cost 31 December 2012	**0.0**	**0.0**	**8.5**	**0.0**	**8.5**
Accumulated depreciation 1 January 2012			-6.0		-6.0
Accumulated planned depreciation of disposals			0.0		0.0
Depreciation			-0.5		-0.5
Accumulated depreciation 31 December 2012	**0.0**	**0.0**	**-6.5**	**0.0**	**-6.5**
Book value 31 December 2012	**0.0**	**0.0**	**2.0**	**0.0**	**2.0**
The share of machines and equipment in the book value of tangible assets 31 December 2012			1.9		

14. INVESTMENTS

EUR mill.	2013	2012
Group companies		
Acquisition cost 1 January	489.7	489.7
Additions	0.0	0.0
Effect of the merger	-40.6	0.0
Disposals	0.0	0.0
Book value 31 December	**449.1**	**489.7**
Associates and joint ventures		
Acquisition cost 1 January	13.1	9.4
Additions	0.0	3.7
Effect of the merger	2.2	0.0
Book value 31 December	**15.4**	**13.1**
Shares in other companies		
Acquisition cost 1 January	0.7	0.7
Additions	0.0	0.0
Effect of the merger	0.0	0.0
Disposals	-0.4	0.0
Book value 31 December	**0.4**	**0.7**

Associates	Share of parent company %
Suomen Ilmailuopisto Oy, Pori	49.50
Flybe Nordic, Sweden	40.00
Kiinteistö Oyj Lentäjäntie 1, Vantaa	28.33

Group companies	Share of parent company %		Share of parent company %
Finnair Cargo Oy, Helsinki	100.00	Finnair Technical Services Oy, Helsinki	100.00
Finnair Cargo Terminal Operations Oy, Helsinki	100.00	Finnair Engine Services Oy, Helsinki	100.00
Amadeus Finland Oy, Helsinki	95.00	Finnair Flight Academy Oy, Helsinki	100.00
Suomen Matkatoimisto Oy, Helsinki	100.00	Northport Oy, Helsinki	100.00
Area Baltica Reisiburoo AS, Estonia	100.00	Finland Travel Bureau Oy, Helsinki	100.00
Back Office Services Estonia Oü, Estonia	100.00	Kiinteistö Oy LEKO 8, Vantaa	100.00
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	100.00	Kiinteistö Oy Air Cargo Center 1, Vantaa	100.00
FTS Financial Services Oy, Helsinki	100.00	IC Finnair Ltd, Great Britain **	100.00
Finnair Travel Retail Oy, Helsinki	100.00	Finnvero Gmbh, Germany	100.00
LSG Sky Chefs Finland Oy, Helsinki *	100.00	A/S Aero Airlines, Estonia	100.00
Finnair Aircraft Finance Oy, Helsinki	100.00	Norvista Travel Ltd, Canada	100.00

* The group has made an co-operation agreement which includes a call option and ceased control over the company

** IC Finnair Ltd is a fully owned captive insurance company in Guernsey which rearnings are subject to normal taxation in Finland.

Finnair Facilities Management Oy was merged with the parent company on 31 March 2013.

15. LOAN AND OTHER RECEIVABLES

EUR mill.	2013	2012
Non-current loan receivables		
From group companies	14.5	223.5
From associates and joint ventures	9.9	9.9
From other companies	0.2	0.3
Total	**24.7**	**233.7**
Deferred tax assets 1 January	66.2	65.7
From profit/loss for the financial period	-9.8	4.3
From temporary differences	-13.1	-3.9
From valuation of derivates at fair value	1.1	0.0
Deferred tax assets 31 December	**44.2**	**66.2**
Loan and other receivables total	**68.9**	**299.9**

16. CURRENT RECEIVABLES

EUR mill.	2013	2012
Short-term receivables from group companies		
Trade receivables	33.7	25.1
Accrued income and prepaid expenses	106.2	73.8
Other receivables	379.9	172.2
Total	**519.8**	**271.0**
Short-term receivables from associates and joint ventures		
Trade receivables	0.0	0.0
Accrued income and prepaid expenses	206.6	38.6
Total	**206.6**	**38.6**
Short-term receivables from others		
Trade receivables	109.1	95.4
Prepaid expenses	69.1	34.0
Other receivables	10.3	39.7
Total	**188.5**	**169.1**
Short-term receivables total	**915.0**	**478.8**

17. INVESTMENTS

EUR mill.	2013	2012
Short-term investments at fair value	335.5	362.6

18. CASH AND BANK EQUIVALENTS

EUR mill.	2013	2012
Funds in group bank accounts and deposits maturing in three months	118.2	62.1

19. SHAREHOLDERS' EQUITY

EUR mill.	2013	2012
Share capital 1 January	75.4	75.4
Share capital 31 December	**75.4**	**75.4**
Share premium account 1 January	24.7	24.7
Share premium account 31 December	**24.7**	**24.7**
Legal reserve 1 January	147.7	147.7
Legal reserve 31 December	**147.7**	**147.7**
Hedging reserve 1 January	9.3	28.1
Change	-13.6	-18.8
Hedging reserve 31 December	**-4.2**	**9.3**
Unrestricted equity funds 1 January	250.4	250.4
Purchase of own shares	-1.7	0.0
Share-based payments	1.9	0.0
Unrestricted equity funds 31 December	**250.5**	**250.4**
Retained earnings 1 January	12.7	13.7
Dividend	-12.7	0.0
Retained earnings 31 December	**0.0**	**13.7**
Profit/loss for the financial year	37.7	-1.0
Shareholders' equity total	**531.9**	**520.3**
Distributable equity		
Hedging reserve	-4.2	0.0
Unrestricted equity funds	250.5	250.4
Retained earnings	0.0	13.7
Profit/loss for the financial year	37.7	-1.0
Total	**284.0**	**263.1**

20. ACCUMULATED APPROPRIATIONS

EUR mill.	2013	2012
Accumulated depreciation difference 1 January	0.0	0.0
Effect of the merger	9.3	0.0
Change in depreciation difference	-0.2	0.0
Accumulated depreciation difference 31 December	**9.1**	**0.0**

21. PROVISIONS

EUR mill.	2013	2012
Provisions 1 January	109.7	115.8
Provision for the period	21.9	19.2
Provision used	-33.1	-24.1
Exhange rate differences	-4.5	-1.2
Provisions 31 December	**94.0**	**109.7**
Of which long-term	69.3	82.3
Of which short-term	24.8	27.4
Total	**94.0**	**109.7**

Long-term aircraft maintenance provisions are expected to be used by 2020.

22. NON-CURRENT LIABILITIES

EUR mill.	2013	2012
Deferred tax liability from valuation of derivates at fair value	0.0	3.0
Loans from group companies	1.0	1.0
Loans from financial institutions	48.2	58.7
Bonds	151.2	0.0
Hybrid loan	120.0	172.4
Other liabilities	1.8	2.1
Total	**322.3**	**237.3**
Maturity of interest-bearing liabilies		
2014	55.0	
2015	48.3	
2016	0.0	
2017	0.0	
2018	151.2	
2019 and later	121.0	
Total	**375.5**	

23. CURRENT LIABILITIES

EUR mill.	2013	2012
Current liabilities to group companies		
Trade payables	25.7	34.4
Accruals and deferred income	24.5	23.0
Other liabilities	138.9	143.1
Total	**189.1**	**200.5**
Current liabilities to associates and joint ventures		
Trade payables	0.0	2.1
Accruals and deferred income	164.3	32.3
Total	**164.3**	**34.4**
Current liabilities to others		
Loans from financial institutions	10.5	32.7
Commercial papers	44.5	80.9
Trade payables	52.8	55.0
Accruals and deferred income	514.2	414.9
Other liabilities	21.5	36.4
Total	**643.4**	**619.8**
Current liabilities total	**996.8**	**854.7**
Accruals and deferred income		
Unflown air transport revenues	255.6	204.6
Jet fuels and traffic charges	248.9	101.4
Holiday payments	52.3	50.2
Loyalty program Finnair Plus	32.2	32.5
Other items	114.1	81.4
Total	**703.0**	**470.1**

24. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

EUR mill.	2013	2012
Guarantees and contingent liabilities		
On behalf of group companies	571.3	698.8
On behalf of associates	2.0	2.0
On others companies	0.3	0.5
Total	**573.5**	**701.3**
Aircraft lease payments		
Within one year	223.6	239.4
After one year and not later than 5 years	658.3	721.0
Later than 5 years	139.9	184.4
Total	**1,021.7**	**1,144.8**

Parent company has leased the aircraft fleet from the fully owned subsidiary.

EUR mill.	2013	2012
Other lease payments		
Within one year	27.5	6.3
After one year and not later than 5 years	80.9	10.5
Later than 5 years	140.0	0.0
Total	**248.4**	**16.7**

Operating lease obligations have increased due to the merger of the Group's facilities management subsidiary to parent company.

Pension obligations		
Total obligation of pension fund	317.8	302.2
Mandatory portion covered	-	-
Non-mandatory benefit covered	-317.8	-302.2
Uncovered obligation of pension fund	0.0	0.0
Obligation for pensions paid directly by the company	0.0	0.0
Total	**0.0**	**0.0**

25. DERIVATIVES

	31 Dec 2013		31 Dec 2012	
EUR mill.	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Hedge accounting items:				
Jet fuel currency hedging (forward contracts)	370.5	-17.0	413.5	0.3
Hedge accounting items total	**370.5**	**-17.0**	**413.5**	**0.3**
Items outside hedge accounting:				
Operational cash-flow hedging (forward contracts)	407.9	2.4	173.3	-0.9
Operational cash-flow hedging (options)				
Call options	149.8	16.1	105.5	5.9
Put options	169.5	-0.8	110.5	-0.8
Items outside hedge accounting total	**727.2**	**17.7**	**389.3**	**4.2**
Currency derivatives total	**1,097.7**	**0.7**	**802.8**	**4.5**
Commodity derivatives				
Hedge accounting items:				
Jet fuel forward contracts, tonnes	563,550	11.8	574,660	-1.7
Electricity derivatives, MWh	17,568	0.0	-	-
Hedge accounting items total		**11.8**		**-1.7**
Items outside hedge accounting:				
Jet fuel forward contracts, tonnes	18,000	0.8	0	0.0
Options				
Call options, jet fuel, tonnes	201,000	3.4	214,000	3.1
Put options, jet fuel, tonnes	201,000	-1.1	301,000	-4.1
Electricity derivatives, MWh	71,100	-0.5	-	-
Items outside hedge accounting total		**2.6**		**-1.0**
Commodity derivatives total		**14.4**		**-2.7**
Interest rate derivatives				
Hedge accounting items:				
Interest rate swaps	150.0	1.2	0.0	0.0
Hedge accounting items total	**150.0**	**1.2**	**0.0**	**0.0**
Items outside hedge accounting:				
Interest rate swaps	25.0	-0.5	25.0	-1.1
Items outside hedge accounting total	**25.0**	**-0.5**	**25.0**	**-1.1**
Interest rate derivatives total	**175.0**	**0.7**	**25.0**	**-1.1**
Derivatives total		**15.8**		**0.7**

CALCULATION OF KEY INDICATORS

Operational result:
Operating profit excluding capital gains, fair value changes in derivatives, changes in the exchange rates of fleet overhauls and non-recurring items

Operational EBITDA:
Operational result + depreciation

Operational EBITDAR:
Operational result + depreciation + lease payments for aircraft

Shareholders' equity:
Equity attributable to owners of the parent

Gross capital expenditure:
Investments in intangible and tangible assets - prepayments during the financial year

Average capital employed:
Balance sheet total - non-interest-bearing liabilities

Interest-bearing net debt:
Interest-bearing liabilities - other current financial assets - cash and cash equivalents

Earnings/share:

$$\frac{\text{Profit for the financial year - hybrid bond interest}}{\text{Average number of shares during the financial year, adjusted for share issues}}$$

Equity/share:

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

Dividend/earnings, %:

$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Dividend yield, %:

$$\frac{\text{Dividend/share}}{\text{Share price at the end of the financial year}} \times 100$$

Cash flow from operating activities/share:

$$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares during the financial year, adjusted for share issues}}$$

Price/earnings ratio (P/E):

$$\frac{\text{Share price at the end of the financial year}}{\text{Earnings/share}}$$

Equity ratio, %:

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

Gearing, %:

$$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity + non-controlling interests}} \times 100$$

Adjusted gearing, %:

$$\frac{\text{Net interest-bearing liabilities + 7 x lease payments for aircraft}}{\text{Shareholders' equity + non-controlling interests}} \times 100$$

Return on equity (ROE), %:

$$\frac{\text{Profit for the financial year}}{\text{Shareholders' equity + non-controlling interest (average)}} \times 100$$

Return on capital employed (ROCE), %:

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

Board of Directors' proposal on the dividend

Finnair Plc's distributable equity according to the financial statements on 31 December 2013 amounts to 284,038,140.67 euros.

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid and the profit for the fiscal year be retained and carried further in the unrestricted equity.

Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 10th February 2014

The Board of Directors of Finnair Plc

Klaus Heinemann Harri Kerminen

Maija-Liisa Friman Jussi Itävuori Merja Karhapää

Gunvor Kronman Antti Kuosmanen

Pekka Vauramo
President & CEO of Finnair Plc

AUDITOR'S REPORT (TRANSLATION FROM THE FINNISH ORIGINAL)

To the Annual General Meeting of Finnair Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnair Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Directors are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Directors of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 28 February, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant