# Financial
## report 2012


FINNAIR

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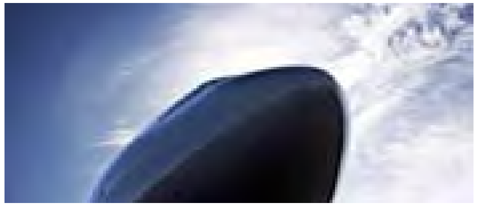
## Contents



Photos: Asian strategy and Partnerships on page 2 by Tim Bird. Other photos by Finnair.

# Finnair's year 2012



**Return to profitability**
Finnair was one of the top companies in its industry in terms of unit revenue development, and its cost-reduction program brought results. The return to profitability was a great achievement in a challenging environment and the first step towards attaining the company's EBIT target of 6%.

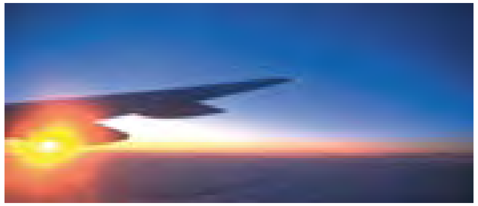
**Asian strategy**
Finnair offers the fastest connections between Asia and Europe, with more than 200 route pairs. During the summer season Finnair flew a record number of flights, 77 per week, from Helsinki to Asia. A new route to Chongqing in China was launched in May.

140+60

**Structural change and cost-reduction program**
Finnair's structural change and cost-reduction program progressed well, and Finnair achieved permanent, annual cost savings of 100 million euros by the end of 2012. The company was thus well ahead of its schedule. The fleet investments of coming years still require significant profitability improvements, and for this reason Finnair launched an additional cost-reduction program of 60 million euros in October 2012.

**Partnerships**
Finnair and Flybe expanded their cooperation in European traffic when the operation of Finnair's Embraer traffic was transferred to Flybe. Finnair and LSG Sky Chefs Group made a five-year partnership agreement on catering services, and, in addition, Finnair and SR Technics concluded a ten-year agreement on engine and component services.

**Product renewal**
Finnair simplified the purchase of flight tickets and offers now five different ticket types for customers' individual needs. The Finnair Plus frequent flyer program was also renewed to be even more rewarding. In addition, the company published an extensive design cooperation with Marimekko. With the cooperation, Marimekko's classic prints will become part of the journey of Finnair's customers.



**Safe and punctual airline**
Finnair improved its operational quality and was one of the top airlines in the world measured by all operational indicators. According to JACDEC's* statistics, Finnair was the world's safest airline in 2012.

**Responsibility**
Finnair is a leading airline in sustainability reporting and reducing emissions. The company was the first airline to be included in the Leadership index of the Carbon Disclosure Project report. The CDP is responsible for the only global climate change reporting system in the world. Finnair's Corporate Responsibility Report for 2012 was selected as "Investors choice" in the Domestic sustainability reporting competition.

**Code of Conduct**
Finnair revised its Code of Conduct in 2012 and will organise related training for staff during 2013. Top management's special bonuses and the CEO's housing transaction sparked a lively discussion both in the media and inside Finnair on ethical business behaviour.

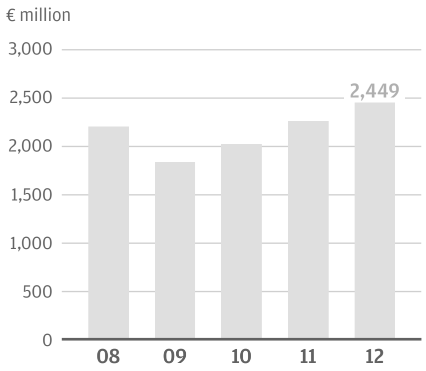
**Best in Northern Europe**
Finnair was the only Nordic airline classified in the four star category by Skytrax. Passengers also voted Finnair Northern Europe's best airline at Skytrax World Airline Awards for a third year in a row. World Airline Awards™ is the most extensive and valued commercial airline rating in the industry.

**Xi'an and Hanoi**
In December, Finnair announced that it will open two new summer destinations, Xi'an in China and Hanoi, Vietnam's capital, in June 2013. Finnair is the first airline to begin scheduled flights between Xi'an and Europe and the first European airline on the route between Hanoi and Europe.

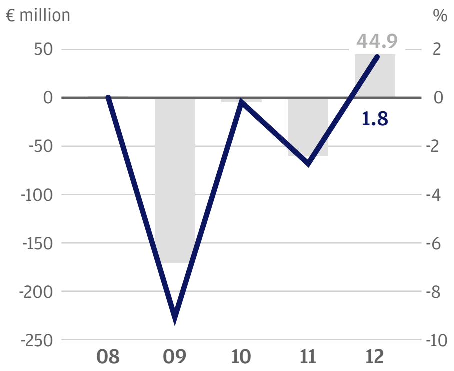
* Jet Airliner Crash Data Evaluation Centre.

# Key figures

### Turnover



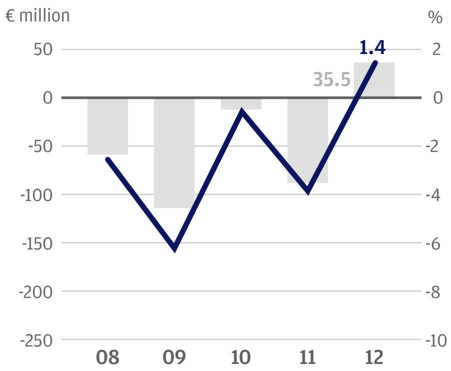

### Operational result, EBIT*




% of turnover

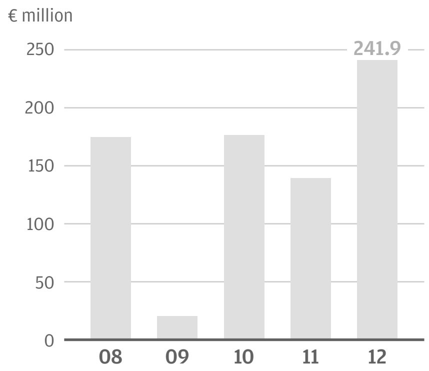
* Operating result excluding changes in the fair values of derivates and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

### Operating profit, EBIT



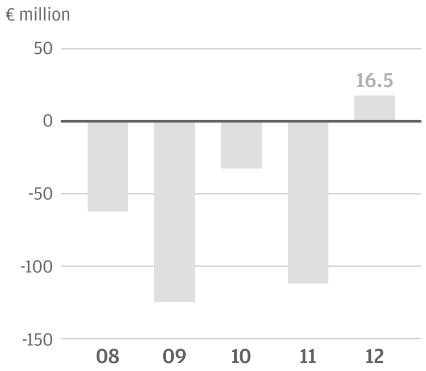

% of turnover

### Operational EBITDAR*

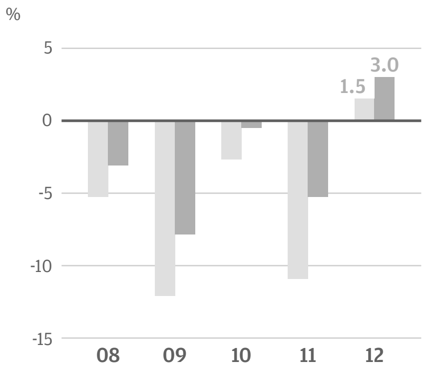



* EBITDAR excluding changes in the fair values of derivates and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

### Result before taxes

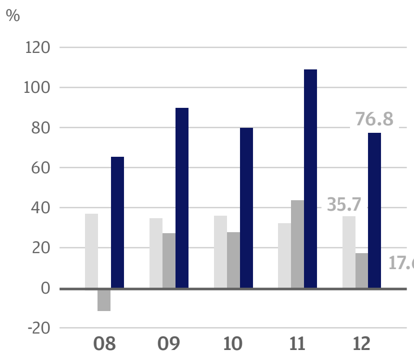



### Return on equity (ROE) and return on capital employed (ROCE), %



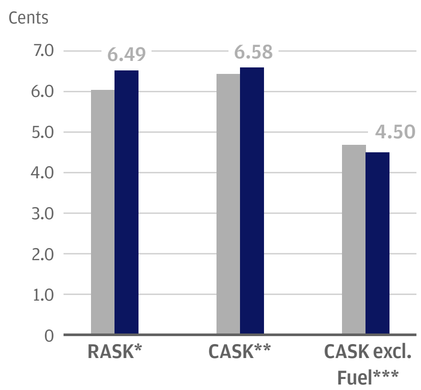

Return on Equity (ROE)
Return on Capital Employed (ROCE)

### Equity ratio, gearing and adjusted gearing, %




Equity ratio
Gearing
Adjusted gearing

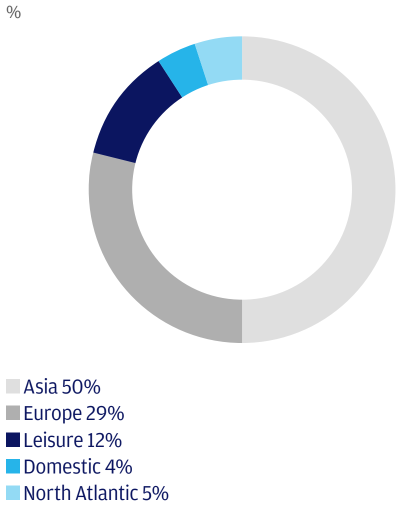
### Airline Business: unit revenue and unit cost
(cents/Available seat kilometre)



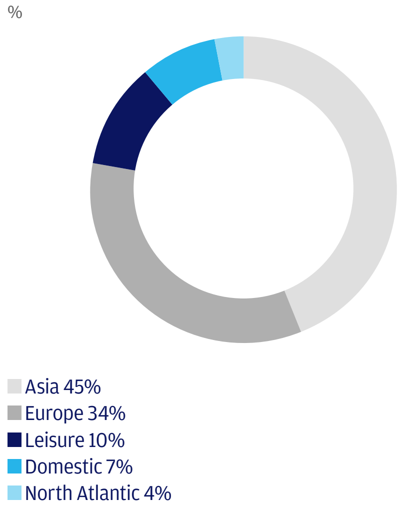

2011
2012

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

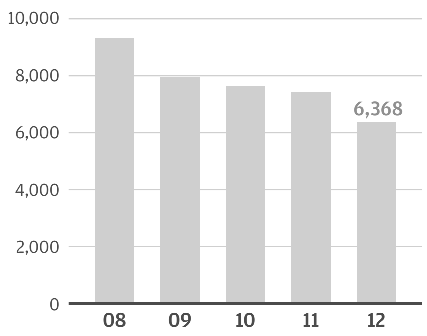
## Passenger traffic structure, %



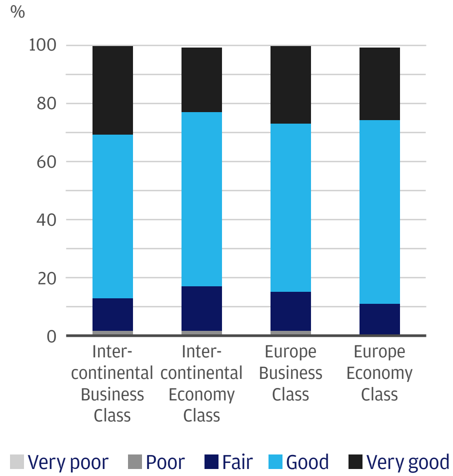

## Distribution of passenger revenue, %



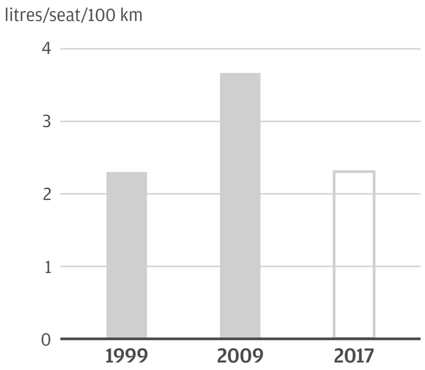

## Number of employees 31 December 2012



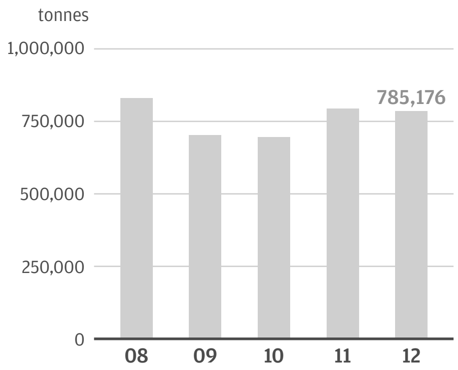

## Finnair's customer satisfaction with flight as a whole in 2012



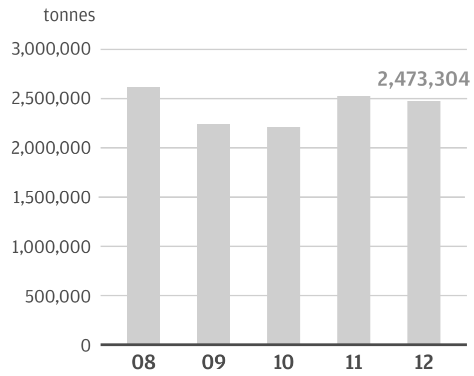

## Finnair Fuel consumption 1999–2017




## Jet fuel consumption




## Direct $CO_2$ emissions in passenger traffic



# CEO's Review

**WE BUILT A FOUNDATION FOR SUSTAINABLE PROFITABILITY - THE WORK CONTINUES**

Overall, 2012 was a gratifying year for Finnair. We achieved our goal of increasing turnover and improving profitability. We were able to turn a profit for the whole year for the first time since 2007. The operational result for the entire year stood at 44.9 million euros and turnover grew by 8.5 per cent to 2,449.4 million euros. Improving our result by over 100 million euros is a particularly notable achievement when you consider that our fuel costs increased by 115 million euros over the same period.

Our sales and marketing efforts brought results, and our unit revenue improved by a record 7.7 per cent compared to the previous year. Consumers have chosen Finnair more often, which is satisfying as we have invested significantly in improving the customer experience and operational quality over the past few years. We will continue to improve the travel experience in 2013 by introducing new in-flight meal concepts and refreshing our cabins with textiles and tableware designed by our partner Marimekko.

Our profitable result also shows that our structural change and cost-reduction program is bringing results. The program has progressed faster than originally scheduled and our unit cost excluding fuel decreased by 3.6 per cent in 2012. Showing a profit is a great achievement that required hard work. Thanks for the result belong to the entire Finnair team. The good work and results are also seen in the fact that the company's Board of Directors is proposing that a dividend of 0.10 euros per share be distributed and that 4.8 million euros be contributed to the Personnel Fund this year.

Following through with the structural change and cost-reduction program of 140 million euros launched in 2011 and implementing the additional cost-reduction program of 60 million euros announced in October 2012 still requires hard work and further difficult changes. We will strive to implement these changes on a cooperative basis, including our personnel in the dialogue. It is important to discuss even difficult issues and together find genuine solutions for achieving the cost-reduction targets.

The efficiency of Finnair's operations can and must be improved further. We will carefully analyse what activities can be performed with greater efficiency and in ways that are well adapted to our streamlined organisation. The partnerships implemented in 2012 provide opportunities for re-evaluating our functions and structures. The aim is to question existing practices and to rethink ways in which we could improve our profitability.

Implementing such changes is never easy, but we hope and believe that by discussing matters together and considering the different options it will be possible to reach solutions that are reasonable from the point of view of both the company and its personnel.

Additional cost reductions are absolutely necessary for Finnair: Our goal is sustainable profitability so that Finnair can invest in new Airbus A350 aircraft, which are vital for a competitive future.

Finnair will be celebrating its 90th anniversary in 2013, and 2012 provided the company with a good basis for making the current year a turning point. Finnair is progressing towards its aim of doubling its revenue from Asian traffic by 2020. The Xi'an and Hanoi routes that will open in the summer of 2013 will increase the number of Finnair's Asian routes to thirteen. Our growth is set to continue.

We give warm thanks to our customers, shareholders and personnel for the past year. We know how much Finnair as a company means to many, and we aim to develop the company in a way that will allow everyone to be proud of the 90-year old airline going forward.

**Mika Vehviläinen**
President and CEO until 28 February 2013

**Ville Iho**
Deputy CEO as of 27 January 2013

# Strategy

**Finnair's vision is to be the number one airline in the Nordic countries and the most desired option in traffic between Asia and Europe. In addition, its aim is to double its revenue from Asian traffic in 2010–2020. As part of the implementation of its growth strategy and the structural reform of the company, Finnair focused on its core business in 2012 and built a more extensive network of partners around itself. In implementing its strategy, Finnair is committed to creating added value for its customers and shareholders.**

### FINNAIR'S VISION IS TO

- Double its revenue from Asian traffic by 2020 compared with the level of 2010.
- Be the most desired option in traffic between Asia and Europe and the third largest airline on routes between Asia and Europe where passengers have to change planes.
- Be the number one airline in the Nordic countries and grow in this home market.

### FINNAIR'S STRENGTHS

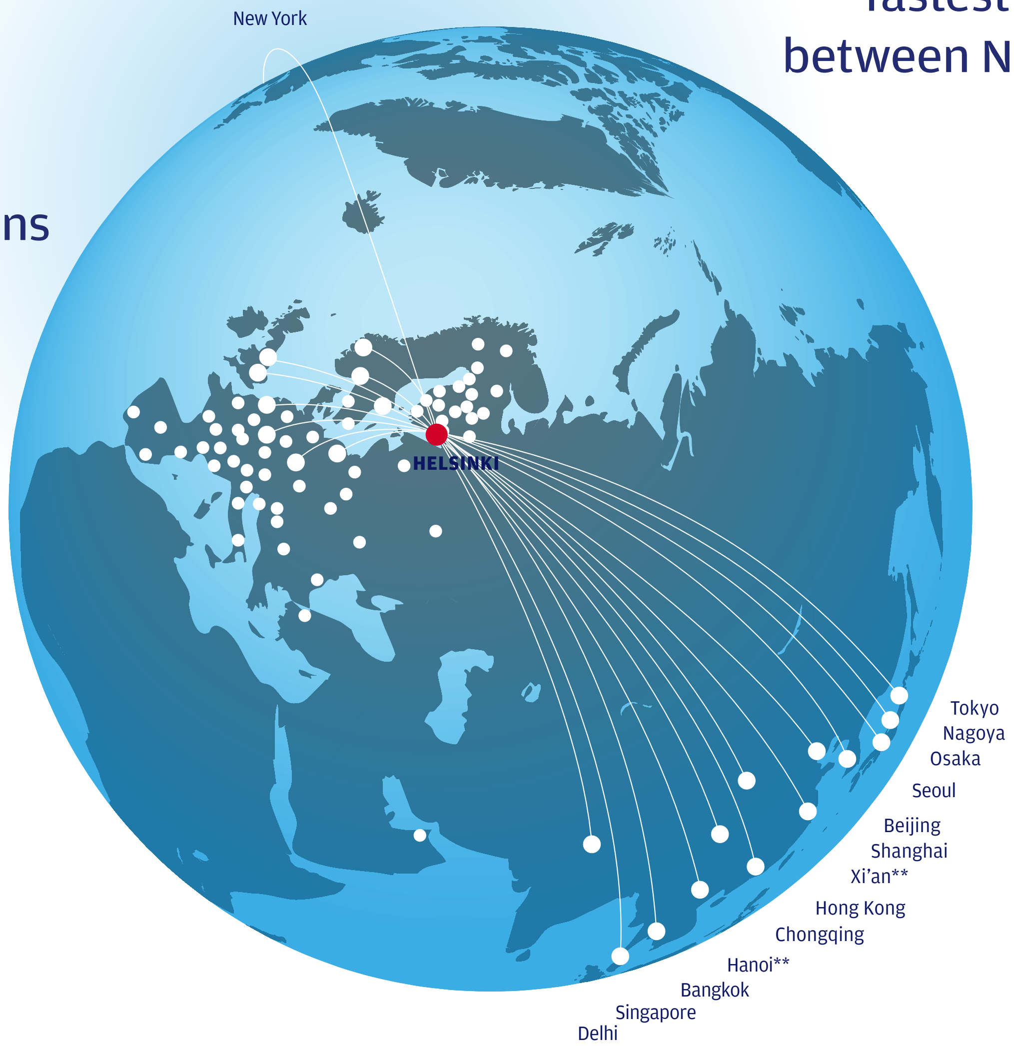
- Clear strategy
- Sustainable competitive advantage due to geographical location
- Modern, fuel-efficient fleet
- Top-class service product – Northern Europe's best airline*
- Excellent operational quality and efficiency
- Quality and capacity of the Helsinki-Vantaa Airport
- Good financing position for implementing future fleet investments

* According to Skytrax World Airline Awards vote, see page 1.
** The route will be opened in June 2013.

Over **60** destinations in Europe

Finnair offers the fastest connections between Northern Asia and Europe

**13** Asian mega-cities



The core of Finnair's strategy is taking advantage of the potential of traffic between Asia and Europe. The strategy is based on the growing markets in Asia, the fastest connections between Asia and Europe, high-quality service, its position as one of the most punctual airlines in the industry and cost-efficiency. Helsinki's geographical location provides Finnair with a clear competitive advantage, as the fastest connections between medium-sized cities in Northern Europe and metropolises in Northern Asia go through Helsinki.

Finnair is pursuing business and leisure travellers and cargo customers in the fast growing Asian economies and particularly those European cities that do not provide direct connections to Asia. Approximately 20 million people travel annually between Finnair's current Asian and European destinations and approximately one half of these are transfer passengers without direct connections to their final destination. One percentage point of growth in travel between Europe and Asia would mean approximately 200,000 potential new passengers annually. According to Airbus's forecast, revenue passenger kilometres are expected to grow 4.1% annually (CAGR) between Asia and Europe in 2012–2031, which also provides Finnair with strong opportunities for growth.*

With Finnair's structural reform launched in August 2011, Finnair is becoming an airline that focuses on its core business. In services supporting airline business and European feeder traffic, Finnair has concluded partnerships with world class operators. By concluding strategic partnerships, Finnair has been able to simultaneously improve the quality of its operations and achieve cost reductions, which are important in the industry. By focusing on its core business, Finnair will also be able to adjust its operations and cost level more flexibly according to the prevailing market conditions. Finnair's four focus areas in the implementation of the company's strategy and achieving its vision are profitable growth, cost competitiveness, the customer experience and an international winning team. Finnair is investing in not only charting new market possibilities and improving profitability, but also particularly in developing customer service and leadership, as satisfied customers and competent, well-managed staff are key requirements for growth.

To its partners, Finnair wants to be an active partner that produces value. In the oneworld alliance, which was chosen as a leading airline alliance, Finnair holds a strong position as an expert in traffic between Asia and Europe.

## RESPONSIBILITY

As a responsible citizen and one of the oldest airlines in the world, Finnair knows its responsibility as part of the surrounding society in both Finland and its main market areas. The company wants to be a quality leader in its industry, shoulder its responsibility and act in an exemplary manner.

This Financial Report 2012 describes the company's financial performance and corporate governance. The Sustainability Report 2012 published separately describes the social and environmental impact of Finnair's operations. The Sustainability Report also includes a Corporate Responsibility Report based on the Global Reporting Initiative (GRI) framework.

*Source: Airbus Global Market Forecast 2012–2031

### FOCUS AREAS IN STRATEGY IMPLEMENTATION IN 2012

| Profitable growth | Cost competitiveness | Customer Experience | International winning team |
|---|---|---|---|
| • New Asian destination Chongqing, decisions on new routes to Hanoi and Xi'an<br>• New ancillary services like advance seat reservations offered to customers<br>• New ticket types | • Structural change and cost-reduction programs<br>• Procurement<br>• Increased automation in customer service process | • Increased automation in customer service process<br>• Service identity – Peace of Mind | • Leadership development |

**Structural chance - key events in 2012**

- Signing a ten-year contract for the sourcing of engine and component services for Finnair's aircraft from the Swiss company SR Technics. As a result of the contract, Finnair discontinued its own engine operations and made significant adjustments to its component services.
- Signing a five-year agreement according to which LSG Sky Chefs Group assumed full managerial and operational responsibility for the catering service provider Finnair Catering Oy at the beginning of August.
- Transfer of the traffic of twelve Embraer 190 aircraft to Flybe Finland Oy in a contract flying arrangement. The transfer took place in 28 October 2012.

*The growing Asian air traffic demand provides Finnair with strong opportunities for growth.*

# Board of Directors' Report

## BUSINESS ENVIRONMENT

Global air traffic is currently undergoing structural changes, the typical characteristics of which are market liberalisation, increasing competition, overcapacity, consolidation, alliances and specialisation. In 2012, the intense competition in the industry was seen in major cost-reduction and structural change programs and bankruptcies of a number of European airlines. The capacity growth in the market is clearly more controlled than previously, and various partnerships have increased, especially in international long-haul traffic. Finnair's goal is to take advantage of the opportunities presented by the changes in its industry and to strengthen its position in traffic between Asia and Europe and within Europe.

The price of the largest individual cost factor of airlines, i.e. jet fuel, remained high in 2012, creating cost pressures for airlines. The weakening of the euro against the US dollar further increased the costs of fuel, leasing and traffic charges, which are typically quoted in dollars. On the other hand, the high fuel price has made the industry healthier, as the financially weakest competitors have exited from the market.

**Jet Fuel market price**
(Jet Fuel NWE CIF Cargoes)


The global demand for air travel continued to grow in 2012, but at a slower pace. Demand development was better than expected in Europe, in particular – an area which has been suffering from a poor economic situation and an uncertain outlook. The good demand and revenue development therein was also contributed to by moderate capacity increases and various market exits of airlines. During the year, Finnair also benefited from the fact that some of its competitors ceased to operate certain routes. In the domestic market and short-haul traffic, Flybe Nordic, the joint venture of Finnair and Flybe, launched a number of new routes and strengthened its competitive position.

Passenger traffic between Asia and Europe grew as expected in 2012 due to economic growth in Asia. On the other hand, a number of European airlines launched new routes from Central Europe to China, which intensified competition. However, the uncertainty in the world economy and the eurozone resulted in declining business travel and weakening demand for cargo traffic in the industry overall. The demand for cargo traffic stabilised toward the end of the year, but the unit revenues continue to be under pressure due to the decline of import demand in the eurozone and the overcapacity of air cargo traffic. There was a large amount of overcapacity in the Finnish package tour market in the first half of the year, but the situation improved toward the end of the year, as the operators in the industry adjusted their supply to corresponding demand.

## STRATEGY IMPLEMENTATION AND PARTNERSHIPS

Finnair's vision is to be the number one airline in the Nordic countries and the most desired option in traffic between Asia and Europe. In addition, its aim is to double its revenue from Asian traffic in 2010–2020. As part of the implementation of its growth strategy and the structural change of the company, Finnair focused on its core business in 2012 and built a more extensive network of partners around itself.

In 2012, Finnair carried out the restructuring of Technical Services and Catering, and transferred the European Embraer traffic to Flybe in a contract-flying arrangement. In July, Finnair signed a ten-year contract for the sourcing of engine and component services for its aircraft from the Swiss company SR Technics. As a result of the contract, Finnair discontinued its own engine operations and made significant adjustments to its component services. At the beginning of August, Finnair and the German LSG Sky Chefs Group signed a five-year agreement according to which LSG assumed full managerial and operational responsibility for the catering service provider Finnair Catering Oy at the beginning of August. LSG has the right to acquire Finnair Catering Oy's share capital for a predetermined price during the contract period. Finnair concluded a binding agreement on the transfer of the traffic of twelve Embraer 190 aircraft to be operated by Flybe Finland Oy, and the transfer was implemented at the beginning of the winter season on 28 October 2012. Flybe operates the aircraft in a contract flying-arrangement, whereby the commercial control over the routes and the risk remain with Finnair.

The most significant investment in the implementation of the Asian growth strategy in 2012 was the opening of a new route to Chongqing, China in May. This was the first direct scheduled flight route from Chongqing to Europe, and the route has had a good start. At the end of the year, Finnair announced the launch of two new Asian routes in June 2013. Xi'an with eight million inhabitants, situated in central China, is a growth hub in aerospace research and the software industry. Hanoi, the capital of Vietnam, is one of the key centres of science and research in South-East Asia. Both cities are also well-known tourist destinations. The routes will be operated until the end of the summer season of 2013.

During 2012, Finnair sought efficiency and flexibility for the use of its fleet by reducing its narrow-body fleet by nine aircraft. The company is now operating traffic of a corresponding scope with a smaller fleet than a year previously, due to which the utilisation of narrow-body aircraft has risen by over an hour to exceed nine hours per day. During peak demand or maintenance periods, Finnair may also use its partners to operate its routes.

## PROGRESS OF THE STRUCTURAL CHANGE AND COST-REDUCTION PROGRAM

The implementation of the structural reform and cost-reduction program commenced by Finnair in August 2011 continued in 2012. The aim of the program is to cut Finnair's costs permanently by 140 million euros by the end of 2013. Due to the actions taken, Finnair achieved cumulative, annual savings of 100 million euros by the end of 2012. At the same time, the company has been able to move a significant share of fixed costs to volume based variable costs. The cost-reduction measures were also seen in the decrease of airline unit costs excluding fuel in 2012.

As a whole, the cost-reduction program has progressed well, and Finnair believes that it will be realised in full in its target schedule. With regard to fleet, sales and distribution, and catering costs, the original objectives have already been exceeded, but the progress of reductions has been slower than the original objectives particularly in the personnel and maintenance cost categories.

Despite the lower cost level achieved in 2012, Finnair is still far from its long-term return objective, i.e. an operating profit margin of six per cent. In addition, the high fuel price, intensifying competition and significant fleet investments in the coming years require a clear improvement in profitability. Due to this, Finnair published a new cost-reduction program at the end of October, which aims to reduce the cost level permanently by an additional 60 million euros by the end of 2014.

The new cost-reduction program supplements the previous program of 140 million euros, and it primarily focuses on enhancing the efficiency of the functions and processes of Finnair's different units so that they will best respond to the future needs of Finnair. The company will analyse in detail how efficiency could be further improved and different functions adjusted in its streamlined organisation. Increasing productivity would also mean that the remuneration structures are openly reviewed and compared to the current practices in the industry.

> *Revenue per available seat kilometre increased by 7.7% in 2012.*

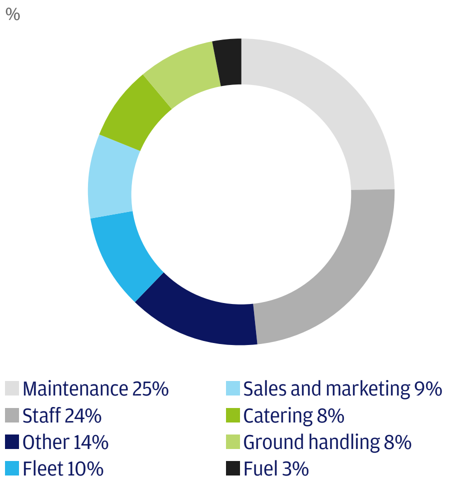
### FINANCIAL PERFORMANCE

In 2012, Finnair's turnover grew by 8.5 per cent to 2,449.4 million euros (2,257.7 in 2011). Operational costs excluding fuel costs remained at the level of the previous year, totalling 1,756.7 million euros (1,780.4), while capacity simultaneously grew by 3.5 per cent. Euro-denominated operational costs rose to 2,427.0 million euros (2,335.6), mainly due to increased fuel costs. Fuel costs, including hedging and costs incurred for emissions trading, increased by 20.7 per cent to 670.3 million euros (555.2). Personnel costs decreased by 6.3 per cent to 426.9 million euros (455.4). The company's operational result clearly improved year-on-year, amounting to 44.9 million euros (-60.9).

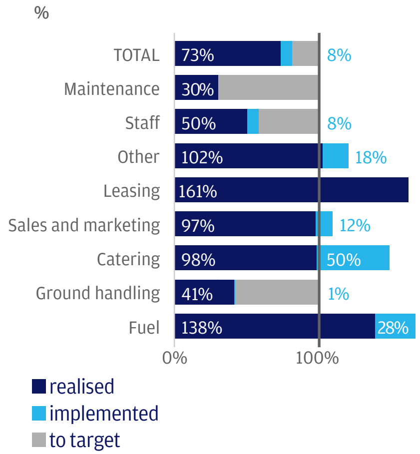
Finnair's income statement includes the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves that took place during the period under review but will fall due later. This is an unrealised valuation result based on IFRS, where the result has 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 weakened the operating result for 2012 by 4.0 million euros (-2.4). Capital gains amounted to 22,2 million euros (-3.0) and were related to restructuring arrangements made during the year. Non-recurring costs mainly related to the structural reform were at the level of the previous year at -27.6 million euros (-21.5). The operating result for 2012 amounted to 35.5 million euros (-87.8) and result before taxes to 16.5 million euros (-111.5). The net result was 11.8 million euros (-87.5).

The unit revenue per available seat kilometre (RASK) of air traffic increased by 7.7 per cent to 6.49 euro cents (6.03). Unit cost per available seat kilometre (CASK) rose by 2.3 per cent to 6.58 euro cents (6.43) and unit cost excluding fuel decreased by 3.6 per cent to 4.50 euro cents (4.67).

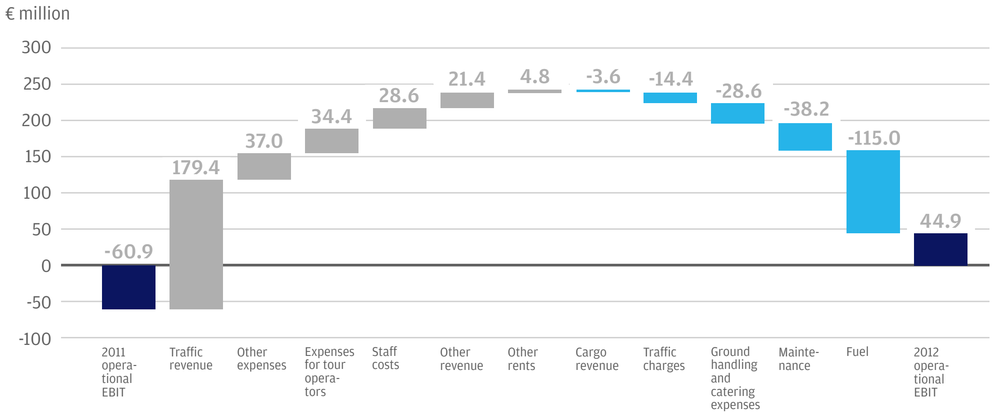
**Distribution of targeted €140 million euro savings, %**



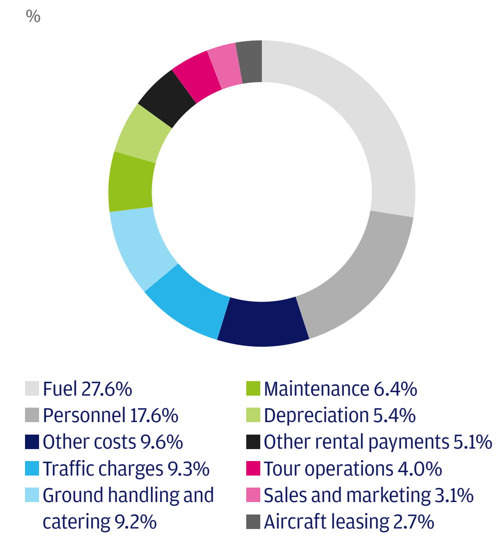

**Savings process to target by savings category, %**



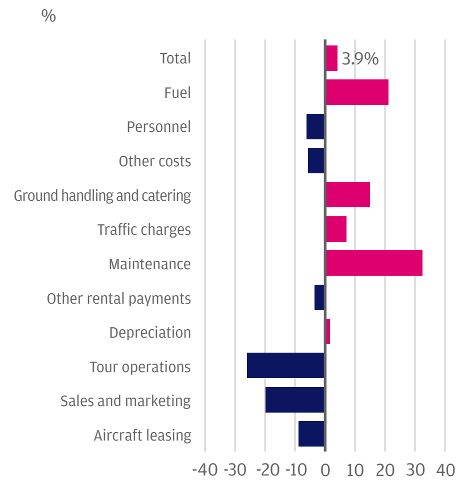

**Operational EBIT build-up**
Change to previous year



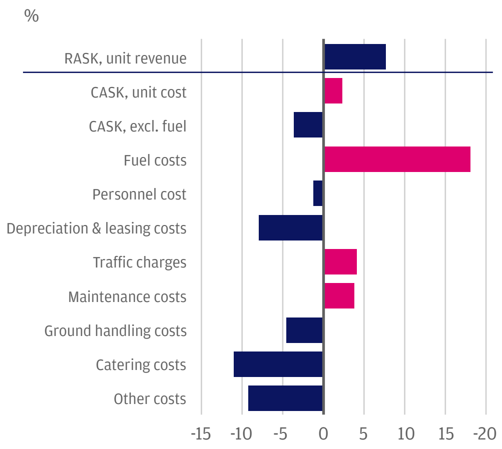
**Distribution of operating expenses €2,427 million, %**



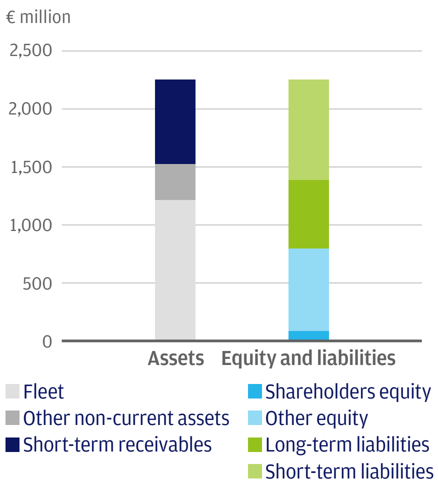

**Change in costs, 2012 vs. 2011, %**




**Airline business:**
**RASK & CASK development in 2012, %**
Change, 2012 vs. 2011




**Assets and liabilities**




## BALANCE SHEET ON 31 DECEMBER 2012

The Group's balance sheet totalled 2,241.7 million euros on 31 December 2012 (2,357.0 million euros on 31 December 2011). Shareholders' equity totalled 785.5 million euros (752.5), which is 6.14 euros per share (5.89).

Shareholders' equity includes a fair value fund related to hedge accounting, the value of which is affected by changes in the oil price and foreign exchange rates. The value of the item at the time of the review was 9.2 million euros (30.0) after deferred taxes, and it includes fuel and exchange rate derivatives as well as other minor items.

## CASH FLOW AND FINANCIAL POSITION

Finnair has a strong financial position, which supports business development and future investments. The company's net cash flow from operating activities clearly improved during 2012. Net cash flow from operating activities stood at 154.7 million euros in 2012 (50.8), and cash flow from investments totalled -54.2 million euros (-36.8).

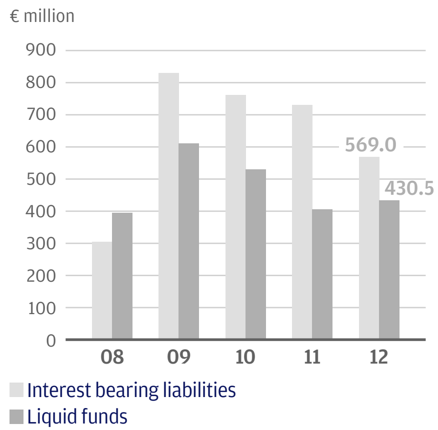
The balance sheet strengthened clearly in 2012. The equity ratio was 35.7 per cent (32.6) and gearing was 17.6 per cent (43.3). The adjusted gearing was 76.8 per cent (108.4). At the end of the period under review, interest-bearing debt amounted to 569.0 million euros (729.3).

The company's liquidity remained excellent in 2012. The Group's cash funds amounted to 430.5 million euros (403.3) on the closing date. In addition to the cash funds on the balance sheet, the Group has the option for 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 also has reserve funding available through an entirely unused 200 million euro syndicated credit agreement, which will mature in June 2013.

In November, Finnair issued a hybrid loan of 120 million euros and simultaneously repurchased 67.7 million worth of the 120 million hybrid loan issued in 2009. In June, Finnair repaid a 100 million euro bond and issued commercial papers to a net value of 70.9 million euros during the period under review. At year end, 80.9 million euros of the short-term commercial paper programme totalling 200 million euros were in use. Net cash flow from financing amounted to -98.9 million euros (-53.5). Financial expenses amounted to 25.5 million euros (-30.6) and financial income to 7.9 million euros (9.0).Advance payments related to fixed asset investments amounted to 32.7 million euros (6.5).

The current state of credit market and Finnair's good debt capacity enable the financing of future fixed-asset investments on competitive terms. The company has 31 unencumbered aircraft, whose balance sheet value corresponds to approximately 40 per cent of the value of

**Interest bearing liablities and liquid funds**



the entire fleet of 1.2 billion. This includes three finance lease aircraft. The number of unencumbered aircraft will increase to 36 by the end of 2013.

Finnair's strategy is to own more than 50 per cent of the fleet operated by itself. Various sources and instruments are used for financing to ensure the lowest possible cost of financing and the best possible operational flexibility and continuity.

## CAPITAL EXPENDITURE

In 2012, capital expenditure excluding advance payments totalled 41.4 million euros (203.9). Of the capital expenditure in the comparison year, 190 million euros were related to the fleet, and, of this, 104 million euros to the ATR 72 aircraft purchased in connection with the Flybe Nordic arrangement.

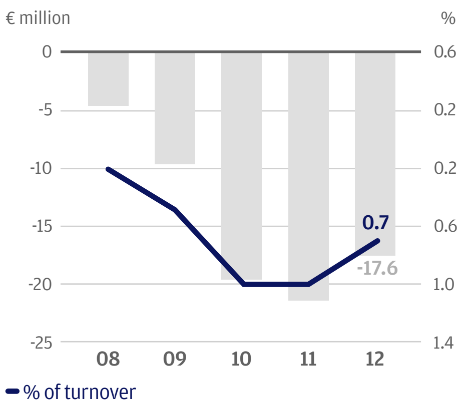
Capital expenditure in 2013 is estimated at approximately 150 million euros, with investments in the fleet representing a majority of this total.

## FLEET

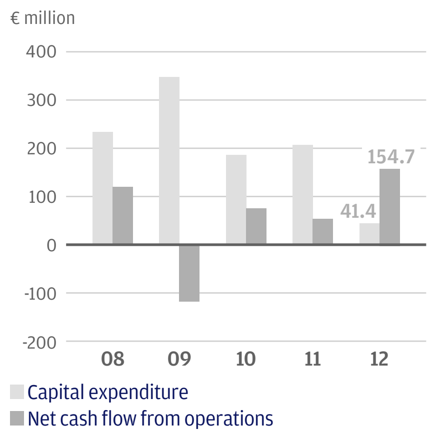
Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of 2012, Finnair itself operated 45 aircraft, of which 15 are wide-body and 30 narrow-body aircraft. In addition to the aircraft operated by Finnair, its balance sheet includes 24 aircraft owned by the company and operated by other airlines, mainly by Flybe Finland. The average age of the fleet operated by Finnair was 9.8 years at the end of 2012 and that of the fleet operated by other airlines 4.1 years. Finnair also has eight leased aircraft, which it has subleased and which are operated by other airlines.

The fleet operated by Finnair reduced by twelve aircraft in the last quarter of the year when Finnair transferred the traffic of its Embraer 190 aircraft to be operated by Flybe Finland Oy as of 28 October 2012. In addition, the company received one ATR aircraft that is now leased to be operated by Flybe. Flybe operates the aircraft as contract flying, whereby the commercial control

### Net financial income / expenses




### Capital expenditure and net cash flow from operations




**Fleet operated by Finnair on 31 Dec 2012**

| | Seats | Pcs | Own | Leased (operational leasing) | (finance leasing) | Average age | Change from 31 Dec 2011 | Ordered | Add. options |
|---|---|---|---|---|---|---|---|---|---|
| **European traffic** | | | | | | | | | |
| Airbus A319 | 123-138 | 9 | 7 | 2 | | 11.5 | -2 | | |
| Airbus A320 | 165 | 10 | 6 | 4 | | 10.4 | -2 | | |
| Airbus A321 | 196 | 6 | 4 | 2 | | 12.0 | | 5 | |
| Embraer 170* | 76 | 1 | 1 | | | 6.4 | -4 | | |
| Embraer 190 | 100 | | | | | | -12 | | |
| **Long-haul traffic** | | | | | | | | | |
| Airbus A330 | 297/271/263 | 8 | 4 | 1 | 3 | 3.2 | | | |
| Airbus A340 | 270/269 | 7 | 5 | 2 | | 10.0 | | | |
| Airbus A350 | na. | | | | | | | 11 | 8 |
| **Leisure traffic** | | | | | | | | | |
| Boeing B757 | 227 | 4 | 0 | 4 | | 15.0 | | | |
| **Total** | | **45** | **27** | **15** | **3** | **9.8** | **-20** | **16** | **8** |

**Fleet owned by Finnair and operated by other airlines on 31 Dec 2012****

| | Seats | Pcs | Own | Average age | Change from 31 Dec 2011 | Ordered | Add. options |
|---|---|---|---|---|---|---|---|
| ATR 72 | 68-72 | 12 | 12 | 3.4 | +1 | | |
| Embraer 170 | 76 | 4 | 4 | 6.5 | +4 | | |
| Embraer 190 | 100 | 8 | 8 | 4.0 | +8 | | |
| **Total** | | **24** | **24** | **4.1** | **+13** | | |

* The E170 aircraft leased to Honeywell and operated by Finnair.

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

over the routes and the risk remain with Finnair. In 2012, nine aircraft were additionally eliminated from the fleet when Finnair gave up four Airbus 32S series aircraft after the end of their leasing agreements and subleased four Embraer 170 aircraft to Estonian Air. In addition, the company leased one Embraer 170 aircraft through a wet lease agreement to Honeywell for a year. The elimination of the aircraft had no impact on the scope of Finnair's flying operations, but by optimising its operations Finnair has been able to operate an as extensive flight programme as previously and improved the load factor of its narrow-body fleet by more than an hour per day.

In 2010, Finnair ordered five Airbus A321ER aircraft, which will replace four Boeing 757 aircraft used on leisure flights in 2013-2014. The first of these aircraft will be delivered at the end of 2013.

In addition, in 2005, Finnair ordered 11 A350 XWB aircraft from Airbus. Some of these aircraft will replace aircraft currently in use in long-haul traffic. The order includes an additional option for the delivery of eight more aircraft. The deliveries of the aircraft are estimated to begin in the second half of 2015. Finnair is evaluating alternatives to minimise the effect of possible delays in deliveries.

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.

## BUSINESS AREA DEVELOPMENT

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 Sales & Marketing, Operations, Customer Service 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** | 2012 | 2011 | Change |
|---|---|---|---|
| **Turnover and result** | | | |
| Turnover, EUR million | 2,187.0 | 1,970.5 | 11.0% |
| Operating result, EBIT, EUR million | 31.9 | -55.5 | 157.5% |
| Operating result, % of turnover | 1.5% | -2.8% | 4.3% |
| **Personnel** | | | |
| Average number of employees | 3,660 | 3,565 | 2.7% |

The turnover of air traffic grew by 11.0 per cent to 2,187.0 million euros in 2012 (1,970.5) and profitability improved clearly.

Despite the poor economic situation, the overall travel demand grew in 2012. Measured in revenue passenger kilometres, Finnair's traffic grew by 9.6 per cent, while total capacity increased by 3.5 per cent. The passenger load factor for all traffic increased by 4.3 percentage points to 77.6 per cent

Measured in revenue passenger kilometres, Asian traffic grew by 10.2 per cent in 2012, and capacity by 6.7 per cent year-on-year. At the same time, the load factor of Asian traffic rose by 2.5 percentage points to 77.5 per cent. Measured in revenue passenger kilometres, European traffic grew by 13.1 per cent and domestic traffic by 5.6 per cent on the comparison period. Load factors increased by 7.1 percentage points and 9.4 percentage points to 74.0 per cent and 63.5 per cent, respectively. The unit revenue grew by 7.7 per cent.

Finland, Japan, Sweden and China were Finnair's largest sales units in 2012. The uncertainty in the euro area economy decreased business travel in the second half of the year, and corporate sales declined slightly, 1.2 per cent, year-on-year. Finnair's market share in the route pairs operated by the company in scheduled traffic between Asia and Europe was at the level of 2011, i.e. 5.4 per cent (5.4). In scheduled traffic between Finland and Europe, Finnair's market share was 46.3 per cent, excluding Flybe operations.

Approximately 813,600 passengers flew on Finnair's charter flights in 2012, which is 10.2 per cent more than in the comparison period. The capacity of leisure flights grew by 1.7 per cent in 2012, and the passenger load factor increased by 2.6 per cent to 88.7 per cent. The growth came mainly from external customers.

The demand for air cargo in the traffic between Asia and Europe lagged behind that in the previous year, and the increased fuel costs burdened the result of cargo traffic in 2012. The overall load factor of Finnair's cargo traffic improved by 3.4 percentage points to 65.2 per cent. The available tonne kilometres rose by 1.7 per cent and the revenue tonne kilometres by 7.3 per cent. The unit revenue declined by 4.0 per cent, while the amount of cargo and mail transported increased by 1.5 per cent. During the year, Finnair Cargo operated dedicated cargo flights to Hong Kong, Seoul, Mumbai, New York and Frankfurt. Cargo flights to Seoul and Frankfurt were terminated in October due to a poor demand forecast. In 2012, the share of dedicated cargo operations accounted for 22 per cent of the total capacity, measured in available tonne kilometres.

The arrival punctuality of Finnair's flights was good in 2012, even though it decreased year-on-year. 84.9 per cent of scheduled flights (86.1) and 84.5 (85.1) per cent of all traffic arrived on schedule.

### Air traffic services and products

#### Route network and alliances

During the summer season, Finnair flew a record 77 flights per weeks from Helsinki to Asia and offered the fastest connections between Europe and Asia with more than 200 route pairs. Finnair flew more than 800 flights from Helsinki to domestic destinations and elsewhere in Europe on a weekly basis.

During the last quarter of the year, Finnair announced that it will strengthen its Asian network in June 2013 by launching two new summer destinations to Xi'an in China and Hanoi in Vietnam. In May, Finnair was the first airline to launch scheduled flights from Europe to Chongqing, China. In addition, Finnair launched codeshare cooperation with Malaysia Airlines, with TAP Portugal and with Bangkok Airways. During the year, Finnair also increased its codeshare cooperation with airberlin and announced the extension of its codeshare cooperation with Japan Airlines as of March 2013.

The sixth largest airline in Europe, airberlin, joined the oneworld alliance in March 2013. In addition, it was announced during the year that Malaysian Airlines will join the alliance in February 2013 and that Srilankan Airlines and Qatar Airways will also join at the end of 2013 or at the beginning of 2014. The fact that new airlines join **one**world provides Finnair's customers better connections to destinations in the home market areas of these airlines.

#### Other renewals and services

In December, Finnair simplified the purchase of flight tickets by launching five different ticket types: BUSINESS and

BUSINESS SAVER in the business class, and PRO, VALUE and BASIC in the economy class. The product renewal clarifies the pricing of flight tickets and offers suitable ticket types for the needs of various customer groups to improve customers' travel experience. In the first half of the year, Finnair renewed its additional services by providing customers with an opportunity to choose their preferred seat against a small charge already when booking a trip.

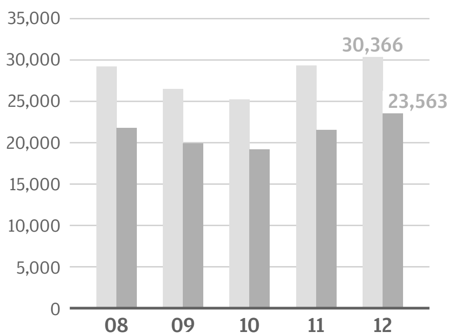
The Finnair Plus program that celebrated its 20th anniversary in 2012 launched new Lifetime tiers for its customers. Customers who have reached Finnair Plus Lifetime Gold or Platinum tiers will in the future enjoy membership benefits during their entire lifetime. Besides the ticket renewal, the Finnair Plus frequent flyer program

**Traffic data**

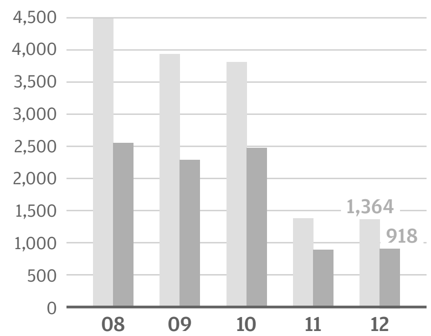
| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Passengers, 1,000 | 8,774 | 8,013 | 7,139 | 7,433 | 8,270 |
| Available seat-kilometres, million | 30,366 | 29,345 | 25,127 | 26,260 | 29,101 |
| Revenue passenger kilometres, million | 23,563 | 21,498 | 19,222 | 19,934 | 21,896 |
| Passenger load factor, % | 77.6 | 73.3 | 76.5 | 75.9 | 75.2 |
| | | | | | |
| Cargo tonnes total, 1000 kg | 148,132 | 145,883 | 123,154 | 89,234 | 102,144 |
| Available tonne-kilometres*, million | 1,364 | 1,385 | 1,029 | 848 | 971 |
| Revenue tonne-kilometres, million | 918 | 898 | 749 | 512 | 583 |
| Cargo load factor*, % | 65.2 | 61.8 | 72.8 | 60.3 | 60.0 |

* Operational calculatory capacity. Available tonne kilometres = number of tonnes of capacity for carriage of passengers, cargo and mail multiplied by kilometres flown. Revenue tonne kilometres = total revenue load consisting of passengers, cargo and mail multiplied by kilometres flown.

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




**Available tonne kilometres (ATK) and revenue tonne kilometres (RTK), cargo**




was also renewed: The criterion for earning Plus points changed from a kilometre basis to a zone basis, and customers can earn 30 per cent more points on average than previously.

In October, Finnair and Marimekko announced a cooperation agreement through which Marimekko pattern tableware, blankets, pillows and headrest covers will be introduced in all Finnair aircraft during 2013. The symbol of the three-year cooperation, Finnair's A340 aircraft in Unikko-pattern, will fly between Helsinki and Finnair's long-haul destinations.

During the year, Finnair made a number of renewals to its pre-flight services to make the start of travel smoother for its customers and to reduce unnecessary waiting at the airport. Since the spring of 2012, Finnair's customers have had the opportunity to perform check-in online or by mobile phone already 36 hours before departure. In May, Finnair increased the number of self-service kiosks and baggage drop desks and at the same time gave up the separate economy class check-in desks at Helsinki Airport. At the end of November Finnair renewed its check-in service to further improve the customer-friendliness and ease of use: Finnair performs check-in on behalf of the customer and sends information to the customer's mobile phone.

In September, Finnair and Booking.com signed a one-year agreement on hotel and accommodation booking services on Finnair's website. Booking.com's search covers more than 240,000 accommodation possibilities in 173 countries.

### Awards

In July, passengers voted Finnair Northern Europe's Best Airline at Skytrax World Airline Awards for a third year in a row. World Airline Awards™ is the most extensive and valued commercial airline rating in the industry. In March, Skytrax classified Finnair as the only Nordic airline in the four star category for a third year in a row. The classification is based on an impartial assessment of all the services provided by the airline.

### AVIATION SERVICES

After the structural reforms of Technical Services and catering implemented in 2012, the Aviation Services segment mainly consists of aircraft maintenance, ground handling and the operations of Finncatering Oy and Finnair Travel Retail Oy. The business operations of Finnair Catering Oy were transferred to LSG Sky Chefs on 1 August 2012 and are included in the segment's figures 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. Aviation Services' business consists mainly of intra-Group service provision. Approximately one quarter of the business area's turnover comes from outside the Group.

| **Key figures** | 2012 | 2011 | Change % |
|---|---|---|---|
| **Turnover and result** | | | |
| Turnover, EUR million | 319.5 | 424.1 | -24.7% |
| Operating result, EBIT, EUR million | -1.3 | -16.5 | 92.1% |
| Operating result, % of turnover | -0.4% | -3.9% | 3.5%-p |
| **Personnel** | | | |
| Average number of employees | 1,984 | 2,619 | -24.2% |

In 2012, the turnover of Aviation Services clearly declined, amounting to 319.5 million euros (424.1), due to the outsourcing of engine and equipment maintenance operations and the transfer of Finnair Catering Oy's operations to LSG as of 1 August 2012. The operational result of the business area showed a loss of 1.3 million euros (-16.5), and the structural reform of Technical Services, in particular, further deepened the loss of

Finnair Technical Services. The operating result of the segment for 2012 was improved by the non-recurring capital gain of 15.7 million euros recognised for the LSG arrangement.

### 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 Area and Finland Travel Bureau (FTB) and FTB's subsidiary Estravel, which operates in the Baltic countries. Amadeus Finland 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 | 2012 | 2011 | Change |
|---|---|---|---|
| **Turnover and result** | | | |
| Turnover, EUR million | 284.4 | 321.9 | -11.6% |
| Operating result, EBIT, EUR million | 4.9 | -15.8 | 131.0% |
| Operating result, % of turnover | 1.7% | -4.9% | 6.6%-p |
| **Personnel** | | | |
| Average number of employees | 855 | 980 | -12.8% |

The turnover of Travel Services amounted to 284.4 million euros (321.9) and its operating result to 4.9 million euros (-15.8) in 2012.

Aurinkomatkat retained its position as the market leader in the Finnish package tour market in 2012, and its market share was 31.7 per cent. During the year, travel supply was adjusted to correspond to demand, and Aurinkomatkat's profitability improved. About 65 per cent of Aurinkomatkat's sales were made online. At the beginning of the year, Aurinkomatkat closed down its Russian subsidiary, and renewed its pricing strategy and optimised its operations during the year.

Aurinko Oü, Aurinkomatkat's subsidiary operating in Estonia, continued its strong operations, and its turnover remained at the level of the previous year. Timo Vürmer started as the new Country Director of the company in November.

International online travel agencies continued to increase flight ticket sales in the Finnish market in 2012, but their growth slowed down in the last quarter. Business travel reduced by four per cent in 2012, but Finnair's travel agencies slightly outperformed average business travel agencies. Area increased its share of government travel, and Estravel managed to increase its sales and profitability in the Baltic market. Kirsi Paakkari started as the new CEO of FTB in August. As the share of online business increases, FTB is adjusting its office network to correspond to customers' needs.

### PERSONNEL

The number of Finnair employees decreased significantly in 2012 as a result of the structural reform in progress at the company. The Group employed an average of 6,784 (7,467) people in 2012, i.e. 9.1 per cent fewer than in the previous year. The Airline Business segment employed an average of 3,660 (3,565) people during the year, Aviation Services 1,984 (2,619) people and Travel Services 855 (980) people. A total of 285 people were employed in other functions (303).

At the end of 2012, the number of Finnair's employees was 6,368, which is 1,013 fewer than a year previously. Of the personnel, 640 people worked abroad. Of these, 177 were employed in sales and customer service tasks in Finnair's passenger and cargo traffic and 321 people worked in the service of travel agencies and tour operators based in the Baltic countries and worked as guides at Aurinkomatkat holiday destinations. Foreign personnel are included in the total number of Group employees.

Full-time staff accounted for 95 per cent of employees, and 97 per cent of staff were employed on a permanent basis. The average age of the employees was 44 years. Of the personnel, 27 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 43 per cent of the staff, while 13 per cent have worked for Finnair for over 30 years. Of Finnair Group's personnel, 54 per cent are women and 46 per cent are men.

#### Employee consultations conducted in 2012

In 2012, Finnair conducted employee consultations with representatives of personnel in a number of its functions, and the majority of the consultations were related to projects associated with the implementation of Finnair's structural change and cost-reduction program. Consultations were conducted with the personnel of Technical Services in relation to the outsourcing of engine and component services, with pilots and cabin attendants with regard to the transfer of Embraer flying, and with the personnel of the Ground Handling organisation in relation to renewals of the Ground Handling organisation and its operating model. Employee consultations were also conducted in sales functions, traffic planning, financial functions and human resources administration.

The estimated maximum need for reductions totalled about 450 jobs. As a result of the negotiations conducted, a total of 150 jobs were reduced by the end of 2012. The final number of jobs to be reduced will become clear during 2013, depending on the realisation of a business operations transaction between Finnair Engine Services Oy and GA Telesis. In employee consultations with cabin crew a need for temporary layoffs of 201 persons was determinated. Whether these temporary layoffs become permanent will be assessed at the end of 2013. Finnair's cabin crew waived its right to transfer to Flybe through business transfer when the Embraer aircraft and traffic were transferred to Flybe. In addition, a few scheduled destinations were transferred to be operated through subcontracting.

With regard to all employee groups, collective agreements were continued according to national framework agreement terms.

In the last quarter of 2012, Finnair conducted consultations with representatives of personnel on the renewal of the incentive bonus scheme.

Finnair offered the employees to be dismissed an additional support package that included not only monetary payments, but also re-employment support with the aim of finding new employment through Finnair's Career Gate service. Career Gate and its operating model are described in more detail in Finnair's Sustainability Report.

#### Personnel incentive schemes

Incentive bonuses for 2012, based mainly on financial performance and quality indicators, are estimated to be paid to personnel to an amount of 10 million euros, including social security costs.

The criteria for incentives in accordance with the share-based bonus scheme were met for 2012, and it is estimated that bonuses in accordance with the scheme will be paid out to an amount of approximately 2.5 million euros for the year 2012. The criteria based on the Group's result for the personnel profit bonus were also met for 2012, and the bonus of 4.8 million euros in accordance with the scheme is proposed to be paid to the Personnel Fund.

The rewarding of personnel is discussed in more detail in the company's Sustainability Report for 2012. Remuneration of the management is described in the Remuneration Statement on pages 56-60.

### GROUP STRUCTURE

The companies that are part of the Finnair Group are presented in the notes to the financial statements in Note 33. Operating subsidiaries.

## GOVERNANCE

Finnair's Annual General Meeting held on 28 March 2012 elected Harri Sailas as the Chairman of the company's Board of Directors and Maija-Liisa Friman, Klaus W. Heinemann, Jussi Itävuori, Merja Karhapää, Harri Kerminen and Gunvor Kronman as members. The Board of Directors elected Harri Kerminen from among its members as the Vice Chairman. Until the Annual General Meeting, the members of the Board were Elina Björklund, Sigurdur Helgason, Satu Huber, Ursula Ranin, Veli Sundbäck, Pekka Timonen and Harri Kerminen. The Chairman of the Board of was Harri Sailas.

## INSIDER ADMINISTRATION

Finnair complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd that entered into force on 9 October 2009. 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.

## CHANGES IN COMPANY MANAGEMENT

No changes took place in Finnair's Executive Board in 2012. In December, Finnair appointed Allister Paterson as the company's Senior Vice President, Commercial Division, and a member of the Executive Board as of 7 January 2013. Mika Perho, who had acted as the company's Senior Vice President, Commercial Division, since 2001 and a member of the Executive Board since 2007 left the company at the end of December 2012.

## SHARES AND SHAREHOLDERS

### Shares and share capital

On 31 December 2012, 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.

### Dividend policy

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 2012, earnings per share from the result of the period (before hybrid bond interest) was 0.09 (-0.69) euros, and earnings per share was 0.02 (-0.75) euros. The aim is to take into account the company's earnings trend and outlook, financial situation and capital needs for any given period.

### The Board's proposal for distribution of profits

Finnair Plc's distributable equity amounted to 263,092,639.25 euros on 31 December 2012. The registered number of company shares totalled 128,136,115 shares, of which the company owned 410,187 shares. After the financial year 2012, Finnair has acquired 600,000 own shares, and consequently owns now 1,010,187 own shares.

The Board of Directors proposes to the Annual General Meeting that distributable equity be used as follows:

| | |
|---|---|
| a dividend of 0.10 euro/share be paid to 127,125,928 shares | 12,712,592.80 euros |
| to be transferred to retained earnings | 250,380,046.45 euros |
| | **263,092,639.25 euros** |

There have been no material changes in the company's financial position after the 2012 fiscal year. The company's liquidity is at good level, and the Board's impression is that the proposed distribution of profits will not endanger the company's liquidity.

### Share-based bonus scheme for key individuals

On 4 February 2010, the Board of Directors of Finnair Plc approved a share-based bonus scheme for the Group's key individuals for the period of 2010–2012. The scheme encourages key individuals to purchase Finnair shares, and it does not affect the total number of shares. The level of bonus received through the scheme is linked to Finnair Group's financial development. The bonus scheme is outlined in its entirety in Note 26. Share-based payments.

### Board of Directors' authorisations

The Annual General Meeting of 2010 authorised the Board of Directors to decide on assignment of the company's own shares so that the authorisation concerns a maximum of 5,000,000 shares held by the company. The authorisation to assign shares is valid until 31 May 2013. The 2012 Annual General Meeting authorised the Board of Directors to decide on the acquisition and/or acceptance as pledge of the company's own shares. The number of the company's own shares acquired and/or accepted as pledge may total no more than 5,000,000 shares. The authorisation is valid until 28 September 2013. The Board of Directors has no other valid authorisations, such as authorisations to issue convertible bonds or option rights.

Finnair did not acquire or assign its own shares in 2012. Pursuant to the acquisition authorisation, Finnair's Board of Directors decided at its meeting of 18 December 2012 to acquire at most 600,000 of the company's own shares, mainly for the implementation of the share-based bonus scheme 2010–2012. The purchases of the company's own shares were commenced on 2 January 2013.

At the end of 2012, Finnair held 410,187 of its own shares, i.e. 0.3 per cent of the number of shares on the last day of the year.

**Acquisition and delivery of own shares and returns of shares**

| Year | 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 |
| **31 Dec 2012** | **410,187** | **3,179,335.94** | **7.75** |

**Share-Related Key Figures**

| | | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Earnings/share | EUR | 0.02 | -0.75 | -0.24 |
| Equity/share | EUR | 6.14 | 5.89 | 6.67 |
| Dividend/share* | EUR | 0.10 | 0.00 | 0.00 |
| Dividend-to-earnings ratio* | % | 112 | 0.0 | 0.0 |
| P/E ratio | | 99.9 | -3.07 | -21.09 |
| Effective dividend yield* | % | 4.2 | 0.0 | 0.0 |

* The dividend for year 2012 is a proposal of the Board of Directors to the Annual General Meeting.

**PLC LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2012**

| | | Number of shares | % | Changes 2012 |
|---|---|---|---|---|
| 1 | State of Finland; Office of Counsil of State | 71,515,426 | 55.8 | 0 |
| 2 | Skagen Global Funds | 5,888,429 | 4.6 | -790,210 |
| 3 | KEVA | 5,781,815 | 4.5 | 117,667 |
| 4 | State Pension Fund | 2,100,000 | 1.6 | 0 |
| 5 | Ilmarinen Mutual Pension Insurance Company | 2,025,564 | 1.6 | -1,000,000 |
| 6 | Alfred Berg Funds | 1,819,695 | 1.4 | -78,807 |
| 7 | Veritas Pension Insurance Company | 1,530,000 | 1.2 | 90,200 |
| 8 | OP Funds | 1,525,000 | 1.2 | -975,000 |
| 9 | Tiiviste-Group Oy | 1,500,000 | 1.2 | 1,500,000 |
| 10 | Fennia Pension Insurance Company | 1,300,000 | 1.0 | 800,000 |
| 11 | Suomi Mutual Life Insurance Company | 1,250,000 | 1.0 | -210,000 |
| 12 | Etra Invest Oy | 1,000,000 | 0.8 | 1,000,000 |
| 13 | SEB Gyllenberg Funds | 850,598 | 0.7 | 222,382 |
| 14 | Evli Funds | 794,129 | 0.6 | -100,000 |
| 15 | Fourton Fokus Finland Fund | 770,000 | 0.6 | 570,000 |
| 16 | Varma Mutual Pension Insurance Company | 600,000 | 0.5 | 0 |
| 17 | Nordea Funds | 573,858 | 0.4 | 130,575 |
| 18 | Finnair Plc Staff Fund | 562,711 | 0.4 | -597 |
| 19 | Mandatum Life Insurance Company | 505,683 | 0.4 | 0 |
| 20 | Taaleritehdas Arvo Markka Osake Fund | 502,830 | 0.4 | 2,830 |
| | | | | |
| | Nominee registered | 8,343,334 | 6.5 | -554,165 |
| | Others | 25,740,377 | 20.1 | |
| | **Total** | **128,136,115** | **100.0** | |

**BREAKDOWN OF SHARES AT 31 DECEMBER 2012**

| | Number of shares | % | Number of shareholders | % |
|---|---|---|---|---|
| 1-200 | 642,995 | 0.5 | 6,792 | 45.3 |
| 201-1,000 | 2,986,468 | 2.3 | 5,487 | 36.6 |
| 1,001-10,000 | 6,790,849 | 5.3 | 2,485 | 16.6 |
| 10,001-100,000 | 4,927,241 | 3.8 | 190 | 1.3 |
| 100,001-1,000,000 | 9,059,331 | 7.1 | 23 | 0.2 |
| 1,000,001- > | 95,366,768 | 74.4 | 12 | 0.1 |
| Registered in the name of nominee | 8,343,334 | 6.5 | 9 | 0.1 |
| Not converted into the book entry system | 19,129 | 0.0 | - | - |
| **Total** | **128,136,115** | **100.0** | **14,998** | **100.0** |

**SHAREHOLDERS BY TYPE AT 31 DECEMBER 2012**

| | Number of shares | % | Number of shareholders | % |
|---|---|---|---|---|
| Public bodies | 85,884,163 | 67.0 | 18 | 0.1 |
| Households | 12,587,007 | 9.8 | 14,270 | 95.1 |
| Registered in the name of a nominee | 8,343,334 | 6.5 | 9 | 0.1 |
| Financial institutions | 7,630,060 | 6.0 | 28 | 0.2 |
| Private companies | 6,545,290 | 5.1 | 560 | 3.7 |
| Outside Finland | 6,248,363 | 4.9 | 55 | 0.4 |
| Associations | 878,769 | 0.7 | 58 | 0.4 |
| Not converted into the book entry system | 19,129 | 0.0 | - | - |
| **Total** | **128,136,115** | **100.0** | **14,998** | **100.0** |

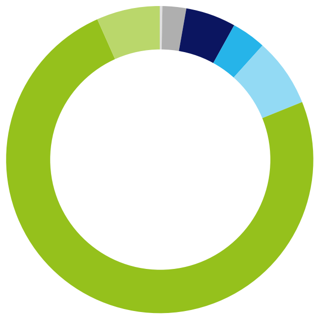
## Government ownership

At the end of 2012, 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 would thus require a Parliament decision.

## Share ownership by management

On 31 December 2012, members of the company’s Board of Directors and the CEO owned a total of 77,268 shares, representing 0.06 per cent of all shares and votes. Other Executive Board members owned 188,751 shares.

**Shareholding by number of shares owned, %**



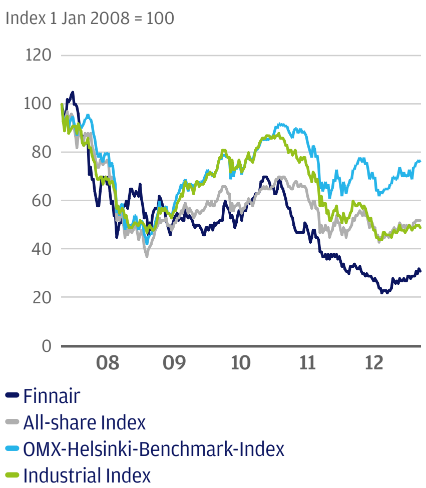

**Shareholding by type, %**

**Number of shares and share prices**

| | | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| 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 | pcsl | 128,136,115 | 128,136,115 | 128,136,115 |
| Trading price highest | EUR | 2.64 | 5.37 | 5.72 |
| Trading price lowest | EUR | 1.67 | 2.30 | 3.61 |
| Market value of share capital 31 Dec | EUR million | 305 | 295 | 646 |
| No. of shares traded | pcs | 19,668,495 | 21,422,076 | 27,299,521 |
| No. of shares traded as % of average no. of shares | % | 15.35 | 16.72 | 21.31 |

**Share price development compared with other European airlines**


**Finnair Plc Share Index and NASDAQ OMX Helsinki Indices**




## Share price development and trading

On the last day of the financial year, the closing price of the Finnair Plc share on the NASDAQ OMX Helsinki Stock Exchange was 2.38 (2.30) euros, and the market value of the company's share capital was 305.0 million euros (294.7). During 2012, the highest price for the Finnair Plc share was 2.64 euros (5.37), the lowest price 1.67 euros (2.30) and the average price 2.24 euros (3.62). In 2012, a total of 19.7 million shares (21.4) were traded with a value of 44.1 million euros (77.5).

## CORPORATE RESPONSIBILITY

In October, Finnair was placed at the top of the listing in the Carbon Disclosure Project's (CDP) 2012 report on the Nordic countries and was the first airline ever to make it to the Leadership index of the CDP report. The CDP is responsible for the only global climate change reporting system in the world, and its initiatives are backed by 655 institutional investors from around the world. Finnair has participated in the CDP since 2007.

In April, Finnair published its annual Corporate Responsibility Report, which is based on the Global Reporting Initiative (GRI) and includes economic, social and environmental responsibility indicators for 2011. The reported was selected as "Investors choice" in the domestic responsibility report competition. Finnair has published reports on environmental responsibility since 1997, and in 2008 it became one of the first airlines to publish reports based on the GRI framework. GRI is the world's most broadly recognised international guideline for reporting on sustainable development. The Sustainability Report for 2012 will be published in March 2013 during week 10.

The revised Code of Conduct was approved by the Board of Directors in autumn 2012. The revised Code was discussed with the personnel representatives and more extensive training will take place during 2013. The company's equality plan was also revised.

## SIGNIFICANT NEAR TERM RISKS AND UNCERTAINTIES

Due to the short booking horizon in passenger and cargo traffic, long-term forecasting is difficult. In addition to operational activities, fuel price development has a key impact on Finnair's result, as fuel costs are the company's biggest expense item. The result is also affected by exchange-rate fluctuations of the US dollar and the Japanese yen against the euro. Fuel costs, aircraft leasing costs and purchases of spare parts are dollar-denominated, whereas the yen is an important income currency in Finnair's strong Japanese operations.

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 2012, the degree of hedging for fuel purchases over the first half of 2013 was 75 per cent and 67 per cent over the whole year. The degree of hedging for a dollar basket over the following 12 months was 83 per cent.

The implementation of Finnair's partnership projects and the achievement of the related strategic benefits also involve certain risks. Risks are also involved in the implementation of the structural reform and cost-reduction programmes.

The European Union joined air traffic as part of the Emissions Trading Scheme (ETS) at the beginning of 2012. The EU ETS has met with a lot of opposition, in particular from countries outside the EU, as a result of which the International Civil Aviation Organization (ICAO) is preparing an alternative proposal with regard to international emissions trading for air traffic and the EU ETS was changed to include only the intra-European flights during 2012. ICAO intends to submit its proposal at the ICAO Assembly held in November 2013. The additional cost directly incurred by Finnair due to emissions trading is difficult to estimate due to the potential regulation changes after the ICAO Assembly. The additional cost for the year 2012 is approximately 1.5 million euros.

On 23 October 2012, the Court of Justice of the European Union confirmed its decision made in 2009 according to which a flight passenger may, on certain conditions, receive compensation if the flight is delayed for at least three hours. There is no right to compensation if the delay is due to conditions that are beyond the airline's control. The decision of the Court of Justice may increase the amount of compensation paid to flight passengers and thus cause additional costs.

A number of strategic, financial and operational risks are involved in Finnair's operations. Risks management is further described on pages 54–55, business risks on page 48 and financial risks on pages 40–41.

## SEASONAL VARIATION AND SENSITIVITIES IN BUSINESS OPERATIONS

Due to the seasonal variation of the airline business, the Group's turnover and profit are generally very much 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.

Fuel costs are a significant uncertainty factor in Finnair's business operations: A 10-per-cent change in the world market price of fuel has an effect of approximately 33 million euros on Finnair's operating result at an annual level, taking hedging into account. A 10-per-cent change in the euro-dollar exchange rates has an effect of approximately 13 million euros on Finnair's operating result at an annual level, taking hedging into account.

## OTHER EVENTS IN 2012

In September, the Deputy Prosecutor General stated that the actions of CEO Mika Vehviläinen and Ilmarinen Mutual Pension Insurance Company in the context of an apartment transaction in January 2011 were in line with legislation and announced that the Office of the Prosecutor General would not press charges in the matter.

## EVENTS IN EARLY 2013

On 27 January 2013, Mika Vehviläinen, Finnair's President and CEO, announced that he will resign from Finnair's service on 28 February 2013. Finnair's Board of Directors appointed Ville Iho, the company's COO, as the acting CEO. Ville Iho will lead Finnair until the new CEO is appointed. Finnair's Board of Directors has already started to look for a new CEO.

The Shareholders' Nomination Committee gave on 30 January 2013 its proposal for the composition of the Board to be elected on the 2013 Annual General meeting, its Chairman and the Board's remunerations. The Committee proposes that Ms Maija-Liisa Friman, Mr Klaus W. Heinemann, Mr Jussi Itävuori, Ms Merja Karhapää, Mr Harri Kerminen and Ms Gunvor Kronman be re-elected, and that Mr Antti Kuosmanen be elected as a new member to the Board of Directors. The Committee further proposes that Mr Klaus W. Heinemann be elected as the Chairman of the Board and that the remunerations of the Board would remain unchanged.

Finnair commenced purchasing its own shares on 2 January 2013. By the time the financial statements were published, the company had acquired 600,000 Finnair shares, as a result of which the number of own shares held by the company was 1,010,187.

## OUTLOOK FOR 2013

The uncertain economic outlook in Europe, together with weakened consumer demand and slower growth in Asia, make it difficult to assess how air traffic will continue to develop. Fuel costs are expected to remain high in 2013 as well, and the demand for air traffic is estimated to grow in moderation.

Finnair estimates that its turnover will grow in 2013. The airline unit costs excluding fuel (CASK excl. fuel) are expected to decrease compared with 2012, and operational result is expected to show a profit in 2013.

FINNAIR PLC
Board of Directors
7 February 2013

# Financial indicators 2008–2012

| INCOME STATEMENT | | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Turnover | EUR million | 2,449 | 2,258 | 2,023 | 1,838 | 2,256 |
| change | % | 8.5 | 11.6 | 10.1 | -18.5 | 3.5 |
| Operational result, EBIT | EUR million | 45 | -61 | -5 | -171 | 1 |
| in relation to turnover | % | 1.8 | -2.7 | -0.2 | -9.3 | 0.0 |
| Operating profit/loss, EBIT | EUR million | 36 | -88 | -13 | -115 | -58 |
| in relation to turnover | % | 1.4 | -3.9 | -0.7 | -6.3 | -2.6 |
| Net financing income (+)/expenses (-) | EUR million | -18 | -22 | -20 | -10 | -5 |
| in relation to turnover | % | -0.7 | -1.0 | -1.0 | -0.5 | -0.2 |
| Net interest expenses | EUR million | -13 | -14 | -16 | -6 | 2 |
| in relation to turnover | % | -0.5 | -0.6 | -0.8 | -0.3 | 0.1 |
| Profit before taxes | EUR million | 17 | -111 | -33 | -125 | -62 |
| in relation to turnover | % | 0.7 | -4.9 | -1.6 | -6.8 | -2.8 |

| BALANCE SHEET | | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Consolidated balance sheet | | | | | | |
| Non-current assets | EUR million | 1,511 | 1,621 | 1,514 | 1,596 | 1,405 |
| Short-term receivables | EUR million | 699 | 736 | 827 | 842 | 659 |
| Non-current assets held for sale | EUR million | 32 | 0 | 71 | 19 | 19 |
| Assets total | EUR million | 2,242 | 2,357 | 2,412 | 2,457 | 2,084 |
| Shareholders equity and non-controlling interests | EUR million | 786 | 747 | 853 | 825 | 750 |
| Liabilities, total | EUR million | 1,456 | 1,610 | 1,558 | 1,632 | 1,333 |
| Shareholders' equity and liabilities, total | EUR million | 2,242 | 2,357 | 2,412 | 2,457 | 2,084 |
| Gross capital expenditure | EUR million | 41 | 204 | 183 | 347 | 233 |
| Gross capital expenditure in relation to turnover | % | 1.7 | 9.0 | 9.1 | 18.9 | 10.3 |
| Average capital employed | EUR million | 1,418 | 1,550 | 1,636 | 1,353 | 1,179 |
| Dividend for the financial year* | EUR million | 13 | 0 | 0 | 0 | 0 |
| Interest bearing debt | EUR million | 569 | 729 | 765 | 829 | 302 |
| Liquid funds | EUR million | 430 | 403 | 527 | 607 | 392 |
| Net interest bearing debt | EUR million | 138 | 326 | 238 | 221 | -90 |
| in relation to turnover | % | 5.6 | 14.4 | 11.7 | 12.0 | -4.0 |

* The dividend for year 2012 is a proposal of the Board of Directors to the Annual General Meeting.

| KEY FIGURES | | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Earnings/share | EUR | 0.02 | -0.75 | -0.24 | -0.76 | -0.36 |
| Earnings/share adjusted for option rights (with diluted effect) | EUR | 0.02 | -0.75 | -0.24 | -0.76 | -0.36 |
| Result/share (number of shares at the end of financial year) | EUR | 0.02 | -0.75 | -0.24 | -0.76 | -0.36 |
| Equity/share | EUR | 6.14 | 5.89 | 6.67 | 6.45 | 5.87 |
| Dividend/share* | EUR | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend/earnings* | % | 112 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operating activities/share | EUR | 1.2 | 0.4 | 0.6 | -0.9 | 0.9 |
| P/E ratio | | 100 | -3.07 | -21.09 | -4.93 | 5.2 |
| Equity ratio | % | 35.7 | 32.6 | 36.2 | 34.2 | 36.9 |
| Net debt-to-equity (Gearing) | % | 17.6 | 43.3 | 27.8 | 26.8 | -12.0 |
| Adjusted Gearing | % | 76.8 | 108.4 | 79.6 | 90.0 | 65.1 |
| Return on equity (ROE) | % | 1.5 | -10.9 | -2.7 | -12.1 | -5.3 |
| Return on capital employed (ROCE) | % | 3.0 | -5.2 | -0.4 | -7.8 | -3.0 |

| CASH FLOW | | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Operational cash flow | EUR million | 155 | 51 | 76 | -115 | 120 |
| Operational cash flow in relation to turnover | % | 6.3 | 2.2 | 3.7 | -6.3 | -5.3 |

| PERSONNEL | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Personnel on average | 6,784 | 7,467 | 7,578 | 8,797 | 9,595 |

# Calculation of key indicators

| | | | |
|---|---|---|---|
| EBITDAR | = | Operating profit + depreciation + aircraft lease rentals | |
| Operational result | = | Operating result excluding changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains | |
| Return on equity, % (ROE) | = | Result / Equity + non-controlling interest (average of beginning and end of financial year) | x 100 |
| Capital employed | = | Balance sheet total - non interest bearing liabilities | |
| Return on capital employed, % (ROCE) | = | Result before taxes + interest and other financial expenses / Capital employed (average of beginning and end of financial year) | x 100 |
| Earnings per share (euro) | = | Result for financial year - hybrid bond interest / Adjusted average number of shares during the financial year | |
| Equity per share (euro) | = | Equity / Number of shares at the end of the financial year, adjusted for the share issue | |
| Dividend per earnings, % | = | Dividend per share / Earnings per share | x 100 |
| Effective dividend yield, % | = | Dividend per share / Adjusted share price at the end of the financial year | x 100 |
| P/CEPS | = | Share price at the end of the financial year / Cash flow from operations per share | |
| Cash flow per share (euro) | = | Cash flow from operations / Adjusted average number of shares during the financial year | |
| Price per earnings, P/E | = | Share price at the end of the financial year / Earnings per share | |
| Equity ratio, % | = | Equity + non-controlling interest / Balance sheet total - advances received | x 100 |
| Gearing, % | = | Interest bearing liabilities - liquid funds / Equity + non-controlling interest | x 100 |
| Adjusted gearing, % | = | Interest bearing liabilities + 7 x annual aircraft leasing payments - liquid funds / Equity + non-controlling interest | x 100 |

# IFRS Financial Statements, 1 January–31 December 2012

# Consolidated income statement

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 | Note |
|---|---|---|---|
| **Turnover** | **2,449.4** | **2,257.7** | 3 |
| Production for own use | 1.7 | 3.1 | 6 |
| Other operating income | 43.0 | 11.0 | 7 |
| Materials and services | -1,251.8 | -1,092.1 | 8 |
| Employee benefit expenses | -439.2 | -477.0 | 9 |
| Depreciation and impairment | -130.7 | -130.6 | 10 |
| Other operating expenses | -636.9 | -659.9 | 11 |
| **Operating profit/loss** | **35.5** | **-87.8** | |
| Financial income | 7.9 | 9.0 | 12 |
| Financial expenses | -25.5 | -30.6 | 13 |
| Share of result in investments accounted for using the equity method | -1.4 | -2.1 | 18 |
| **Profit/loss before taxes** | **16.5** | **-111.5** | |
| Income taxes | -4.7 | 24.0 | 14 |
| **Profit/loss for financial year** | **11.8** | **-87.5** | |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the parent company | 11.5 | -87.7 | |
| Non-controlling interest | 0.3 | 0.2 | |
| | | | |
| **Earnings per share from profit attributable to shareholders of the parent company** | | | |
| Earnings per share (diluted and undiluted) | 0.02 | -0.75 | 15 |

The notes 1–39 form an essential part of the financial statements.

# Consolidated statement of comprehensive income

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Profit/loss for the financial year** | **11.8** | **-87.5** |
| **Other comprehensive income** | | |
| Currency translation differences | 0.0 | -0.2 |
| Change in available-for-sale financial assets after taxes | 10.4 | -9.9 |
| Change in fair value of hedging instruments after taxes | -31.2 | 4.7 |
| **Other comprehensive income, total** | **-20.8** | **-5.4** |
| **Comprehensive income for the financial year** | **-9.0** | **-92.9** |
| | | |
| **Attributable to:** | | |
| Owners of the parent company | -9.3 | -93.1 |
| Non-controlling interest | 0.3 | 0.2 |

The notes 1–39 form an essential part of the financial statements.

# Consolidated balance sheet

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 | Note |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 25.5 | 32.3 | 16 |
| Tangible assets | 1,362.6 | 1,468.2 | 17 |
| Investments accounted for using the equity method | 12.3 | 13.7 | 18 |
| Receivables | 33.1 | 32.1 | 19 |
| Deferred tax receivables | 77.6 | 75.2 | 20 |
| | **1,511.1** | **1,621.5** | |
| **Short-term receivables** | | | |
| Inventories | 17.1 | 48.9 | 21 |
| Trade receivables and other receivables | 251.1 | 283.3 | 22 |
| Other financial assets | 363.5 | 353.8 | 23 |
| Cash and cash equivalents | 67.0 | 49.5 | 24 |
| | **698.7** | **735.5** | |
| Assets of disposal group classified Held for Sale | 31.9 | 0.0 | 5 |
| | | | |
| **Total assets** | **2,241.7** | **2,357.0** | |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 75.4 | 75.4 | |
| Other equity | 709.2 | 676.4 | |
| | **784.6** | **751.8** | |
| **Non-controlling interests** | **0.9** | **0.7** | |
| **Total equity** | **785.5** | **752.5** | 25 |
| | | | |
| **Long-term liabilities** | | | |
| Deferred tax liability | 94.9 | 98.5 | 20 |
| Long-term liabilities | 413.5 | 516.0 | 29 |
| Pension obligations | 0.5 | 0.0 | 27 |
| Provisions | 82.3 | 86.9 | 28 |
| | **591.2** | **701.4** | |
| | | | |
| **Short-term liabilities** | | | |
| Current income tax liabilities | 0.1 | 0.0 | 14 |
| Provisions | 38.2 | 46.0 | 28 |
| Borrowings | 174.2 | 229.9 | 29 |
| Trade payables and other liabilities | 650.3 | 627.2 | 30 |
| Liabilities of disposal group classified Held for Sale | 2.2 | 0.0 | 5 |
| | 865.0 | 903.1 | |
| **Total liabilities** | **1,456.2** | **1,604.5** | |
| | | | |
| **Total equity and liabilities** | **2,241.7** | **2,357.0** | |

The notes 1–39 form an essential part of the financial statement.

# Consolidated cash flow statement

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit/loss for the financial year | 11.8 | -87.5 |
| Transactions of a non-cash nature[1)] | 123.8 | 148.9 |
| Interest and other financial expenses | 24.7 | 30.6 |
| Interest income and other financial income | -7.9 | -8.9 |
| Changes in working capital | 20.9 | -15.3 |
| Interest paid | -16.7 | -19.7 |
| Other financial expenses paid | -6.0 | -5.2 |
| Received interest income | 4.2 | 5.6 |
| Received financial income | 0.0 | 2.3 |
| Taxes paid | -0.1 | 0.0 |
| **Net cash flow from operating activities** | **154.7** | **50.8** |
| | | |
| **Cash flow from investing activities** | | |
| Acquisition of investments accounted for using the equity method | -0.7 | -8.3 |
| Investments in intangible assets | -4.8 | -5.3 |
| Investments in tangible assets[2)] | -53.3 | -145.0 |
| Net change of financial interest bearing assets at fair value through profit or loss[3)] | -5.2 | 70.8 |
| Net change of shares classified as available for sale | 0.1 | 0.2 |
| Sales of tangible fixed assets | 10.6 | 60.1 |
| Received dividends | 0.1 | 0.1 |
| Change in non-current receivables | -1.0 | -9.4 |
| **Net cash flow from investing activities** | **-54.2** | **-36.8** |
| | | |
| **Cash flow from financing activities** | | |
| Loan withdrawals | 71.0 | 34.1 |
| Loan repayments | -207.9 | -76.8 |
| Hybrid bond repayments | -67.7 | - |
| Proceeds from Hybrid bond | 120.0 | - |
| Hybrid bond, interest and expenses | -14.3 | -10.8 |
| Purchase of own shares | 0.0 | 0.0 |
| Dividends paid | 0.0 | 0.0 |
| **Net cash flow from financing activities** | **-98.9** | **-53.5** |
| | | |
| **Change in cash flows** | **1.6** | **-39.5** |
| | | |
| **Change in liquid funds** | | |
| Liquid funds, at the beginning | 254.5 | 294.0 |
| Change in cash flows | 1.6 | -39.5 |
| **Liquid funds, in the end[4)]** | **256.1** | **254.5** |

The cash flow statement analyses changes in the Group's cash and cash equivalents during the financial year. The cash flow statement has been divided, according into the IAS 7 standard, in operating, investing and financing cash flows.

**Notes to consolidated cash flow statement:**

| EUR mill. | 2012 | 2011 |
|---|---|---|
| [1)] Transactions of a non-cash nature: | | |
| Depreciation | 130.7 | 130.6 |
| Employee benefits | 12.3 | 15.2 |
| Fair value changes of derivatives | 4.0 | 2.4 |
| Other adjustments | -23.2 | 0.7 |
| **Total** | **123.8** | **148.9** |

[2)] The A330-aircraft leasing arrangement is not included.

[3)] Net change in of financial interest bearing assets maturing after more than three months including changes in fair value.

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

| Balance sheet item (short-term) | 2012 | 2011 |
|---|---|---|
| Other financial assets | 363.5 | 353.8 |
| Cash and bank equivalents | 67.0 | 49.5 |
| Short-term cash and cash equivalents in balance sheet | 430.5 | 403.3 |
| Maturing after more than 3 months | -141.1 | -135.9 |
| Shares available for sale | -33.3 | -12.9 |
| **Total** | **256.1** | **254.5** |

Cash and cash equivalents encompass cash and bank deposits as well as other highly liquid financial assets whose term to maturity is a maximum of three months. Such items are e.g. certificate of deposits and commercial papers. Balance sheet items are itemised in Notes 21 and 22.

The notes 1–39 form an essential part of the financial statement.

# Consolidated statement of changes in equity

**Equity attributable to owners of the parent company**

| EUR mill. | Share capital | Share premium account | Bonus issue | Fair value reserve | Unrestricted equity | Translation difference | Retained earnings | Hybrid bond | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity 1 Jan 2012** | **75.4** | **20.4** | **147.7** | **30.0** | **247.2** | **-0.2** | **111.9** | **119.4** | **751.8** | **0.7** | **752.5** |
| Dividend and Share-based payments | | | | | | | 0.3 | 0.0 | 0.3 | | 0.3 |
| Hybrid bond repayments | | | | | | | -1.4 | -67.7 | -69.0 | | -69.0 |
| Proceeds from Hybrid bond | | | | | | | | 120.0 | 120.0 | | 120.0 |
| Hybrid bond interest and expenses | | | | | | | -8.7 | -0.7 | -9.4 | | -9.4 |
| **Shareholders' equity related to owners** | **75.4** | **20.4** | **147.7** | **30.0** | **247.2** | **-0.2** | **102.2** | **171.1** | **793.8** | **0.7** | **794.5** |
| Profit for the period | | | | | | | 11.5 | | 11.5 | 0.3 | 11.8 |
| Consolidated statement of comprehensive income | | | | | | | | | | | |
| Cash flow hedges | | | | | | | | | | | |
| Change in fair value of hedging instruments | | | | 10.4 | | | | | 10.4 | | 10.4 |
| Change in fair value in available-for-sale financial assets | | | | -31.2 | | | | | -31.2 | | -31.2 |
| Currency translation difference | | | | | | | | | 0.0 | | 0.0 |
| Comprehensive income for the financial year | 0.0 | 0.0 | 0.0 | -20.8 | 0.0 | 0.0 | 11.5 | 0.0 | -9.3 | 0.3 | -9.0 |
| **Shareholders equity 31 Dec 2012** | **75.4** | **20.4** | **147.7** | **9.2** | **247.2** | **-0.2** | **113.7** | **171.1** | **784.6** | **0.9** | **785.5** |

**Equity attributable to owners of the parent company**

| EUR mill. | Share capital | Share premium account | Bonus issue | Fair value reserve | Unrestricted equity | Translation difference | Retained earnings | Hybrid bond | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity 1 Jan 2011** | **75.4** | **20.4** | **147.7** | **35.2** | **247.2** | **0.0** | **207.2** | **119.4** | **852.5** | **0.8** | **853.3** |
| Dividend and Share-based payments | | | | | | | 0.6 | 0.0 | 0.6 | -0.3 | 0.3 |
| Hybrid bond interest | | | | | | | -8.2 | | -8.2 | | -8.2 |
| **Shareholders' equity related to owners** | **75.4** | **20.4** | **147.7** | **35.2** | **247.2** | **0.0** | **199.6** | **119.4** | **844.9** | **0.5** | **845.4** |
| Profit for the period | | | | | | | -87.7 | | -87.7 | 0.2 | -87.5 |
| Consolidated statement of comprehensive income | | | | | | | | | | | |
| Cash flow hedges | | | | | | | | | | | |
| Change in fair value of hedging instruments | | | | 4.7 | | | | | 4.7 | | 4.7 |
| Change in fair value in available-for-sale financial assets | | | | -9.9 | | | | | -9.9 | | -9.9 |
| Currency translation difference | | | | | | -0.2 | | | -0.2 | | -0.2 |
| Comprehensive income for the financial year | 0.0 | 0.0 | 0.0 | -5.2 | 0.0 | -0.2 | -87.7 | 0.0 | -93.1 | 0.2 | -92.9 |
| **Shareholders equity 31 Dec 2011** | **75.4** | **20.4** | **147.7** | **30.0** | **247.2** | **-0.2** | **111.9** | **119.4** | **751.8** | **0.7** | **752.5** |

The notes 1–39 form an essential part of the financial statement.

# Notes to the financial statement

## 1. BASIC INFORMATION ABOUT 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 11 A, 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 7 February 2013. Under Finland's 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.

## 2. ACCOUNTING PRINCIPLES

The accounting principles of the consolidated financial statements are presented below. The accounting principles have been followed in the periods presented in the consolidated financial statements unless otherwise stated.

### BASIS OF PREPARATION

Finnair Plc's consolidated financial statements for 2012 have been prepared according to the International Financial Reporting Standards (IFRS) and in their preparation the IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2012 have been followed. By IFRS is meant the standards accepted for application in the EU and interpretations issued about them in accordance with the procedure laid down in Finnish law and provisions issued by virtue thereof in the EU Regulation (EC) No.1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

The 2012 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 which are 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 and therefore total sum calculated from these individual figures doesn't necessary match the corresponding sum shown.

The preparation of financial statements in accordance with IFRS requires Group management to make certain estimates and to exercise discretion in applying the accounting principles. Information about the discretion exercised by management in applying the accounting principles followed by the Group and that which has most impact on the figures presented in the financial statements has been presented in the item "Accounting principles that require management discretion and main uncertainty factors relating to estimates".

### PRINCIPLES OF CONSOLIDATION

**Subsidiaries**

Finnair Plc's consolidated financial statements include the parent company Finnair Plc and all its subsidiaries. As subsidiaries are deemed to be those companies in which the parent company directly or indirectly owns more than 50% of the votes or in which it otherwise exercises the right to determine the company's financial and business policies in order to benefit from its activities.

The book value of shares in subsidiaries included in consolidation has been eliminated using the acquisition cost method. Subsidiaries that have been acquired are consolidated from the date on which the Group has acquired control, and subsidiaries that have been disposed of are no longer consolidated from the date that control ceases. All of the Group's internal transactions, receivables, liabilities and unrealised gains as well as internal distribution of profit are eliminated in the consolidated financial statements. Unrealised losses are not eliminated in the event that a loss results from impairment, in that case the loss is presented under impairment item of income statement. When the group ceases to have control any retain interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. The financial statements of subsidiaries have been amended to correspond with the accounting principles in use within the Group.

**Non-controlling interest and transactions with non-controlling interest**

Non-controlling interest is presented in the balance sheet separately from liabilities and the parent company's shareholders' equity as its own item as part of shareholders' equity. In the income statement is presented the distribution of profit for the financial year to the parent company's shareholders and non-controlling interest. Non-controlling interest's accrued losses are recognised in the consolidated balance sheet even when amount of the investment turns out to be negative. Before recognising this, the Group defines if it's responsible for this loss to non-controlling interest. If this kind of obligation exists, the loss is recognised up to the amount of investment.

The Group applies the same accounting principles to transactions made with non-controlling interest as with shareholders. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

**Associates and joint ventures**

Associates are companies in which the Group generally has 20–50 per cent of the votes or in which the Group has significant influence but in which it does not exercise control. Companies were the Group has joint control are joint ventures. Holdings in associates and joint ventures have been included in the consolidated financial statements by the equity method, including the goodwill identified on acquisition. The Group's share of earnings after the time of acquisition is recognised in the income statement. If the Group's share of the loss of a company exceeds the book value of the investment, the investment is entered in the balance sheet at zero value unless the Group has incurred obligations on behalf of the company. Results from the transactions between the Group and its associates are recognised only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of result in associates and joint ventures.

The companies' financial statements have been converted to correspond with the accounting principles in use in the Group. If the final financial statements are not available the best estimates are used.

**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 consolidates comprehensive Income statement. When a foreign subsidiary is sold, these translation differences are recognised in the income statement as part of the overall profit or loss arising from the sale. Translation differences that have arisen since the IFRS transition date are presented as a separate item in comprehensive statement when preparing the consolidated financial statements.

Goodwill arising from foreign acquisitions is treated as a foreign exchange asset of the foreign unit and is translated into euros using the exchange rate on the closing date.

**Derivate contracts and hedge accounting**

According to its risk management policy, Finnair Group uses foreign exchange, interest rate and commodity derivatives s 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.

Fair value hedging is implemented in respect of firm orders for new aircraft. These binding purchase agreements 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.

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.

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.

**Principle of revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the group activities. Revenue is shown net of discounts granted, returns  and indirect taxes, among other things. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities 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.

Revenue from services is recognised as revenue in the financial period in which the services are provided for the customer. Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer. In such cases the Group has no longer any supervision of control over the products. If the sale include both service and goods they are recognised at the moment the service is provided for the customer.

Aviation Services' sales are recognised as revenue when the service is completely performed.

Travel Services' sales are recognised as revenue when the service has been conveyed. Commissions at the time of sale and other sales at the date of departure.

**Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**Dividend income**

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

**Operating profit**

The IAS 1 Presentation of Financial Statements standard does not define the concept 'operating profit'. The Group has defined it as follows: operating profit is the net sum that is formed from turnover plus other operating income, less purchase costs adjusted by change in inventories of work in progress as well as costs arising from production for own use, less costs, depreciation and possible impairment losses arising from employee benefits as well as other operating expenses. All income statement items other than those mentioned above are presented below the operating profit. Translation 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.

**Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at he balance sheet date. A deferred tax liability or asset is calculated for all temporary differences between accounting and taxation using the tax rates prescribed at the closing date.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The largest temporary differences arise from sales of tangible assets, depreciation, revaluations of derivative contracts, defined-benefit pension schemes, unused tax losses, and valuations at fair value made in connection with acquisitions. Deferred tax is not recognised for subsidiaries' undistributed earnings where it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it will probably be available to taxable profit of future financial years, against which the deductible temporary difference can be utilised.

The Group's main business takes place in Finland. Taxes based on taxable income for the financial year have been calculated with a tax rate of 24.5%. Taxes based on the taxable income of foreign subsidiaries for the financial year have been calculated at tax rates of 0–24.5%.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity of different taxable entities where there is an intention to settle the balance on a net basis.

**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 example, for fixed asset acquisitions are recognised as a reduction in original acquisition cost. Grants are recognised in the form of smaller depreciations over the useful life of the asset.

**Tangible assets**

Tangible assets consist mainly of aircrafts and buildings. Tangible assets are recognised in the balance sheet when the financial benefit is longer than one year, in acquisition cost, including the direct costs arising from the acquisition. The aircrafts' (body, engines and heavy maintenance) acquisition cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of aircrafts. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Tangible assets are valued at original acquisition cost less accumulated depreciation and write-downs.

Aircraft and their engines as well as flight simulators are depreciated on a straight-line basis over their expected useful lives to residual value. The acquisition cost of aircraft is allocated to the aircraft fuselage, engines and heavy maintenance and these are depreciated as separate assets. Buildings and other tangible assets are depreciated over their expected useful life. Land areas are not depreciated.

Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

Depreciation is calculated using the following principles, depending on the type of asset:

- Buildings, 50 years from time of acquisition to a residual value of 10% or 3–7 % of expenditure residue
- Aircraft and their engines on a straight-line basis as follows:
  - Airbus A320 family aircraft, over 20 years to a residual value of 10%
  - Embraer fleet aircraft, over 20 years to a residual value of 10%
  - New A330 family aircraft, over 18 years to a residual value of 10%
  - New 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%
  - New turboprop aircraft, over 12 years to a residual value of 10%
  - Turboprop aircraft acquired as used, over 10 years to a residual value of 10%
  - Aircraft to be withdrawn from use, fully on a straight-line basis according to their useful life outlined in the fleet modernisation plan
- Heavy maintenance of aircraft, on a straight-line basis during the maintenance period
- Embraer components, over 20 years to a residual value of 10%
- Airbus components, over 15 years to a residual value of 10%
- Flight simulators are depreciated as per the corresponding type of aircraft
- Other tangible assets, 23% of the diminishing balance

The residual values and estimated useful lives of assets are adjusted at each closing date and if they differ significantly from previous estimates, the depreciation periods and residual values are changed accordingly.

Ordinary repair and maintenance expenditure is recognised as an expense in the financial period in which it arises. Expenditure of modernisation and improvement projects that are significant in size (mainly aircraft modifications) are capitalised in the balance sheet if it is probable that an additional financial reward will arise to the Group in future and the acquisition cost is defined definitely. The carrying amount of the replaced part is derecognised.

Depreciation of a tangible fixed asset is discontinued when the tangible fixed asset is classified as being held for sale.

Gains arising from the disposal and withdrawal from use of tangible fixed assets are included in the income statement in the item other operating income, and losses in the item other operating expenses.

**Intangible assets**

Separately acquired intangible assets are shown at historical acquisition cost. The acquisition cost includes the direct costs arising from the acquisition. Depreciation and impairment of intangible assets are based on the following expected economic lifetimes:

- Goodwill — impairment testing
- Computer programs — 3-8 years
- Other intangible assets, depending on their nature 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.

**Research and development expenditure**

Research and development on aircraft, systems and operations is conducted primarily by the manufacturers. Research and product development expenditure relating to marketing and customer service is recognised as an expense at the time at which it is incurred because the capitalization criterion will not fill. Expenses are included in the consolidated income statement in a cost item according to the nature of the expense.

Development expenditure on IT-systems and buildings are recognised in the balance sheet as an intangible asset when it is probable that the development project will succeed both commercially and technically and the project expenses can be reliably assessed.

**Computer software**

Computer software maintenance yearly costs and expenditure on the research stage of software projects are recognised as expenses at the time they are incurred. Software projects' minor development costs, moreover, are not capitalised; they are recognised as an expense.

User rights and licences acquired for IT software are presented in the category intangible rights and in other respects in other intangible assets. Acquired user rights and licences are entered in the balance sheet at acquisition cost, plus the costs of making the licence and software ready for use. Capitalised expenses are depreciated over a useful life of 3-8 years.

**Other intangible assets**

Other intangible assets, such as e.g. patents, trademarks and licences, are valued at historical acquisition cost less recognised depreciation and impairment. Intangible assets are depreciated on a straight-line basis over 3-10 years.

**Non-current assets held for sale and disposal groups**

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 of sale. Depreciation of these assets is discontinued at the moment of classification.

**Lease agreements**

**The Group is the lessee**

Tangible asset lease agreements where a substantial part of the risks and rewards of ownership are transferred to the Group are classified as finance leases. The asset item acquired with a finance lease is entered at the start of the agreement as an asset in the balance sheet 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 financial asset. The lease payments payable are allocated between finance expenses and debt reduction. The corresponding rental obligations, net of finance charges, are included in other long-term interest-bearing liabilities. Financing interest is recognised in the income statement during the lease so as to achieve a constant interest rate on the finance balance outstanding in each financial period. Asset items leased under a finance lease are depreciated over the shorter of the asset's useful life and the term of the lease.

Tangible asset-related lease agreements where a substantial part of the risks and rewards of ownership are retained by the lessor are classified as other leases. Payments made under other leases are charged to the income statement over the term of the lease.

The operating lease liabilities under other leases of Finnair Group aircraft have been treated as rental expenses in the income statement. Lease payments due in future years under agreements are presented in the notes to the financial statements.

**The Group is the lessor**

The agreements where the Group is the lessor are accounted for as other leases, when 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 other tangible assets. Under the provisions of certain aircraft lease agreements, the lessee is required to make periodic additional rent/maintenance reserve payments in order to provide funds for maintenance connected to the usage of the aircraft. The Company's obligations to make contributions/reimbursements for such maintenance are recorded as liabilities. Contributions/reimbursements to the lessee upon receipt of evidence of qualifying maintenance work are charged against the existing liabilities. Over the term of the lease the rent for premises is recognised in income statement as other revenue and the rents for aircraft as turnover.

**Sale and leaseback**

Sale and leaseback consist of sale and leaseback of the same asset. The lease-payments and selling price are related and they are negotiated as a whole. The type of lease agreement defines how the lease is handled.

If the result is a financial lease: the selling price exceeding the book value at the balance sheet is not recognised as revenue at the time of selling but during the lease period.

If the result is an other lease, the sales profit or loss is recognised in the income statement if the selling price is at fair value if not the profit or loss is recognise in the income statement during the expected useful life and in relation to lease-payments.

**Impairment**

On every closing date the Group reviews asset items for any indication of impairment losses. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount is also assessed for the following asset items irrespective of whether there are indications of impairment: goodwill and intangible assets which have an indefinite useful life. The need for impairment is examined on the cash generating unit level.

The recoverable amount is the higher of the asset item's fair value, less the cost arising from sale, and its value in use. By value in use is meant the expected future net cash flows obtainable from the said asset item or cash generating unit, discounted to their present value. An impairment loss is recognised when the carrying amount of an asset item is greater than the recoverable amount. The impairment loss is recognised in the income statement. The impairment loss is reversed if a change in conditions has occurred and the recoverable amount of the asset has changed since the date when the impairment loss was recognised. The impairment loss is not reversed, however, by more than that which the carrying amount of the asset would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are not cancelled under any circumstances.

**Inventories**

Group inventories include the aircraft spare parts, catering items and work in progress related to overhaul of aircrafts. Inventories are asset items that: are intended for sale in the normal course of business, are handled in the production process for sale or are raw materials or supplies intended for consumption in the production process.

Inventories are valued at the lower of their acquisition cost and probable net realisable value. Acquisition cost is determined using the average cost method. The acquisition cost of inventories includes all planning, acquisition-related, production and other costs that have arisen from the transfer of the inventory item to the location and space where the item is situated at the time of inspection. The production costs of inventories also include a systematically allocated proportion of variable and fixed production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs required to complete the product and selling expenses.

**Trade receivables**

In trade receivables are recognised assets received on an accrual basis for the products and services of the company's operations. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are classified as current assets while the collection is expected in one year.

For impairment principles see Impairment of financial assets. Impairment of trade receivables is recognised in other operating expenses.

Trade receivables denominated in foreign currency are valued at the exchange rate on the closing date.

**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 or 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 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.

The financial asset category recognised at fair value through profit or loss includes assets held for trading purposes and assets measured at fair value through profit or 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 fulfil the conditions for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are valued in each financial statement at fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement (either in other operating income and expenses or in financial items) in the period in which they arise. Financial assets at fair value through profit and loss as well as those maturing within 12 months are included in current assets.

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 in connection with a sale.

Unquoted shares are valued in the Finnair Group at their acquisition price in the absence of a reliable fair value.

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. For impairment principles see Impairment of financial assets. 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.

The criteria the group uses to determine that there is objective evidence of an impairment loss are:

- significant financial distress of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial distress, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of active market for specific financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

**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 financial liabilities are valued at amortised cost using the effective interest method or at fair value through profit or loss. 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.

Fair values of financial liabilities are based on discounted cash flows. Interest rate arises from risk free portion and company risk premium. Fair value of finance lease contracts is evaluated by discounting cash flows with interest, which complies with interest from other similar lease contracts. Other than derivative receivables are in balance sheet at their original value, because discounting them is irrelevant considering short maturity. Accounts payable and other loans are recognised at their original value, because discounting them is irrelevant considering short maturity.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash reserves and short-term bank deposits whose term to maturity is a maximum of three months. Foreign exchange-denominated items have been converted into euros using the mid-market exchange rates on the closing date.

**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 gains that arose in 1997–2006 have been recognised in the share premium account, less transaction expenses, reduced by tax effect, relating to increases in share capital. Additionally, costs of the company's share-based payments are recognised in the share premium account as per the IFRS 2 standard. Possible gains from the sale of treasury shares, reduced by tax effect, have been recognised in the share premium account before the new Companies Act came into effect on 1 September 2006. Gains from the sale of treasury shares that take place after the change in legislation are recognised, reduced by tax effect, in the invested unrestricted equity fund.

Gains from share issues arising before 1997 have been recognised in the general reserve.

The share issue gain 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.

The fair value reserve includes changes in the fair value of derivative instruments used in cash-flow hedging, less deferred taxes and presented in comprehensive income.

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 retained earnings.

The translation differences are the exchange rates in connection of consolidation of the foreign companies and the will presented in comprehensive income.

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 entered originally in the accounts at fair value. Transactions expenses have been included in the original carrying amount of the bond and the paid interest is presented in retained earnings.

**Dividend**

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

**Treasury stock (own 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 of shareholders' equity.

**Employee benefits**

**Pension liabilities**

Pension schemes are classified as defined-benefit and defined-contribution schemes. Payments made into defined-contribution pension schemes 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. 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, together with adjustments for unrecognised past-service cost. 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 outflows 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

**Profit-sharing and bonus plans**

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Other post-employment benefits**

All post employment benefits, excluding defined-benefit pensions, are defined-contribution benefits.

**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. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

**Share-based payments**

The Group operates a number of share-based compensation plans, under which the entity receives services from employees as consideration for share-based bonuses or bonuses derived from share value.

Share-based compensations earned during the financial year, which are meant for the employees' commitment, are recognised over the setting period. The recognised amount is derived from share fair value and presented in employee benefit expense with a corresponding liability and equity. The equity part is not revalued, the liability is revalued at the end of the year according to the share price.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The yearly cash paid share price based bonus is recognised, according to the share fair value, directly to employee benefit expense with a corresponding liability until the day it is paid.

**Provisions and conditional liabilities**

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. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as an asset item when it is in practice certain that the compensation will be received. Provisions are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view at the time of examination of the time value of the money and the risk relating to the obligation. The amount of provisions is valuated every closing date and if necessary changed to reflect the best estimate for the time of examination.

Restructuring provisions are recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or has announced it will do so. 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 surrender leased aircraft at a certain maintenance standard. To fulfil these maintenance obligations the Group recognises heavy maintenance provisions. The basis for the provision is flight hours flown during the maintenance period.

Conditional liability is an obligation related to the result of a past event. The realisation for the obligation depends on events which are not depending of the Groups activities. Obligations that do not probably require payment or the amount is not reliably defined are also recognised as conditional liabilities. Conditional liabilities are presented in notes.

**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 that makes strategic decisions.

**Accounting principles requiring management discretion and the main uncertainty factors relating to estimates**

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 main items requiring management discretion are as follows: impairment testing deferred taxes and Finnair Plus Customer Loyalty Programme.

**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 JYP/EUR exchange rates, unit revenue, estimated sales volumes and jet fuel price. Further information on impairment testing is presented in Notes 16 and 17.

**Deferred taxes**

Utilising deferred taxes, arising particularly from losses, requires a management assessment of the future trend of business operations. Further information on deferred taxes is presented in Note 20.

**Finnair Plus Customer Loyalty Program**

The points of the Finnair Plus Customer Loyalty Program are valued according to the IFRC 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.

**Critical judgements in applying the entity's accounting policies**

In preparing the financial statements, the management makes decisions concerning the choice of interpretations and how they are adopted, especially when there is optional ways of presenting, valuating or entering the items. The main items requiring management discretion is the Group's Airline Business related lease agreement definition: financial lease contra other lease. Those cases 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.

**Application of new and amended IFRS standards and IFRIC interpretations**

The IASB has published the following standards and interpretations. In 2012 or earlier adopted has followed in financial statements 2012. The group has decided not to adapt those standards and interpretations which will be mandatory in 2013 or later, but will adopt them in later periods.

In preparing these financial statements, the group has followed the same accounting policies as in the annual financial statements for 2011 except for the effect of changes required by the adoption of the following new standard on 1 January 2012:

- **IFRS 7 Financial instruments:** Disclosures – Derecognition This amendment promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

The following standards, interpretations and amendments will be adopted later than 1 January 2012.

- **IAS 1 Presentation of financial statement – other comprehensive income** The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- **IAS 19 Employee benefits** These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. All actuarial gains and losses are recognised in comprehensive income. The effect of this in equity at 1 Jan 2012 is +36 million euro pre tax and 27.2 million euro after tax, the increase of pension cost is 1.9 million euro and the effect to comprehensive income after tax is -30 million euro. 31 Dec 2012 total decrease of equity is after tax 2.9 million euro.
- **IRFS 7 Financial instruments: Disclosures** This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.*
- **IFRS 10,11 and 12 Transition guidance** These amendments provide additional transition relief limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosure related to unconsolidated structured entities, the amendment will remove the requirement to present comparative information for periods before IFRS 2 is first applied. *

- **Annual improvements 2011** These annual improvements, address following issues in the 2009-2011 reporting cycle: IFRS 1 First time adoption, IAS 1 Financial Statement presentation, IAS 16 Property plant and equipment, IAS 32 Financial instruments; Presentation, IAS 34 Interim financial reporting.*
- **IFRS 10 Consolidated financial statements** The objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity/entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.*
- **IFRS 11 Joint arrangements** IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.*
- **IFRS 12 Disclosures of interests in other entities** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.*
- **IFRS 13 Fair value measurement** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.*
- **IAS 28 (revised 2011) Associates and joint ventures** includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.*
- **IAS 32 Financial instrument Presentation** These amendments are to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.*
- **IFRS 9 Financial instruments** it is the first standard issued as part of a wider project to replace IAS 39. It retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.*

A copy of the consolidated financial statements and can be obtained at the internet address www.finnairgroup.com or from the head office of the Group's parent company at the address Tietotie 11 A, Vantaa. The full financial statements containing the financial statements of both the Group and the parent company can be obtained from the head office of the Group's parent company at the address Tietotie 11 A, Vantaa.

These financial statements do not contain all of the parent company's financial statement information under the Finnish Accounting Act, but they can be obtained at the internet address www.finnairgroup.com

* Still subject to EU endorsement.

## 3. SEGMENT INFORMATION

### Annual information

Segment information is presented according to the Group's business segment division. Business segments are based on the Group's internal organisational structure and financial reporting of management. The business segments are Airline Business, Aviation Services and Travel Services.

Airline Business is responsible for sales, service concepts, flight operations and functions related to the procurement and financing of aircraft. In 2012 the units belonging the Airline Business segment were Finnair air traffic, Finnair Cargo Oy and Finnair Cargo Terminal Operations as well as Finnair Aircraft Finance Oy, which manages the Group's fleet and Finnair Flight Academy Oy.

Aviation Services comprises aircraft maintenance services, ground handling and the Group's catering operations as well as real-estate management and facility services for Finnair's operational premises. In 2012 the following companies belonged to Aviation Services: Finnair Technical Services Oy, Finnair Engine Services Oy, Finnair Catering Oy until 1. August 2012, Finnair Travel Retail Oy, Finncatering Oy, Finnair Facilities Management Oy and Northport Oy.

Travel Services consists of the Group's domestic and foreign travel agency operations as well as tour operations and the operations of the reservations systems supplier Amadeus Finland Oy. In 2012 the following companies belonged to Travel Services Tour operators Oy Aurinkomatkat Suntours Ltd Ab, Matkayhtymä Oy, Toivelomat Oy, OÜ Horizon Travel, OOO Aurinko, Travel agencies Finland Travel Bureau Ltd, Matkatoimisto Oy Area and A/S Estravel and Amadeus Finland Oy.

Pricing between segments takes place at market price. Unattributable items include tax and financial items as well as items common to the whole Group.

**Business segment data 1 Jan–31 Dec 2012**

| EUR mill. | Airline Business | Aviation Services | Travel Services | Group eliminations | Unallocated items | Group |
|---|---|---|---|---|---|---|
| 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 | 31.9 | -1.3 | 4.9 | | | 35.5 |
| Share of results of associates and joint ventures | | | | | -1.4 | -1.4 |
| Financial income | | | | | 7.9 | 7.9 |
| Financial expenses | | | | | -25.5 | -25.5 |
| Income tax | | | | | -4.7 | -4.7 |
| Non-controlling interest | | | | | -0.3 | -0.3 |
| Profit for the financial year | | | | | | 11.5 |
| | | | | | | |
| Depreciation and impairment | 112.8 | 16.5 | 1.4 | 0.0 | 0.0 | 130.7 |

**Business segment data 1 Jan–31 Dec 2011**

| EUR mill. | Airline Business | Aviation Services | Travel Services | Group eliminations | Unallocated items | Group |
|---|---|---|---|---|---|---|
| External turnover | 1,822.9 | 114.2 | 320.6 | | | 2,257.7 |
| Internal turnover | 147.6 | 309.9 | 1.3 | -458.8 | | 0.0 |
| Turnover | 1,970.5 | 424.1 | 321.9 | -458.8 | | 2,257.7 |
| Operating profit | -55.5 | -16.5 | -15.8 | | | -87.8 |
| Share of results of associates and joint ventures | | | | | -2.1 | -2.1 |
| Financial income | | | | | 9.0 | 9.0 |
| Financial expenses | | | | | -30.6 | -30.6 |
| Income tax | | | | | 24.0 | 24.0 |
| Non-controlling interest | | | | | -0.2 | -0.2 |
| Profit for the financial year | | | | | | -87.7 |
| | | | | | | |
| Depreciation and impairment | 102.2 | 25.7 | 2.7 | 0.0 | 0.0 | 130.6 |

**Employees (average) by segment**

| | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Airline Business | 3,660 | 3,565 |
| Aviation Services | 1,984 | 2,619 |
| Travel Services | 855 | 980 |
| Other operations | 285 | 303 |
| **Total** | **6,784** | **7,467** |
| | | |
| Employees at end of year | 6,368 | 7,458 |

## 4. ACQUIRED BUSINESSES

During the financial year the Group didn't have any acquired businesses.

## 5. NON CURRENT ASSETS AND LIABILITIES HELD FOR SALE

**Assets liabilities of disposal group held for sale**

Inventories and tangible asset related to Finnair Technics and Finncatering Oy.

**The book value of the assets held for sale**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Tangible assets | 16.7 | |
| Inventories | 12.3 | |
| Trade receivables and other receivables | 2.9 | |
| **Total** | **31.9** | - |

**Liabilities of disposal group held for sale**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| The book value of the liabilities held for sale | | |
| Trade payables and other liabilities | 2.2 | |
| **Total** | **2.2** | - |

## 6. PRODUCTION FOR OWN USE

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Component production | 1.4 | 2.1 |
| Heavy maintenance | 0.3 | 1.0 |
| **Total** | **1.7** | **3.1** |

## 7. OTHER OPERATING INCOME

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Capital gain/loss on sales of tangible fixed assets | 22.2 | -3.0 |
| Rental income | 7.0 | 4.4 |
| Other items | 13.8 | 9.6 |
| **Total** | **43.0** | **11.0** |

Other operating income includes public grants amounting to 2.3 million euros (2.0). The rest consists of several items, none of which are individually significant.

## 8. MATERIALS AND SERVICES

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Materials and services** | | |
| Materials and supplies for aircraft maintenance | 55.1 | 54.7 |
| Ground handling and catering charges | 224.3 | 195.8 |
| Fuels for flight operations | 670.3 | 555.2 |
| Expenses for tour operations | 96.8 | 131.2 |
| Aircraft maintenance and service | 110.1 | 67.6 |
| Data administration services | 43.4 | 37.2 |
| Other items | 51.8 | 50.4 |
| **Total** | **1,251.8** | **1,092.1** |

Expenses do not include research and development expenses and they consists of several items, none of which are individually significant.

## 9. EMPLOYEE BENEFIT EXPENSES

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Employee benefit expenses** | | |
| Wages and salaries | 354.1 | 375.1 |
| Pension expenses | 62.4 | 73.3 |
| Other social expenses | 22.7 | 28.6 |
| **Total** | **439.2** | **477.0** |

Personnel expenses included recognition a non-recurring personnel restructurig provision of 10.8 million euros for as agreed in the Group's statutory employer-employee negotiations (21.5).

The management of the Group includes CEO and his deputy, if nominated, Executive Board and Board of Directors.

**Compensation paid to management**

| EUR mill. | 2012 | 2011 |
|---|---|---|
| Salaries and other short-term employee benefits | 3.3 | 2.9 |
| Termination benefits | 0.0 | 0.0 |
| Post-employment benefits (pension benefits)* | 1.3 | 1.8 |
| Other long-term benefits** | 0.0 | 1.3 |
| Share-based payments | 0.0 | 0.1 |
| **Total** | **4.6** | **6.1** |

* Payments to management's pension schemes to pension insurance companies, not to the management.

** In 2011 management's special bonuses. In 2012 the management didn't have any other long-term benefits than those related to share-based incentive schemes.

**Paid salaries and bonuses of CEO, Executive Board and Board of Directors**

| EUR | CEO Mika Vehviläinen | Executive Board | Total 2012 | CEO Mika Vehviläinen | Deputy CEO Lasse Heinonen until 15 May 2011 | Executive Board | Total 2011 |
|---|---|---|---|---|---|---|---|
| Base salary | 576,227 | 1,739,005 | 2,315,232 | 576,490 | 126,245 | 1,431,746 | 2,134,481 |
| Special bonuses | 0 | 0 | 0 | 0 | 376,031 | 923,518 | 1,299,549 |
| Short term incentives | 147,442 | 445,807 | 593,249 | 94,303 | 54,985 | 262,746 | 412,034 |
| Long term incentives | 0 | 0 | 0 | 72,000 | 0 | 61,562 | 133,562 |
| Fringe benefits | 38,396 | 86,683 | 125,079 | 35,160 | 2,335 | 71,814 | 109,309 |
| **Total** | **762,065** | **2,271,495** | **3,033,560** | **777,953** | **559,596** | **2,751,386** | **4,088,935** |

More information of long term incentives for the Group Management can be found in Note 26 share-based bonuses and the principles of the short term incentives in a separate Remuneration statement as well as information for the severance pay. The short-term incentives include the payment for the last part of 2011 and the last part for 2012 will be paid during 2013. No share-based incentives or severance pay were paid to Management during 2012.

**Paid salaries of Board of Directors**

| EUR | Fixed remuneration | Meeting compensation | Staff ticket taxable income | Total 2012 | Total 2011 |
|---|---|---|---|---|---|
| **Board of Directors** | 249,300 | 90,000 | 10,415 | **349,715** | 357,617 |
| Björklund Elina until 28 March 2012 | 7,500 | 3,600 | 1,051 | 12,151 | |
| Friman Maija-Liisa from 28 March 2012 | 22,500 | 8,100 | 4,984 | 35,584 | |
| Helgason Sigurdur until 28 March 2012 | 7,500 | 3,600 | | 11,100 | |
| Heinemann Klaus from 28 March 2012 | 22,500 | 14,400 | | 36,900 | |
| Huber Satu until 28 March 2012 | 7,500 | 1,800 | 1,624 | 10,924 | |

continues on next page

| | | | | |
|---|---|---|---|---|
| Itävuori Jussi from 28 March 2012 | 22,500 | 14,400 | | 36,900 |
| Karhapää Merja from 28 March 2012 | 22,500 | 8,400 | | 30,900 |
| Kerminen Harri | 30,000 | 12,300 | 479 | 42,779 |
| Kronman Gunvor from 28 March 2012 | 22,500 | 7,800 | 1,150 | 31,450 |
| Ranin Ursula until 28 March 2012 | 7,500 | 1,800 | 1,106 | 10,406 |
| Sailas Harri | 61,200 | 10,200 | 21 | 71,421 |
| Sundbäck Veli until 28 March 2012 | 8,100 | 1,800 | | 9,900 |
| Timonen Pekka until 28 March 2012 | 7,500 | 1,800 | | 9,300 |

**Personnel incentive scheme**

The Group operates an incentive scheme based on a balanced scorecard, defined separately for each business unit, which covers most of the Finnair Group's employees. The total amount of bonuses was 8.2 million euros (4.6).

**Transfer to Personnel Fund**

The Finnair Group has a profit bonus scheme, which allows employees to participate in a profit bonus payable on the basis of the Group's result and return on capital employed. A profit bonus is paid into a Personnel Fund, which is obliged to invest part of the bonus in Finnair Plc's shares. Other staff costs includes 4.8 million euros profit bonus (0.0).

**Social expenses**

| EUR mill. | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| Pension expenses, defined contribution schemes | 57.3 | 68.6 |
| Pension expenses, defined-benefit schemes, voluntary | 5.1 | 4.7 |
| Other social expenses | 22.7 | 28.6 |
| **Total** | **85.1** | **101.9** |

**Management pension benefits**

| EUR mill. | Pension scheme, obligatory | Voluntary defined contri-bution scheme | Voluntary Defined-benefit scheme | **Total 2012** | Pension scheme, obligatory | Voluntary defined contri-bution scheme | Voluntary Defined-benefit scheme | Total 2011 |
|---|---|---|---|---|---|---|---|---|
| CEO | 0.1 | 0.1 | - | **0.2** | 0.1 | 0.1 | - | 0.2 |
| Executive Board | 0.4 | 0.2 | 0.5 | **1.1** | 0.6 | 0.3 | 0.7 | 1.6 |
| **Total** | **0.5** | **0.3** | **0.5** | **1.3** | **0.7** | **0.4** | **0.7** | **1.8** |

The pension schemes of the parent company's President and CEO and members of the Executive Board has been arrangend through finnish pension insurance company, and the retirement age is 63. All of the management pension schemes established after 1 October 2009 are defined-contribution schemes. Three (in 2011 four) Executive Board Members had a voluntary defined benefit pension scheme were the retirement age is 62 or 63 years.

## 10. DEPRECIATION AND IMPAIRMENT

| EUR mill. | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| **Depreciation of tangible fixed assets** | | |
| Buildings | 2.2 | 2.5 |
| Aircraft | 100.9 | 100.9 |
| Other equipment | 16.4 | 16.0 |
| | 119.5 | 119.4 |
| **Depreciation of intangible assets** | | |
| Other intangible assets | 11.2 | 9.7 |
| | | |
| **Impairment** | | |
| Goodwill | 0.0 | 1.5 |
| **Total** | **130.7** | **130.6** |

Impairment loss against Russian operations for Travel Services due to ending of operations is recognised in 2011.

## 11. OTHER OPERATING EXPENSES

| | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| **Other operating expenses** | | |
| Lease payments for aircraft | 66.2 | 69.9 |
| Rental of cargo capacity | 18.4 | 14.5 |
| Other rental of flight capacity | 63.3 | 71.6 |
| Office and other rents | 41.8 | 41.9 |
| Traffic charges | 226.0 | 211.6 |
| Sale and marketing expenses | 74.3 | 93.3 |
| IT expenses and booking fees | 41.1 | 40.1 |
| Other items | 105.8 | 117.0 |
| **Total** | **636.9** | **659.9** |

Expenses do not include significant research and development expenses. Other items includes fair value changes of derivatives 5,2 million euro (-2.0). The rest consists of several items, none of which are individually significant.

**The auditor's fees are included in the other items as follows:**

| EUR mill. | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| Auditor's fees | | |
| PricewaterhouseCoopers Oy | | |
| Auditor's fees | 0.2 | 0.2 |
| Tax advising | 0.0 | 0.1 |
| Other fees | 0.1 | 0.1 |
| **Total** | **0.3** | **0.4** |

## 12. FINANCIAL INCOME

| EUR mill. | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| **Interest income** | | |
| Interest income from financial assets classified as held for trading | 4.5 | 6.5 |
| Other interest income | 1.2 | 2.0 |
| | **5.7** | **8.5** |
| Dividend income | 0.1 | 0.1 |
| Exchange gains, net | 0.3 | 0.0 |
| Other financial income | 1.8 | 0.4 |
| **Total** | **7.9** | **9.0** |

## 13. FINANCIAL EXPENSES

| Eur mill. | 1 Jan-31 Dec 2012 | 1 Jan-31 Dec 2011 |
|---|---|---|
| **Interest expenses** | | |
| Interest expenses on financial liabilities recognised at fair value through profit and loss | 0.0 | 0.1 |
| Interest expenses for financial liabilities valued at amortised acquisition cost | 13.1 | 15.4 |
| Interest on finance leases | 5.5 | 6.9 |
| | **18.6** | **22.4** |
| Exchange losses, net | 2.0 | 2.7 |
| Other financial expenses | 4.9 | 5.5 |
| **Total** | **25.5** | **30.6** |

Effectiveness testing of the Group's hedge accounting found that both cash flow and fair value hedging are efficient. Thus, as in the comparison year 2011, no inefficiency is included in financial items for 2012. Financial income includes an identical amount of profits and losses for fair value hedging instruments and for hedging items resulting from the hedged risk.

## 14. INCOME TAXES

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Taxes for the financial year** | | |
| Tax based on taxable income of the financial year | 0.1 | -0.1 |
| Tax based on taxable income of the previous year | 0.2 | -5.2 |
| Deferred taxes | 4.4 | 29.3 |
| **Total** | **4.7** | **24.0** |

The tax expense included in the consolidated income statement differs in the following way from the theoretical sum obtained by using the tax rate 24.5 % (26%) of the Group's home country, Finland. The deferred tax balances have been remeasured using the effective rate that apply starting from January 2012 24.5 per cent.

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Result before taxes | 16.5 | -111.5 |
| Taxes calculated using the Finnish tax rate | 4.0 | 29.0 |
| Impact of change in tax rate from loss | 0.0 | -1.7 |
| Re-measurement of deferred tax, change in tax rate | 0.0 | 0.9 |
| Different tax rates of foreign subsidiaries | 0.2 | -0.9 |
| Share of result in associates and joint ventures | 0.3 | 0.5 |
| Tax-free income | 0.0 | 0.0 |
| Nondeductible expenses | 0.2 | 0.2 |
| Other temporary differences adjustment | 0.0 | -2.8 |
| Tax based on taxable income of the previous year | 0.0 | -0.7 |
| Deferred taxes from loss | 0.0 | -0.5 |
| **Income taxes, total** | **4.7** | **24.0** |
| Effective tax rate | 28.7% | 21.5% |

## 15. 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.

| | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Result for the financial year EUR mill. | 11.5 | -87.7 |
| Interest of Hybrid Bond, EUR mill. | -8.7 | -8.2 |
| Weighted average number of shares, 1,000 pcs | 128,136 | 127,875 |
| Undiluted and diluted earnings per share, EUR | 0.02 | -0.75 |

### Dividend

The dividend has not been paid in 2011. The Board of Directors proposes to the Annual General Meeting to distribute a dividend of 0.10 euros per share for 2012.

## 16. INTANGIBLE ASSETS

**Financial statement 31 Dec 2012**

| EUR mill. | Connections fees | Systems | Goodwill | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Acquisition cost 1 Jan 2012 | 1.9 | 98.3 | 1.2 | 101.4 |
| Additions | - | 4.8 | - | 4.8 |
| Disposals | - | -7.4 | - | -7.4 |
| Acquisition cost 31 Dec 2012 | 1.9 | 95.7 | 1.2 | 98.8 |
| | | | | |
| **Accumulated depreciation and impairment** | | | | |
| Accumulated depreciation and impairment 1 Jan 2012 | -0.3 | -68.8 | 0.0 | -69.1 |
| Depreciation | - | -11.1 | - | -11.1 |
| Accumulated planned depreciation of disposals | - | 6.8 | - | 6.8 |
| Accumulated depreciation and impairment 31 Dec 2012 | -0.3 | -73.1 | 0.0 | -73.4 |
| | | | | |
| **Book value 31 Dec 2012** | **1.6** | **22.7** | **1.2** | **25.5** |
| | | | | |
| Book value 1 Jan 2012 | 1.6 | 29.5 | 1.2 | 32.3 |

**Financial statement 31 Dec 2011**

| EUR mill. | Connections fees | Systems | Goodwill | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Acquisition cost 1 Jan 2011 | 1.9 | 119.7 | 3.7 | 125.3 |
| Additions | 0.0 | 5.6 | | 5.6 |
| Disposals | 0.0 | -27.0 | 0.0 | -27.0 |
| Acquisition cost 31 Dec 2011 | 1.9 | 98.3 | 3.7 | 103.9 |
| | | | | |
| **Accumulated depreciation and impairment** | | | | |
| Accumulated depreciation and impairment 1 Jan 2011 | 0.0 | -85.7 | -1.0 | -86.7 |
| Depreciation | -0.3 | -9.4 | -1.5 | -11.2 |
| Accumulated planned depreciation of disposals | | 26.3 | | 26.3 |
| Accumulated depreciation and impairment 31 Dec 2011 | -0.3 | -68.8 | -2.5 | -71.6 |
| | | | | |
| **Book value 31 Dec 2011** | **1.6** | **29.5** | **1.2** | **32.3** |
| | | | | |
| Book value 1 Jan 2011 | 1.9 | 34.0 | 2.7 | 38.6 |

For impairment the goodwill is recognised both in Airline Business and Traves Services segments. The goodwill for Airline Business is 0.5 million euros and the goodwill for Travel Services is 0.7 million euros. The cashflows used for impairment are fair value based in both segments. The expected two years cashflows are based on management approved forecasts. After that period the cashflows are extrapolated by using 2% growth factor. Note 17 includes more information about Airline Business impairment testing. During 2011 the impairment loss due to ending of operations against Russian operations was recognised. Travel Servivces' goodwill is allocated to Horizon business operations and the key assumptions used for value in use calculations are as follows:

WACC pre tax 10.0%
EDITDA 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.

## 17. TANGIBLE ASSETS

**Financial statement 31 Dec 2012**

| EUR mill. | Land | Buildings | Aircraft | Other equipment | Advances | 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 | 0.0 | -12.6 | -53.9 | -8.0 | | -74.5 |
| Transfer to a held-for-sale asset item | | | -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 | 0.0 | -820.2 |
| Depreciation | | -2.2 | -110.8 | -6.6 | | -119.6 |
| Accumulated depreciation for a held-for-sale asset item | | 0.0 | 4.0 | 6.6 | | 10.6 |
| Accumulated planned depreciation of disposals | | 0.1 | 35.2 | 3.5 | | 38.8 |
| 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** |
| | | | | | | |
| Book value 1 Jan 2012 | 0.7 | 52.0 | 1,364.0 | 45.0 | 6.5 | 1,468.2 |

**Financial statement 31 Dec 2011**

| EUR mill. | Land | Buildings | Aircraft | Other equipment | Advances | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| Acquisition cost 1 Jan 2011 | 0.7 | 160.7 | 1,899.6 | 139.1 | 19.4 | 2,219.5 |
| Additions | 0.0 | 0.3 | 190.5 | 4.3 | 1.1 | 196.2 |
| Disposals | 0.0 | -0.6 | -68.0 | -44.7 | -14.0 | -127.3 |
| Acquisition cost 31 Dec 2011 | 0.7 | 160.4 | 2,022.1 | 98.7 | 6.5 | 2,288.4 |
| | | | | | | |
| **Accumulated depreciation and impairment** | | | | | | |
| Accumulated depreciation and impairment 1 Jan 2011 | 0.0 | -106.5 | -489.8 | -216.6 | 0.0 | -812.9 |
| Depreciation | | -2.6 | -109.4 | -7.4 | | -119.4 |
| Accumulated planned depreciation of disposals | | 0.7 | -58.9 | 170.3 | | 112.1 |
| Accumulated depreciation and impairment 31 Dec 2011 | 0.0 | -108.4 | -658.1 | -53.7 | 0.0 | -820.2 |
| | | | | | | |
| **Book value 31 Dec 2011** | **0.7** | **52.0** | **1,364.0** | **45.0** | **6.5** | **1,468.2** |
| | | | | | | |
| Book value 1 Jan 2011 | 0.7 | 54.2 | 1,287.4 | 44.9 | 19.4 | 1,406.6 |

As surety for liabilities in 2012 is the carrying amount of aircraft pledged, namely 740.9 million euros (832.4).
Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports

### Impairment test

The impairment test of the aircrafts based on the fair value and value-in- use has been done 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 and the Groups' own assumptions. These calculations use pre-tax cash flow projections based on financial profit and financial budgets approved by management covering years 2013-2014. After that the calculations for years 2015-2019 are deriven from the management approved forecast based on the fleet plan and following key assumptions. As the residual value the estimated value of aircrafts in 2019 is used. 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 pre tax 8.00% | | | |
| EUR USD 1.29 exchange rate EUR JPY 120 exchange rate | | | |
| Inflation 2% | | | |
| RASK base level 6.49 (c/ASK) | | | |
| | 2013 | 2014 | 2015 |
| Fuel, USD/ton | 1009 | 990 | 990 |
| RASK change, % | 2.0% | 2.0% | 2.0% |

The value-in-use calculation is sensitive to all material key assumptions. The most sensitive is RASK (revenue per available seat kilometer) and thereafter the fuel price and exchange rate EUR/USD.

The decrease of RASK by 5 per cent points in the whole period under review will decrease the recoverable amount so that is equal to carrying amount for the asset. The average fuel price increase by 15 per cent points 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 strenghtening of 24% will decrease the recoverable amount so that the impairment should be made. The decrease of yen by 35 per cent in the whole period under review will decrease the recoverable amount so that is equal to carrying amount for the asset.

### Financial lease arrangements

Tangible assets include assets acquired under financial leases the corresponding depreciation are included in the income statement depreciation.

**Financial statement 31 Dec 2012**

| EUR mill. | Buildings | Aircraft | Other equipment | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan 2012 | 28.2 | 197.2 | 35.3 | 260.7 |
| Additions | | 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 planned 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** | **4.7** | **170.7** | **10.7** | **186.1** |

| | 2013 | 2014-2017 | 2018- |
|---|---|---|---|
| Lease payments | 22.0 | 87.2 | 97.7 |
| Discounting | 5.2 | 21.4 | 23.8 |
| Net present value | 16.8 | 65.8 | 73.9 |

**Financial statement 31 Dec 2011**

| EUR mill. | Buildings | Aircraft | Other equipment | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan 2011 | 28.2 | 197.2 | 31.5 | 256.9 |
| Additions | 0.0 | 0.0 | 3.8 | 3.8 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisition cost 31 Dec 2011 | 28.2 | 197.2 | 35.3 | 260.7 |
| Accumulated depreciation and impairment 1 Jan 2011 | -8.5 | -8.1 | -16.7 | -33.3 |
| Depreciation | -1.4 | -8.5 | -2.7 | -12.6 |
| Accumulated depreciation and impairment 31 Dec 2011 | -9.9 | -16.6 | -19.4 | -45.9 |
| **Book value** | **18.3** | **180.6** | **15.9** | **214.8** |

| | 2012 | 2013-2016 | 2017- |
|---|---|---|---|
| Lease payments | 24.0 | 89.6 | 128.7 |
| Discounting | 6.7 | 21.5 | 24.8 |
| Net present value | 17.3 | 68.1 | 103.9 |

Buildings in financial lease arrangements are depreciated to the in plan 6-21 years and other equipment is depreciated according to the plan in 5-12 years. Aircrafts are depreciated according to the plan in 18 years. In the financial year and in the comparison period no variable rents from financial leases have been recognised.

## 18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's share of the result, asset items and liabilities of associates and joint ventures, none of which are publicly listed, is presented below.

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| At the beginning of the financial year | 13,7 | 7,6 |
| Shares of results | -1,4 | -2,1 |
| Additions | 3,3 | 8,2 |
| Disposals | -3,3 | 0,0 |
| **At the end of the financial year** | **12,3** | **13,7** |

**Information on the Group's associates and joint ventures**
**Financial statement 31 Dec 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* | Sweden | 11.2 | 7.6 | 26.6 | -5.5 | 40.00 |
| Kiinteistö Oy Lentäjäntie 1 | Finland | 27.4 | 19.5 | 1.4 | 0.0 | 28.33 |
| **Total** | | **45.8** | **31.3** | **56.6** | **-4.9** | |

**Financial Statement 31 Dec 2011**

| EUR mill. | Domicile | Assets | Liabilities | Turnover | Profit/Loss | Holding % |
|---|---|---|---|---|---|---|
| Amadeus Estonia | Estonia | 0.6 | 0.3 | 0.7 | 0.1 | 33.25 |
| Finnish Aircraft Maintenance Oy | Finland | 9.6 | 7.6 | 14.0 | 0.7 | 46.30 |
| Nordic Global Airlines Oy | Finland | 2.0 | 2.0 | 7.1 | -1.1 | 40.00 |
| Flybe Nordic* | Sweden | 32.3 | 24.7 | 36.8 | -5.2 | 40.00 |
| Kiinteistö Oy Lentäjäntie 1 | Finland | 28.6 | 20.6 | 1.4 | 0.0 | 28.33 |
| **Total** | | **73.1** | **55.2** | **60.0** | **-5.5** | |

* Flybe Nordic is treated as a joint venture. The carrying amount of associates on 31 December 2012 or 31 December 2011 does not include goodwill. The goodwill for joint ventures amounted 4.4 million euros (4.4).

Amadeus Finland's holding in Amadeus Estonia ensures the provision of consistent products and services to Finnish companies operating in Estonia as well as in Finland and helps increase cooperation between Estonia travel agencies and Finnish travel service providers. Nordic Global Airlines Oy owned by Finnair Cargo Oy, Ilmarinen and Neff Capital Management is a freight airline. 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 action did not change the holding position.

## 19. RECEIVABLES, LONG-TERM

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Loan receivables | **10.2** | 10.2 |
| Pension asset | **10.4** | 7.5 |
| Other receivables | **12.5** | 14.4 |
| **Total** | **33.1** | **32.1** |

**Financial year 31 Dec 2012**

| EUR mill. | Loan receivables | Other receivables | Pension asset | Total |
|---|---|---|---|---|
| At the beginning of the financial year | 10.2 | 14.4 | 7.5 | 32.1 |
| Additions | 0.0 | 0.0 | 2.9 | 2.9 |
| Disposals | 0.0 | -1.9 | 0.0 | -1.9 |
| **At the end of the financial year** | **10.2** | **12.5** | **10.4** | **33.1** |

**Financial year 31 Dec 2011**

| EUR mill. | Loan receivables | Other receivables | Pension asset | Total |
|---|---|---|---|---|
| At the beginning of the financial year | 0.2 | 13.4 | 0.0 | 13.6 |
| Additions | 10.0 | 1.0 | 7.5 | 18.5 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 |
| **At the end of the financial year** | **10.2** | **14.4** | **7.5** | **32.1** |

Other receivables are lease collateral for aircraft operational lease agreements. Balance sheet values correspond best to the sum which is the maximum amount of credit risk, excluding the fair value of guarantees, in the event that other contractual parties are not able to fulfil their obligations relating to financial instruments. There are no significant concentrations of credit risk relating to receivables. The fair values of receivables are presented in Note 32.

## 20. DEFERRED TAX ASSETS AND LIABILITIES

**Changes in deferred taxes during 2012:**

| EUR mill. | 1 Jan 2012 | Recognised in the income statement | Recognised in shareholders' equity | 31 Dec 2012 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Confirmed losses | 61.6 | 4.6 | | 66.2 |
| Hybrid bond, interest | 2.8 | | 0.2 | 3.0 |
| Hybrid bond, repayment | 0.0 | | 0.4 | 0.4 |
| Finance leasing | 1.1 | -0.2 | | 0.9 |
| Revenue recognition | 0.1 | | | 0.1 |
| Capitalisation of overhead expenses | 0.6 | 0.5 | | 1.1 |
| Heavy maintenance allocations | 1.0 | -0.5 | | 0.5 |
| Engine maintenance allocations | 2.3 | -1.8 | | 0.5 |
| Other temporary differences | 2.7 | 0.6 | | 3.3 |
| Finnair Plus | 3.0 | -1.5 | | 1.5 |
| Valuation of derivates at fair value | 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. | 1 Jan 2012 | Recognised in the income statement | Recognised in shareholders' equity | 31 Dec 2012 |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Accumulated depreciation difference | 2.5 | | | 2.5 |
| Gains from sale of tangible fixed assets | 80.1 | 1.3 | | 81.4 |
| Other temporary differences | 3.7 | 0.8 | 0.4 | 4.9 |
| Hybrid bond, interest | 0.7 | | | 0.7 |
| Employee benefits | 1.8 | 0.6 | | 2.4 |
| Valuation of derivates at fair value | 9.7 | | -6.7 | 3.0 |
| **Total** | **98.5** | **2.7** | **-6.3** | **94.9** |
| | | | | |
| Deferred tax liabilities payable after more than 12 months | 90.9 | | | 91.9 |

No deferred tax liability is recognised for undistributed profits of Finnish subsidiaries and associated undertakings, because in most cases these profits will be transferred to the company without tax consequences.

**Changes in deferred taxes during 2011:**

| EUR mill. | 1 Jan 2011 | Recognised in the income statement | Recognised in shareholders' equity | 31 Dec 2011 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Employee benefits | 0.6 | -0.6 | 0.0 | 0.0 |
| Confirmed losses | 29.3 | 35.1 | 0.0 | 64.4 |
| Hybrid bond, interest | 2.8 | -2.8 | 0.0 | 0.0 |
| Finance leasing | 1.1 | 0.0 | 0.0 | 1.1 |
| Revenue recognition | 0.1 | 0.0 | 0.0 | 0.1 |
| Capitalisation of overhead expenses | 0.1 | 0.5 | 0.0 | 0.6 |
| Heavy maintenance allocations | 1.6 | -0.6 | 0.0 | 1.0 |
| Engine maintenance allocations | 4.9 | -2.6 | 0.0 | 2.3 |
| Other temporary differences | 2.8 | -0.1 | 0.0 | 2.7 |
| Finnair Plus | 4.7 | -1.7 | 0.0 | 3.0 |
| Valuation of derivates at fair value | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **48.0** | **27.2** | **0.0** | **75.2** |
| | | | | |
| Deferred tax assets that can be used after more than 12 months | 15.4 | | | 10.8 |
| | | | | |
| **Deferred tax liabilities** | | | | |
| | | | | |
| Accumulated depreciation difference | 2.4 | 0.1 | 0.0 | 2.5 |
| Gains from sale of tangible fixed assets | 84.1 | -4.0 | 0.0 | 80.1 |
| Other temporary differences | 3.7 | 0.0 | 0.0 | 3.7 |
| Hybrid bond, interest | 0.7 | 0.0 | 0.0 | 0.7 |
| Employee benefits | 0.0 | 1.8 | 0.0 | 1.8 |
| Valuation of derivates at fair value | 12.4 | 0.0 | -2.7 | 9.7 |
| **Total** | **103.3** | **-2.1** | **-2.7** | **98.5** |
| | | | | |
| Deferred tax liabilities payable after more than 12 months | 90.1 | | | 90.9 |

No deferred tax liability is recognised for undistributed profits of Finnish subsidiaries and associated undertakings, because in most cases these profits will be transferred to the company without tax consequences.

If the foreign subsidiaries would pay out all retaining earnings as dividend to the parent company it will cause 0.8 million euros tax effect (0.4).

Deferred income tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

## 21. INVENTORIES

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Materials and supplies | 15.1 | 41.4 |
| Work in progress | 2.0 | 7.5 |
| **Total** | **17.1** | **48.9** |

The cost of inventories recognised as expense and included in materials and supplies amounted to 32,5 milloin euros. In the financial year 2012 12.3 million euros were recognised as assets held for sale. In the financial year -2.1 million euros is recognised based on the difference between a carrying value and net realisable value (-2.0). This has been booked in materials and supplies for aircraft maintenance, Note 8. The carrying amount of inventories recognised at fair value is 10.2 million euros (6.1). Inventories have not been pledged for Group liabilities.

## 22. TRADE RECEIVABLES AND OTHER RECEIVABLES

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Trade receivables | 120.7 | 116.0 |
| Receivables from associates and joint ventures | 22.5 | 4.4 |
| Prepaid expenses and accrued income | 37.6 | 47.3 |
| Receivables based on derivative contracts | 33.6 | 100.1 |
| Other receivables | 36.7 | 15.5 |
| **Total** | **251.1** | **283.3** |

| **Age distribution of trade receivables** | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Not overdue | 116.3 | 108.8 |
| Overdue less than 60 days | 0.8 | 2.8 |
| Overdue more than 60 days | 3.6 | 4.4 |
| **Total** | **120.7** | **116.0** |

**Debt losses from trade receivables**

The Group has recognised during the financial year credit losses from trade receivables of 3.6 million euros (1.0). The receivables not overdue and overdue do not consist any big credit risk, because of good distribution of 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.

## 23. OTHER FINANCIAL ASSETS, SHORT-TERM

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Commercial papers and certificates | 290.7 | 307.3 |
| Funds | 34.6 | 33.6 |
| Long-term deposits | 5.0 | 0.0 |
| Listed shares | 32.3 | 11.8 |
| Unlisted shares | 1.0 | 1.1 |
| **Total** | **363.6** | **353.8** |

| Ratings of counterparties | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Better than A | 38.9 | 172.6 |
| A | 117.6 | 29.3 |
| BBB | 40.7 | 9.9 |
| BB | 10.0 | 5.0 |
| Unrated | 156.4 | 137.0 |
| **Total** | **363.6** | **353.8** |

Listed foreign shares are valued to closing quotation and mid-market exchange rates on the closing date. During years 2012 and 2011 there have not been any acquisitions or sales in listed shares which are classified as available for sale investments. Therefore the change in the value is caused by changes in rates/prices. In Note 31. is told about investing of Group's short term asset and about group risk management policy. IFRS classification and fair values of financial assets are presented in Note 32.

## 24. CASH AND CASH EQUIVALENTS

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Cash and bank deposits | 14.6 | 11.9 |
| Short-term bank deposits | 52.4 | 37.6 |
| **Total** | **67.0** | **49.5** |

Items include cash and bank deposits realized 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.

## 25. EQUITY-RELATED INFORMATION

| | Number of registered shares | Share capital, EUR | Share premium account, EUR | General reserve, EUR |
|---|---|---|---|---|
| 1 Jan 2011 | 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** |

| | Number of own shares | Price, EUR | Average price, EUR |
|---|---|---|---|
| 1 Jan 2011 | 410,187 | 3,179,335.94 | 7.75 |
| **31 Dec 2012** | **410,187** | **3,179,335.94** | **7.75** |

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.

## RESERVES INCLUDED IN SHAREHOLDERS' EQUITY

### Share premium account

Share issue gains arising during 1997-2006 have been recognised in the share premium account, less transaction expenses and the profit for disposal of own shares less taxes.

### General reserve

Gains from share issues arising before Companies Act of 1997 have been recognised in the general reserve.

### Translation difference

The translation differences include translation differences arising from the translation of foreign units' financial statements.

### Unrestricted equity

2007 share issue less transaction expenses have been recognised in the unrestricted equity.

### Fair value reserve

Fair value reserve includes the fair value of derivative instruments used in cash flow hedging and changes in fair values of available for sale financial assets, less deferred tax.

**Fair value reserve**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Jet fuel price hedging | -1.7 | 21.1 |
| Jet fuel currency hedging | 0.3 | 22.9 |
| Hedging of lease payments | -0.2 | 2.8 |
| Electricity pricehedging | 0.0 | -0.3 |
| Available for sale financial assets | 13.8 | -6.8 |
| Deferred tax asset (liability) | -3.0 | -9.7 |
| **Total** | **9.2** | **30.0** |

**Maturity dates of fair values recognised in the hedging reserve:**

| EUR mill. | 2013 | 2014 | 2015 | 2016 | 2017 | Later | Total |
|---|---|---|---|---|---|---|---|
| Jet fuel price hedging | -1.6 | -0.1 | | | | | -1.7 |
| Jet fuel currency hedging | 3.4 | -3.1 | | | | | 0.3 |
| Hedging of lease payments | -0.1 | -0.1 | | | | | -0.2 |
| Electricity price hedging | | | | | | | 0.0 |
| Available for sale financial assets | 13.8 | | | | | 0.0 | 13.8 |
| Deferred tax asset (liability) | -3.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | -3.0 |
| **Total** | **11.7** | **-2.5** | **0.0** | **0.0** | **0.0** | **0.0** | **9.2** |

### Derivatives in income statement

During 2012, -50.0 million euros (-51.2) has been recognised from fair value reserve as a decrease in expenses in the income statement. Of this, -47.8 million euros (-52.2) is an adjustment of fuel expenses, -2.5 million euros (0.9) an adjustment of aircraft lease expenses and 0.3 million euros (0.1) 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, -3.7 million euros (-24.3) was realised and recognised as an adjustment to fuel expenses and -9.3 million euros (6.9) in other operating expenses in the income statement during 2012.

**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 43.2 million euros (40.7) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 43.2 million euros (40.7). In terms of the US dollar, a 10% weaker level would have lowered the balance of the fair value reserve by 45.1 million euros (41.9) and a 10 per cent stronger dollar would have had a positive impact of 45.1 million euros (41.9). Elctricity price hedging was ineffective at the end of the year 2012, thus their valuation would have had no impact to the balance of the fair value reserve (0.4). 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**

The acquisition cost of own shares held by the Group is included in own shares. For further information on the share bonus scheme see Note 26. Total amount of the acquisition cost of own shares held by the Group is 3.2 million euros.

**Hybrid bond**

Shareholders' equity (after equity belonging to shareholders) includes a 52.35 million euro hybrid bond 120 million originally issued in 2009 and 67.65 million euros was repaid in 2012 and a 120 million euro hybrid bond issued in 2012. The year 2009 bond coupon is fixed 9% per year for the first 4 years and therafter at least 12% per year. The year 2012 bond coupon is fixed 8.875% per year for the first 4 years and therafter at least 11.875% per year. Both bonds have no maturity date, but the company has the right to redeem them 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.

**Finnair Plc's distributable equity**

| EUR mill. | 31 Dec 2012 |
|---|---|
| Retained earnings at the end of financial year | 13.7 |
| Unrestricted equity | 250.3 |
| Result for the financial year | -0.9 |
| **Distributable equity total** | **263.1** |

## 26. SHARE-BASED PAYMENTS

The Group has share-based personnel bonus schemes.

**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 have 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 scheme has two elements with equal targets.

The Board of Directors decides annually the financial targets to be set for each performance period. Achieving the targets set for the performance period determines how large a 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, can be at most the sum corresponding to three years' gross earnings.

For the 2010 performance period, the share bonus criteria were: return on capital employed (ROCE) 0–4% and earnings before depreciation, aircraft leasing payments and capital gains (EBITDAR) 112–212 million euros. Between these values the bonus is determined linearly. ROCE and EBITDAR have the same weighting.

For the 2011 performance period, the share bonus criteria were: return on capital employed (ROCE) 0–4% and earnings before depreciation, aircraft leasing payments and capital gains (EBITDAR) 193–293 million euros. Between these values the bonus is determined linearly. ROCE and EBITDAR have the same weighting.

For the 2012 performance period, the share bonus criteria were: adjusted gearing 75–105 % and earnings before depreciation, aircraft leasing payments and capital gains (EBITDAR) 100–220 million euros. Between these values the bonus is determined linearly. Adjusted gearing and EBITDAR have the same weighting.

Totally a liability of 3.8 million euros is recognised.

**Share-based bonus:**

Shares are earned annually in the period 2010–2012 and paid in spring 2013. At the same time, a cash bonus intended for payment of taxes is 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 lock-up period on their sale.

**Incentive bonus based on the purchase of shares:**

If key individuals belonging to the share bonus scheme purchase Finnair Plc shares during 2010–2012, they will be paid a cash incentive bonus in the spring of the year following the acquisitions. The incentive bonus will equal 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 they 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 bonuses and incentives based on share acquisitions have been recognised for 2010 to the sum of 834,000 euros. The financial targets of the schemes were realised 32.3% in 2010.

Shares bonuses have been recognised for 2011 to the sum of 991,300 euros. The amount is presented in the income statement item Wages and salaries, Note 9. The financial targets of the schemes were not realised for year 2011. The recognision for year 2011 is based on 2010 results.

Shares bonuses have been recognised for 2012 to the sum of 2,450,437 euros. The amount is presented in the income statement item Wages and salaries, Note 9. The financial targets of the schemes were realised 97.3% for year 2011. The recognision for year 2012 is based on 2010 and 2012 results. The yearly amounts are calculated for the shares based on the share price at the decision date and for the compensation at the shareprice in the end of each financial year.

**Share bonus allocations granted, maximum number of shares**

| For performance period | 2010 |
|---|---|
| CEO | 48,723 |
| Deputy CEO | 27,842 |
| Other members of the Executive Board (7) | 144,207 |
| Members of the Board of Directors | 0 |
| Other key personnel | 426,211 |
| **Total granted** | **646,983** |
| To be assigned* | 149,402 |

**Share bonus allocations granted, maximum number of shares**

| For performance period | 2011 |
|---|---|
| CEO | 48,723 |
| Deputy CEO | - |
| Other members of the Executive Board (9) | 187,929 |
| Members of the Board of Directors | 0 |
| Other key personnel | 426,001 |
| **Total granted** | **662,653** |
| To be assigned* | 0 |

**Share bonus allocations granted, maximum number of shares**

| For performance period | 2012 |
|---|---|
| CEO | 48,723 |
| Other members of the Executive Board (9) | 187,929 |
| Members of the Board of Directors | 0 |
| Other key personnel | 438,504 |
| **Total granted** | **675,156** |
| To be assigned* | 614,339 |

* The assigned amount of shares will be confirmed at the date of delivery.

## 27. PENSION LIABILITIES

Pension schemes are classified as defined-benefit and defined-contribution schemes. The Group's foreign sales offices and subsidiaries have various pension defined contribution schemes that comply with the local rules and practices of the countries in question. The statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The statutory pension cover is a defined-contribution scheme. The voluntary pension schemes of the parent company's CEO and members of the Executive 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 4 persons who have a defined-benefit schemes. Other (voluntary) pension cover of the Group's domestic companies has been arranged in Finnair Plc's Pension Fund, in which the pension schemes are defined-benefit schemes. These schemes determine pension cover benefits and disability compensation.

| Defined-benefit pension schemes | 2012 | | 2011 | |
|---|---|---|---|---|
| EUR mill. | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| **Items recognised in the income statement** | | | | |
| Current service costs for financial year | 6.7 | 0.1 | 5.8 | 0.2 |
| Interest costs | 14.1 | 0.1 | 14.2 | 0.1 |
| Expected return on plan assets gain | -18.1 | -0.1 | -19.0 | 0.0 |
| Settlements and curtailments | -0.3 | - | - | - |
| Net acturial gain(-)/loss (+) regcognised in year | -0.1 | 0.4 | -1.8 | 0.0 |
| Past service cost-vested benefits | 2.3 | 0.0 | 5.2 | - |
| **Total, included in personnel expenses** | **4.6** | **0.5** | **4.4** | **0.3** |
| | | | | |
| Number of persons involved | 5,271 | 4 | 5,708 | 5 |

| Items recognised in the balance sheet | 2012 | | 2011 | |
|---|---|---|---|---|
| EUR mill. | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| Present value of funded obligations | 392.0 | 1.5 | 309.4 | 1.5 |
| Fair value of scheme assets | -388.8 | -0.9 | -352.9 | -1.5 |
| | 3.2 | 0.5 | -43.5 | 0.0 |
| Present value of unfunded obligations | 0.0 | 0.0 | 0.0 | 0.0 |
| Unrecognised net actuarial gains (+)/losses (-) | -13.6 | 0.0 | 36.0 | 0.0 |
| Unrecognised costs based on past service | 0.0 | 0.0 | 0.0 | 0.0 |
| Net liability/asset | -10.4 | 0.5 | -7.5 | 0.0 |
| Presented provisions | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net liability(+)/asset(-) presented in balance sheet** | **-10.4** | **0.5** | **-7.5** | **0.0** |

The balance sheet pension asset for 2012 of 10.4 million euros (7.5) does not include within it any items outside the Pension Fund. Pension scheme assets include Finnair Plc shares with a fair value of 0.3 million euros (0.3) and a buildings used by the Group with a fair value of 21.8 million euros (32.4).

**Changes in plan assets**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| EUR mill. | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| Fair value of plan assets at 1 January | 352.9 | 1.5 | 371.2 | 0.7 |
| Expected return on plan assets | 18.1 | 0.0 | 19.1 | 0.0 |
| Acturial gain (loss) on plan assets | 33.4 | -0.8 | -29.2 | -0.2 |
| Contributions | 7.5 | 0.2 | 14.4 | 1.0 |
| Settlements | -0.4 | 0.0 | 0.0 | 0.0 |
| Benefits paid | -22.7 | 0.0 | -22.6 | 0.0 |
| **Fair value of plan assets at 31 December** | **388.8** | **0.9** | **352.9** | **1.5** |

**Plan assets are comprised as follows**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| % | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| Listed shares | 18.8 | N/A | 17.6 | N/A |
| Debt instruments | 55.7 | N/A | 53.7 | N/A |
| Property | 17.2 | N/A | 18.3 | N/A |
| Other | 8.3 | N/A | 10.4 | N/A |
| **Total** | 100.0 | | 100.0 | |

**Net liability/asset reconciliation statement**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| EUR mill. | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| Net liability at the beginning of the financial year | -7.5 | 0.0 | 2.5 | 0.0 |
| Total expenses, presented before | 10.4 | 0.6 | 4.4 | 0.3 |
| Paid contributions | 7.5 | 0.2 | -14.4 | -0.2 |
| **At the end of the financial year** | **-10.4** | **0.5** | **-7.5** | **0.0** |

**Defined-benefit schemes: principal actuarial assumptions**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Pension fund | Voluntary Insurance | Pension fund | Voluntary Insurance |
| Discount rate % | 3.25% | 3.00% | 4.75% | 4.75% |
| Expected rate of return on assets % | 5.10% | 4.75% | 5.25% | 4.75% |
| Annual rate of future salary increases % | 3.0 % | 0.0 % | 3.0 % | 0.0 % |
| Future pension increases % | 2.0 % | 0.0 % | 2.1 % | 1.0 % |
| Estimated remaining years of service | 12 | 9 | 13 | 8 |

**Amounts relating to defined benefit obligation and plan assets, Pension fund**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2010 | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | 392.0 | 309.4 | 310.9 | 311.6 | 324.20 |
| Fair value of plan assets | -388.8 | -352.9 | -371.2 | -353.9 | -339.70 |
| Surplus (-)/Deficit (+) | 3.2 | -43.5 | -60.3 | -42.3 | -15.5 |
| Experience adjustments on plan assets | 33.4 | -29.2 | 20.1 | -2.5 | -66.0 |
| Experience adjustments on plan liabilities | 82.9 | -4.2 | -5.1 | -18.6 | -36.1 |

**Amounts relating to defined benefit obligation and plan assets, Voluntary Insurance**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2010 | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | 1.4 | 1.5 | 1.6 | 0.0 | 0.0 |
| Fair value of plan assets | -0.9 | -1.5 | -0.7 | 0.0 | 0.0 |
| Surplus (-)/Deficit (+) | 0.5 | 0.0 | 0.9 | 0.0 | 0.0 |
| Experience adjustments on plan assets | -0.3 | -0.4 | 0.0 | 0.0 | 0.0 |
| Experience adjustments on plan liabilities | -0.8 | -0.3 | 0.0 | 0.0 | 0.0 |

## 28. PROVISIONS

| EUR mill. | Restructuring provision | Maintenance provisions | Total |
|---|---|---|---|
| **Long-term** | | | |
| Provisions at 1 January 2012 | 0.0 | 86.9 | 86.9 |
| Change | - | -4.6 | -4.6 |
| Total | 0.0 | 82.3 | 82.3 |
| | | | |
| **Current** | | | |
| Provisions at 1 January 2012 | 17.1 | 28.9 | 46.0 |
| Increase | 10.8 | 27.4 | 38.2 |
| Decrease | -17.1 | -28.9 | -46.0 |
| Total | 10.8 | 27.4 | 38.2 |
| | | | |
| **Total 31 Dec 2012** | **10.8** | **109.7** | **120.5** |

| EUR mill. | Restructuring provision | Maintenance provisions | Total |
|---|---|---|---|
| **Long-term** | | | |
| Provisions at 1 January 2011 | | | |
| Change | 0.0 | 72.6 | 72.6 |
| Total | - | 14.3 | 14.3 |
| | 0.0 | 86.9 | 86.9 |
| **Current** | | | |
| Provisions at 1 January 2011 | | | |
| Increase | 3.6 | 24.2 | 27.8 |
| Decrease | 17.1 | 28.9 | 46.0 |
| Total | -3.6 | -24.2 | -27.8 |
| | 17.1 | 28.9 | 46.0 |
| **Total 31 Dec 2011** | **17.1** | **115.8** | **132.9** |

The personnel restructuring provision is part of the structual change of the Group.

The Group is obliged to surrender leased aircraft at a certain maintenance standard. To fulfil these maintenance obligations the Group has recognised airframe heavy maintenance, engine maintenance and engine life limited part provisions. The basis for a provision is flight hours flown during the maintenance period. Long-term provisions are expected to be used by 2020.

## 29. BORROWINGS

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Interest-bearing liabilities | | |
| **Long-term** | | |
| Bank loans | -254.9 | -326.3 |
| Bonds | 0.0 | 0.0 |
| Finance lease liabilities | -139.8 | -173.1 |
| **Total** | **-394.7** | **-499.4** |
| | | |
| Non-interest-bearing liabilities | | |
| **Long-term** | | |
| Pension liabilities | -0.5 | 0.0 |
| Other | -18.8 | -16.6 |
| Total | -19.3 | -16.6 |
| **Total** | **-414.0** | **-516.0** |

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Interest-bearing liabilities | | |
| **Current** | | |
| Cheque account facilities | 0.0 | 0.0 |
| Bank loans | -66.2 | -91.4 |
| Bonds | 0.0 | -100.0 |
| Commercial papers | -80.9 | -10.0 |
| Finance lease liabilities | -16.7 | -16.2 |
| Other loans | -10.4 | -12.3 |
| **Total** | **-174.2** | **-229.9** |

**Maturity dates of interest-bearing financial liabilities 31 Dec 2012**

| EUR mill. | 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 |
| Bonds, variable interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial papers | -80.9 | | | | | | -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** |

**Maturity dates of interest-bearing financial liabilities 31 Dec 2011**

| EUR mill. | 2012 | 2013 | 2014 | 2015 | 2016 | Later | Total |
|---|---|---|---|---|---|---|---|
| Bank loans, fixed interest | -10.5 | -10.5 | -40.8 | -18.0 | 0.0 | 0.0 | -79.8 |
| Bank loans, variable interest | -80.9 | -56.6 | -41.4 | -33.4 | -33.4 | -92.2 | -337.9 |
| Bonds, variable interest | -100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -100.0 |
| Commercial papers | -10.0 | | | | | | -10.0 |
| Finance lease liabilities | -16.2 | -16.5 | -16.4 | -16.6 | -17.3 | -106.3 | -189.3 |
| Other loans | -12.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -12.3 |
| **Interest-bearing liabilities total** | **-229.9** | **-83.6** | **-98.6** | **-68.0** | **-50.7** | **-198.5** | **-729.3** |
| Payments from currency derivatives | -519.1 | -276.2 | -162.7 | 0.0 | 0.0 | 0.0 | -958.0 |
| Income from currency derivatives | 546.2 | 291.0 | 178.0 | 0.0 | 0.0 | 0.0 | 1,015.2 |
| Commodity derivatives | 23.8 | -3.4 | -0.2 | 0.0 | 0.0 | 0.0 | 20.2 |
| Trade payables and other liabilities | -627.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -627.2 |
| Interest payments | -13.2 | -10.0 | -6.4 | -4.5 | -3.2 | -3.9 | -41.2 |
| **Total** | **-819.4** | **-82.2** | **-89.9** | **-72.5** | **-53.9** | **-202.4** | **-1,320.3** |

Part of the loans are secured by bank guarantees which are due earlier than underlining bank loans. Bank loan repayments iclude these loans 118.8 million euros in year 2014 and 14 million euros in year 2015. Bank loans include one long-term currency and interest rate swap that hedge one loan. Interest rate re-fixing period in variable interest loans is 3 or 6 months.

**The currency mix of interest-bearing long-term liabilities (including cross currency interest rate swaps) is as follows:**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| EUR | 526.5 | 637.1 |
| USD | 42.4 | 92.2 |
| | **568.9** | **729.3** |

**Weighted average effective interest rates on interest-bearing long-term liabilities**

| | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| | 2.1% | 2.9% |

**Interest rate re-fixing period of interest-bearing liabilities**

| | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Up to 6 months | 87.0% | 86.0% |
| 6-12 months | 0.0% | 0.0% |
| 1-5 years | 12.0% | 10.9% |
| More than 5 years | 1.0% | 3.1% |
| **Total** | **100.0%** | **100.0%** |

### Finance lease liabilities

**Minimum lease payments**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Up to 1 year | 22.1 | 24.0 |
| 1-5 years | 87.2 | 89.6 |
| More than 5 years | 97.7 | 128.7 |
| **Total** | **207.0** | **242.3** |
| | | |
| Future financial expenses | 27.4 | 53.0 |

**Present value of minimum lease payment**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Up to 1 year | 18.4 | 17.3 |
| 1-5 years | 76.6 | 68.1 |
| More than 5 years | 84.6 | 103.9 |
| **Total** | **179.6** | **189.3** |

## 30. TRADE PAYABLES AND OTHER LIABILITIES

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Advances received | 41,9 | 46,5 |
| Trade payables | 70,3 | 60,1 |
| Accrued liabilities | 513,7 | 501,0 |
| Liabilities based on derivative contracts | 0,0 | 0,0 |
| Other liabilities | 24,4 | 19,6 |
| **Total** | **650,3** | **627,2** |

**Significant items in accrued liabilities:**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Unflown air transport revenues | 204.6 | 178.5 |
| Holiday pay reserve | 66.0 | 70.0 |
| Other items | 243.1 | 252.5 |
| **Total** | **513.7** | **501.0** |

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

## 31. 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, 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% 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% 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% 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% 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 per centage 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 76% of its fuel purchases for the first six months of 2013 and 59% for the second half of the year. The Leisure Traffic has hedged 60% of its fuel purchases for the remaining winter season and 60% 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 2012, 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 2013 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 66 million euros. On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 33 million euros. Situation as at 31 December represents well the mean of a calendar year.

**Electricity 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. The Finnair Group's foreign exchange risk arises mainly from fuel and aircraft purchases, aircraft leasing payments and foreign currency incomes.

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 consists of dollar-denominated fuel purchases and leasing payments, sales revenue generated in a number of different currencies, and also foreign exchange-denominated money market investments and loans. The investment position includes dollar-denominated aircraft investments.

Finnair applies the principle of time-diversification in its foreign exchange hedging. The hedging horizon according to the risk management policy is two years. The hedge ratio of the foreign exchange position is determined as the reduction of the overall risk of the position using the value-at-risk method. Under the risk management policy, hedges must be added to the profit and loss position in each half of the year so that the hedge ratio for the first six months is more than 60% and so that thereafter the hedge ratio declines for each period.

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.

Somewhat over 60% of Group turnover is denominated in euros. The most important other foreign sales currencies are the Japanese yen, the Swedish crown, the Chinese yuan, the British pound and the US dollar. 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 one third of all operating costs. Significant dollar-denominated expense items are aircraft leasing payments and fuel costs. The largest investments, the acquisition of aircraft and their spare parts, also take place mainly in US dollars.

At the end of financial year, Finnair hedged 80% of its profit and loss items for the first six months of 2012 and 63% for the second half of the year. On the closing date a 10% strengthening of the dollar against the euro – without hedging – has a negative impact on the annual result of around 61 million euros. On the closing date – taking hedging into account – a 10% strengthening of the dollar weakens the result by around 11 million euros. In the above numbers, the dollar 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 3 months and for interest-bearing liabilities approximately 5 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio about 3.4 million euros and the interest expenses of the loan portfolio about 3.8 million euros. Situation as at 31 December represents well the mean of a calendar year.

**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 at Note 23, cash and cash equivalent presented in Note 24 and trade receivables presented in Note 22.

**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 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 430.5 million euros at the end of financial year 2012. Finnair Plc has a domestic perpetual commercial paper programme of 200 million euros, of which 80.9 million euros was used on the closing date. In addition, Finnair has a 200 million euro committed credit facility unused, which will mature in June 2013. The 200 million euros credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175%, while at the closing date the figure was 76.8%. 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 including the hybrid bond. The Group's adjusted gearing at the end of 2012 was 76.8% (108.4).

## 32. 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 allocated acquisition cost | Fair value |
|---|---|---|---|---|---|---|
| 31 Dec 2012 | | | | | | |
| **Financial assets** | | | | | | |
| Receivables | | | | 33.1 | | 33.1 |
| Other financial assets | | 330.3 | | | | 330.3 |
| Trade receivables 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 |
| **Total** | | | | | | **714.7** |
| | | | | | | |
| **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 | | | | | 783.6 | 783.6 |
| **Fair value total** | | | | | | **1,361.3** |
| | | | | | | |
| **Book value total** | | | | | | **1,361.3** |

| EUR mill. | Hedge accounting items | Financial assets at fair value through profit and loss | Available for sale financial assets | Loans and receivables | Valued at allocated acquisition cost | Fair value |
|---|---|---|---|---|---|---|
| 31 Dec 2011 | | | | | | |
| **Financial assets** | | | | | | |
| Receivables | | | | 32.1 | | 32.1 |
| Other financial assets | | 340.9 | | | | 340.9 |
| Trade receivables and other receivables | | | | 182.3 | | 182.3 |
| Derivatives | 81.7 | 19.3 | | | | 101.0 |
| Listed shares | | | 11.8 | | | 11.8 |
| Unlisted shares | | | 1.1 | | | 1.1 |
| Cash and cash equivalents | | | | 49.5 | | 49.5 |
| **Total** | | | | | | 718.7 |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Interest bearing liabilities | | 0.2 | | | 527.5 | 527.7 |
| Finance lease liabilities | | | | | 189.3 | 189.3 |
| Derivatives | 10.1 | 8.1 | | | | 18.2 |
| Trade payables and other liabilities | | | | | 770.8 | 770.8 |
| **Fair value total** | | | | | | **1,506.0** |
| | | | | | | |
| **Book value total** | | | | | | **1,506.0** |

Calculated tax liabilities are not presented in this note. Group has 94.9 million euros (94.9) of calculated tax liabilities in its balance sheet. In this note interest rate derivatives (currency and interest-rate swaps) are included in derivatives. In other notes they are included in bank loans. 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.

The valuation principles of financial assets and liabilities are outlined in the accounting principles.

**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 2012 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets valued at fair value** | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Securities held for trading | 330.3 | 34.6 | 295.7 | |
| Derivatives held for trading | | | | |
| Currency and interest rate swaps | 0.0 | | 0.0 | |
| - of which in fair value hedge accounting | | | | |
| Currency derivatives | 28.3 | | 28.3 | |
| - of which in cash flow hedge accounting | 6 | | 6 | |
| Commodity derivatives | 5.3 | | 5.3 | |
| - of which in cash flow hedge accounting | 5.3 | | 5.3 | |
| Financial assets available-for-sale | | | | |
| Share investments | 32.3 | 32.3 | | |
| **Total** | **396.2** | **66.9** | **329.3** | **0.0** |
| | | | | |
| **Liabilities valued at fair value** | | | | |
| Financial liabilities recognised at fair value through profit and loss | | | | |
| Derivatives held for trading | | | | |
| Interest rate swaps | 0.1 | | 0.1 | |
| - of which in cash flow hedge accounting | | | | |
| Currency derivatives | 11.6 | | 11.6 | |
| - of which in cash flow hedge accounting | 5.9 | | 5.9 | |
| Commodity derivatives | 7.5 | | 6.5 | 1 |
| - of which in cash flow hedge accounting | 7 | | 7 | |
| **Total** | **19.2** | | **18.2** | **1** |

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** | - | 0 | - | 0 |
| Profits and losses in income statement, total | - | 2.9 | | 2.9 |
| In comprehensive income | - | | - | - |
| Purchases (and sales) | - | - | - | - |
| Settlements (and issues) | - | -3.9 | - | -3.9 |
| Transfers to and from Level 3 | - | - | - | - |
| **Closing balance** | | -1 | | -1 |
| | | | | |
| **Total profits and losses recognised for the period for assets held at the end of the reporting period** | | | | |
| In other operating expenses | | 2.9 | | 2.9 |

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.

## 33. OPERATING SUBSIDIARIES

| | Group ownership % |
|---|---|
| Finnair Cargo Oy, Helsinki | 100.00 |
| Finnair Cargo Terminal Operations Oy, Helsinki | 100.00 |
| Amadeus Finland Oy, Helsinki | 95.00 |
| Matkatoimisto Oy Area, Helsinki | 100.00 |
| A/S Estravel Ltd, Estonia | 72.02 |
| Back Office Services Estonia Oü, Estonia | 100.00 |
| Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki | 100.00 |
| Toivelomat Oy, Helsinki | 100.00 |
| OOO Aurinkomatkat, Russia | 100.00 |
| OOO Aurinko (Calypso World of Travel), Russia | 100.00 |
| Matkayhtymä Oy, Helsinki | 100.00 |
| Aurinko Oü, Estonia (Horizon Travel Oü) | 100.00 |
| FTS Financial Services Oy, Helsinki | 100.00 |
| Finnair Travel Retail Oy, Helsinki | 100.00 |
| LSG Sky Chefs Oy (Finnair Catering Oy)*, Helsinki | 100.00 |
| Finnair Facilities Management Oy, Helsinki | 100.00 |
| Finnair Aircraft Finance Oy, Helsinki | 100.00 |
| Finnair Technical Services Oy, Helsinki | 100.00 |
| Finnair Engine Services Oy, Helsinki | 100.00 |
| Finnair Flight Academy Oy, Helsinki | 100.00 |
| Finncatering Oy, Vantaa | 100.00 |
| Northport Oy, Helsinki | 100.00 |
| Finland Travel Bureau Ltd., Helsinki | 100.00 |
| EPL Aircraft Lease Three Oy, Helsinki | 100.00 |
| EPL Aircraft Lease Four Oy, Helsinki | 100.00 |
| EPL Aircraft Lease Five Oy, Helsinki | 100.00 |
| Finncomm Finance Three Oy, Helsinki | 100.00 |
| Finncomm Finance Four Oy, Helsinki | 100.00 |
| Finncomm Finance Five Oy, Helsinki | 100.00 |
| Finncomm Finance Six Oy, Helsinki | 100.00 |
| Finncomm Finance Seven Oy, Helsinki | 100.00 |
| Finncomm Finance Eight Oy, Helsinki | 100.00 |

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

## 34. OTHER LEASE AGREEMENTS

**The Group is the lessee**

**Minimum rental payments for irrevocable lease agreements are as follows:**

| | Aircraft | | Buildings | | Other equipment | |
|---|---|---|---|---|---|---|
| EUR mill. | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec.2011 |
| less than a year | 52.0 | 65.8 | 19.6 | 20.6 | 7.0 | 7.2 |
| 1-2 years | 37.0 | 48.7 | 18.0 | 19.4 | 6.5 | 6.6 |
| 2-3 years | 30.4 | 32.6 | 16.5 | 17.8 | 5.8 | 6.2 |
| 3-4 years | 21.6 | 29.9 | 16.3 | 16.3 | 1.5 | 5.9 |
| 4-5 years | 13.5 | 22.0 | 16.3 | 15.9 | 1.1 | 2.1 |
| more than 5 years | 15.5 | 29.7 | 149.5 | 156.8 | 0.0 | 0.0 |
| **Total** | **170.0** | **228.7** | **236.2** | **246.8** | **21.9** | **28.0** |

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 24 aircraft on leases of different lengths.

**The Group is the lessor**

**Minimum rental payments for irrevocable lease agreements are as follows:**

| | Aircraft | | Premises | |
|---|---|---|---|---|
| EUR mill. | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2011 |
| less than a year | 50,2 | 20,7 | 1,0 | 1,3 |
| 1-2 years | 48,4 | 20,7 | 1,0 | 1,0 |
| 2-3 years | 47,0 | 18,9 | 0,9 | 1,0 |
| 3-4 years | 41,9 | 17,5 | 0,9 | 0,9 |
| 4-5 years | 33,1 | 12,4 | 0,9 | 0,9 |
| more than 5 years | 12,5 | 11,8 | 9,0 | 10,0 |
| **Total** | **233.1** | **102.0** | **13.7** | **15.1** |

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 28 aircraft on leases of different lengths.

## 35. GUARANTEES, CONTINGENT LIABILITIES AND DERIVATIVES

| EUR mill. | 31 Dec 2012 | 31 Dec.2011 |
|---|---|---|
| Other pledges given on own behalf | 633.5 | 757.7 |
| Guarantees on behalf of Group undertakings | 65.3 | 72.5 |
| Guarantees on behalf of others | 2.5 | 1.8 |
| **Total** | **701.3** | **832.0** |

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| **Investment commitments** | **1,000.0** | **1,000.0** |

Mentioned investment commitments includes firm aircraft orders and is based on prices and exhange rates as at 31 Dec 2012. The total amount committed to firm orders fluctuates between the placing of an order and the delivery of the aircraft mainly due to changes in exhange rates, as all of the company's aircraft orders are denominated in U.S. dollars, as well as due to the escalation clauses included in airline purhase agreements. Therefore, the total amount presented herein should not be relied as being a maximum or minimum commitment by the company. The final amount of the commitment in relation to each aircraft is only known at the time of the delivery of each aircraft.

**DERIVATIVES**

| EUR mill. | Nominal value 31 Dec 2012 | Positive fair values 31 Dec 2012 | Negative fair values 31 Dec 2012 | Fair net value 31 Dec 2012 | Nominal value 31 Dec 2011 | Positive fair values 31 Dec 2011 | Negative fair values 31 Dec 2011 | Fair net value 31 Dec 2011 |
|---|---|---|---|---|---|---|---|---|
| **Currency derivatives*** | | | | | | | | |
| Hedge accounting items (forward contracts): | | | | | | | | |
| Jet fuel currency hedging | 413.5 | 5.7 | -5.4 | 0.3 | 373.5 | 23.3 | -0.4 | 22.9 |
| Hedging of aircraft acquisitions | | | | | | | | |
| Fair value hedging | 291.1 | 15.2 | -1.8 | 13.4 | 330.0 | 26.2 | -1.0 | 25.2 |
| Cash flow hedging | 0.0 | | | 0.0 | 0.0 | | | 0.0 |
| Hedging of lease payments | 40.3 | 0.3 | -0.5 | -0.2 | 45.7 | 2.8 | 0.0 | 2.8 |
| **Total** | **744.9** | **21.2** | **-7.7** | **13.5** | **749.2** | **52.3** | **-1.4** | **50.9** |
| Items outside hedge accounting: | | | | | | | | |
| Operational cash-flow hedging (forward contracts) | 173.3 | 0.7 | -1.6 | -0.9 | 187.2 | 11.0 | -2.3 | 8.7 |
| Operational cash-flow hedging (options) | | | | | | | | |
| Call options | 105.5 | 5.9 | | 5.9 | 109.7 | 4.0 | -1.6 | 2.4 |
| Put options | 110.5 | | -0.8 | -0.8 | 162.5 | 0.4 | -2.6 | -2.2 |
| Balance sheet hedging (forward contracts) | 47.8 | 0.4 | -0.4 | 0.0 | 78.8 | 3.6 | 0.0 | 3.6 |
| **Total** | **437.1** | **7.0** | **-2.8** | **4.2** | **538.2** | **19.0** | **-6.5** | **12.5** |
| **Total** | **1,182.0** | **28.2** | **-10.5** | **17.7** | **1,287.4** | **71.3** | **-7.9** | **63.4** |
| | | | | | | | | |
| **Commodity derivatives**** | | | | | | | | |
| Hedge accounting items: | | | | | | | | |
| Jet fuel forward contracts, tonnes | 574,660 | 5.3 | -7.0 | -1.7 | 537,400 | 29.3 | -8.2 | 21.1 |
| Electricity derivatives, MWh | 0 | 0.0 | 0.0 | 0.0 | 113,223 | 0.0 | -0.3 | -0.3 |
| | | | | | | | | |
| Commodity derivatives at fair value through profit and loss: | | | | | | | | |
| Jet fuel forward contracts, tonnes | 0 | 0.0 | 0.0 | 0.0 | 13,400 | 0.1 | -0.6 | -0.5 |
| Options | | | | | | | | |
| Call options, jet fuel, tonnes | 214,000 | 3.1 | | 3.1 | 240,600 | 7.8 | | 7.8 |
| Put options, jet fuel, tonnes | 301,000 | | -4.1 | -4.1 | 481,200 | | -7.8 | -7.8 |
| | | | | | | | | |
| Electricity derivatives, MWh | 91,536 | 0.0 | -0.5 | -0.5 | 26,352 | 0.0 | -0.1 | -0.1 |
| **Total** | | **8.4** | **-11.6** | **-3.2** | | **37.2** | **-17.0** | **20.2** |
| | | | | | | | | |
| **Interest rate derivatives** | | | | | | | | |
| **Cross currency interest rate swaps** | | | | | | | | |
| Cross currency interest rate swaps at fair value through profit and loss | 22.9 | 1.0 | | 1.0 | 27.0 | 0.2 | | 0.2 |
| **Total** | 22.9 | 1.0 | 0.0 | 1.0 | 27.0 | 0.2 | 0.0 | 0.2 |
| **Interest rate swaps** | | | | | | | | |
| Interest rate swaps at fair value through profit and loss | 25.0 | 0.0 | -1.1 | -1.1 | 25.0 | 0.0 | -0.8 | -0.8 |
| **Total** | **25.0** | **0.0** | **-1.1** | **-1.1** | **25.0** | **0.0** | **-0.8** | **-0.8** |

* 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 qualifying for hedge accounting, whose fair value changes of hedged part arising from foreign currency movements 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 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.

**Ratings of derivative counterparties**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| Better than A | 9.9 | 60.8 |
| A | 4.6 | 25.5 |
| BBB | -0.1 | - |
| BB | - | - |
| Unrated | - | - |
| **Total** | **14.4** | **86.3** |

## 36. RELATED PARTY TRANSACTIONS

**The following transactions have taken place with related parties:**

| EUR mill. | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|
| **Sales of goods and services** | | |
| Associates | 4.5 | 1.1 |
| Joint ventures | 20.5 | 4.0 |
| Management | - | - |
| **Purchases of goods and services** | | |
| Associates | 17.7 | 7.1 |
| Joint ventures | 81.2 | 18.4 |
| Management | - | - |
| **Receivables and liabilities** | | |
| Receivables from associates | 0.1 | 0.2 |
| Liabilities to associates | 0.0 | 0.3 |
| Receivables joint ventures | 22.4 | 4.2 |
| Liabilities to joint ventures | 8.7 | 3.8 |

The Group is controlled by the State of Finland, which owns 55.8% of the shares and voting rights. All transactions with the Group and the government and its bodies and other companies controlled by the State of Finland are on arm's length basis. Sales of goods and services executed with related parties correspond in nature to transactions carried out with independent parties. The consolidated financial statements do not contain any open receivable or liability balances with management and no credit losses from related party transactions have been recognised. Guarantees and other commitments made on behalf of related parties are presented in Note 35. The employee benefits of management are presented in Note 9. No loans have been granted to management.

## 37. CHANGE OF ACCOUNTING PRINCIPLE

No change of accounting principle has taken place during 2011 or 2012.

## 38. 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 2012 there were no such disputes pending.

## 39. EVENTS AFTER THE CLOSING DATE

There have been no other remarkable events after the closing date than those told in the Board of Director's report.

## 40. PARENT COMPANY'S FINANCIAL FIGURES

The figures presented below are not IFRS figures.

### FINNAIR PLC INCOME STATEMENT

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| Turnover | 2,015.2 | 1,800.7 |
| Other operating income | 10.1 | 7.3 |
| **OPERATING INCOME** | **2,025.3** | **1,808.0** |
| | | |
| OPERATING EXPENSES | | |
| Materials and services | 1,098.9 | 977.2 |
| Personnel expenses | 287.4 | 286.1 |
| Depreciation | 6.3 | 6.3 |
| Other operating expenses | 702.7 | 732.8 |
| | **-2,095.3** | **-2,002.4** |
| | | |
| **OPERATING PROFIT/LOSS** | **-70.0** | **-194.4** |
| | | |
| Financial income and expenses | -6.0 | -6.1 |
| | | |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS | -76.0 | -200.5 |
| | | |
| Extraordinary items | 74.8 | 105.0 |
| | | |
| PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES | -1.2 | -95.5 |
| | | |
| Direct taxes | 0.2 | 20.0 |
| **PROFIT/LOSS FOR THE FINANCIAL YEAR** | **-1.0** | **-75.5** |

### FINNAIR PLC BALANCE SHEET

| EUR mill. | 31 Dec 2012 | | 31 Dec 2011 | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| | | | | |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | 13.1 | | 15.0 | |
| Tangible assets | 2.0 | | 2.3 | |
| Investments | | | | |
| Holdings in Group undertakings | 489.7 | | 489.7 | |
| Holdings in associated companies | 13.1 | | 25.5 | |
| Other investments | 17.1 | 535.0 | 1.0 | 533.5 |
| | | | | |
| CURRENT ASSETS | | | | |
| Inventories | - | | - | |
| Long-term receivables | 217.4 | | 242.7 | |
| Short-term receivables | 544.9 | | 583.1 | |
| Marketable securities | 415.0 | | 390.3 | |
| Cash and bank equivalents | 9.7 | 1,187.0 | 6.4 | 1,222.5 |
| | | **1,722.0** | | **1,756.0** |
| **LIABILITIES** | | | | |
| | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 75.4 | | 75.4 | |
| Share premium account | 24.7 | | 24.7 | |
| General reserve | 147.7 | | 147.7 | |
| Fair value reserve | 9.3 | | 28.1 | |
| Unrestricted equity | 250.4 | | 250.4 | |
| Retained earnings | 13.7 | | 89.2 | |
| Profit/loss for the financial year | -1.0 | 520.2 | -75.5 | 540.0 |
| | | | | |
| ACCUMULATED APPROPRIATIONS | | - | | - |
| | | | | |
| LIABILITIES | | | | |
| Deferred tax liability | 3.0 | | 9.1 | |
| Long-term liabilities | 316.6 | | 215.4 | |
| Short-term liabilities | 882.2 | 1,201.8 | 991.5 | 1,216.0 |
| | | **1,722.0** | | **1,756.0** |

### FINNAIR PLC CASH FLOW STATEMENT

| EUR mill. | 1 Jan–31 Dec 2012 | 1 Jan–31 Dec 2011 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit/loss before extraordinary items | -76.0 | -200.5 |
| Adjustments: | | |
| Depreciation | 6.3 | 6.3 |
| Operations for which no payment is included | 4.7 | 2.4 |
| Financial income and expenses | 6.0 | 11.5 |
| Change in working capital | -0.5 | 152.7 |
| Intrest paid and other paid financial expences | -23.9 | -23.1 |
| Received interest income and other financial income | 18.7 | 18.1 |
| Taxes paid | -0.1 | 0.0 |
| | | |
| **Cash flow from operating activities** | **-64.8** | **-32.6** |
| | | |
| **Cash flow from investing activities** | | |
| Investments in associated companies | 0.0 | -6.9 |
| Investments in tangible and intangible assets | -4.1 | -2.2 |
| Sales of tangible and intangible assets | 0.0 | 0.0 |
| Change in long-term receivables | 25.3 | -159.3 |
| Received dividend | 0.1 | 5.4 |
| Other investments | -3.8 | -16.0 |
| | | |
| **Cash flow from investing activities** | **17.5** | **-179.0** |
| | | |
| **Cash flow from financing activities** | | |
| Loan withdrawals | 70.8 | 10.5 |
| Loan repayments and changes | -152.8 | -36.7 |
| Hybrid bond repayments | -67.7 | - |
| Proceeds from Hybrid bond | 120.0 | - |
| Dividends paid | 0.0 | 0.0 |
| Received Group contributions | 105.0 | 114.4 |
| | | |
| **Cash flow from financing activities** | **75.3** | **88.2** |
| | | |
| **Change in cash flows** | **28.0** | **-123.4** |
| | | |
| Liquid funds at the beginning | 396.7 | 520.1 |
| Change in cash flows | 28.0 | -123.4 |
| **Liquid funds in the end** | **424.7** | **396.7** |

# Auditor's Report

**To the Annual General Meeting of Finnair Plc**

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, 2012. 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 Director 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 should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 4 March 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

# Business risks

**As Finnair's operations and use of partnerships expand, our business environment and competitive landscape become increasingly complex. Globally, the airline industry is one of the sectors most sensitive to external shocks, seasonalities and cyclical changes in economic conditions. Risk management in Finnair supports the achievement of company`s strategic and operational objectives in an uncertain business environment.**

Risks are defined as uncertainties, which if materialised, can either positively or negatively impact the business. Risk management is a systematic and predictive way of recognising, analysing and managing the opportunities and threats associated with the business. The significance of a risk is assessed as a combination of probability and consequences of the occurrence.

## FINNAIR RISK MODEL AND PRINCIPLES OF RISK MANAGEMENT

Finnair risk model is based on risk assessment made in 2012 by the Executive Board, describing the most significant risks and related control activities. Finnair's risk model is divided in three main categories: Business environment risks, process risks and risks in information for decision making.

**Main business environment risks are related to:**

- Competitors and potential new entrants to the market increasing the competitive pressure.
- Political actions and changes in regulation having adverse effects on business.
- Alliances, joint ventures and partnerships not delivering the aspired benefits of these arrangements.
- Capital availability for future investments being insufficient for executing the business plan in full.
- Country specific risks, such as sudden changes in demand, political upheaval, natural disasters, pandemic or other disturbances.
- Economic volatility: large scale economic disturbances having an adverse effect on travel demand.

**Main process risks are related to:**

- Human capital: recruiting, training and retaining personnel with right skills and competence, managing the relations with the unions.
- Capacity planning: planning and deploying sufficient capacity to meet market demand and maximising profit .
- Implementation of strategic projects not proceeding according to plan.
- IT infrastructure effectiveness in supporting the current and future needs of the business.Flight safety being endangered in any way.
- Money market: adverse movements in the interest rates, currency position, aircraft residual value and/or oil price.
- Cash flow: incurring additional costs due to insufficient cash flow.

Risks related to information for decision making as well as the operationalisation of risk management are described in more detail as part of the Corporate Governance Statement on pages 49–55.

The management of business risks is based on Finnair risk management policy. All recognised risks have defined business risk owners, management practices and follow up mechanisms that are subject to continuous development.

# Finnair Plc Corporate Governance Statement 2012



## REGULATORY FRAMEWORK

This Corporate Governance Statement is issued pursuant to the Finnish Corporate Governance Code for listed companies published in 2010. It sets out the governing bodies and the principles of governance of Finnair Plc. Finnair complies with the recommendations of the Code without exceptions.

The principal legislative authorities on corporate governance of Finnish listed companies are the Companies Act, the Securities Market Act, the standards issued by the Financial Supervision, the rules, regulations and guidelines for listed companies issued by NASDAQ OMX Helsinki Exchange and the Finnish Corporate Governance Code, all of which are complied with by Finnair. Company specific authorities on the governance of Finnair are the Articles of Association and the principles, policies and guidelines issued by Finnair's Board of Directors.

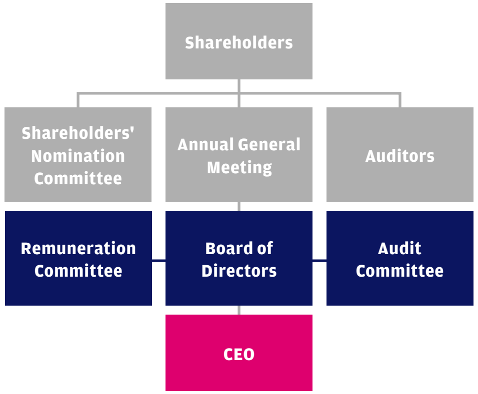
The Articles of Association, the published policies and other additional information on Finnair's corporate governance can be found at Finnair's internet site at www.finnairgroup.com. The Corporate Governance Code is publicly available on the website of the Securities Market Association's website at www.cgfinland.fi.

This statement has been approved by Finnair's Board of Directors and it has been prepared as a separate report from the Board of Directors' Report. Finnair's auditing firm, PricewaterhouseCoopers, has verified that the description of the main features of the internal control and risk management related to the financial reporting process contained herein are consistent with the financial statements.

## GOVERNING BODIES

The governing bodies of Finnair pursuant to the Companies Act and the Articles of Association are the General Meeting of Shareholders, the Board of Directors (the "Board") and the Chief Executive Officer (the "CEO"). The roles of the governing bodies are described below.

Governing bodies of Finnair




### General Meetings

The ultimate authority in Finnair is vested in the General Meeting of shareholders. An Annual General Meeting (the "AGM") must be held each year by the end of May.

The competence of the General Meeting of Shareholders is set out in the Companies Act and in Finnair's Articles of Association. The AGM shall annually decide on the following matters:

- adoption of the financial statements and the consolidated financial statements
- the use of the profit shown on the balance sheet
- the discharging of the Members of the Board and the CEO from liability
- the appointment of the Members of the Board and their remunerations
- the election and remuneration of the auditor.

In accordance with Finnair's Articles of Association, the AGM elects also the Chairman of the Board

The Board convenes the General Meetings of Shareholders by publishing a notice not earlier than three months and not later than three weeks before the date of the meeting and always at least nine days before the record date of the meeting (as defined in the Companies Act). The notice shall be published as a stock exchange release and on Finnair's website.

Each shareholder who is registered on the record date as a shareholder in the company's public register of shareholders, maintained by Euroclear Finland Ltd, has the right to participate in the General Meeting of Shareholders. If a holder of nominee-registered shares wishes to participate in the meeting, he or she has to register temporarily in the register of shareholders. Furthermore, in order to attend the meeting, a shareholder must register for the meeting in the manner defined in the notice convening the meeting.

A shareholder has the right to have a matter falling within the competence of the General Meeting of Shareholder addressed by the meeting, if the shareholder so demands in writing from the Board by the date announced on Finnair's internet site.

The minutes of the General Meeting of Shareholders and the voting results, if any, shall be made available to shareholders on Finnair's internet site within two weeks of the meeting.

#### 2012 Annual General Meeting

Finnair's AGM 2012 was held in Helsinki on 28 March. A total of 391 shareholders, representing circa 73.5% of the shares and voting rights of the company, participated either in person or by proxy representatives. All Board members elected by the 2011 AGM and all but one of the candidates for Board membership in 2012 AGM were present in the meeting, as well as Finnair's Executive Board and the auditors of the company. Further information on 2012 AGM is available at www.finnairgroup.com.

### Shareholders' Nomination Committee

The Shareholders' Nomination Committee is a non-permanent body convened annually pursuant to the decision of the AGM for the purposes of preparing proposals for the next AGM on the composition of the Board and its remuneration.

The Committee has been has appointed annually since 2008.

The Shareholders' Nomination Committee consists of the representatives appointed by the three largest shareholders with reference to a record date set annually by the AGM. If a shareholder chooses not to exercise its right to appoint a representative to the Committee, the right is transferred to the next largest shareholder. The Chairman of the Board acts as an expert member of the Committee.

The members of the Committee are not remunerated by Finnair for their membership in the Committee.

**2011 and 2012 committees**

The proposal for the 2012 AGM was made by a Committee formed by the decision of the 2011 AGM. Based on the largest shareholdings on 1 November 2011, the Committee consisted of representatives of State of Finland, Keva and Skagen Global Verdipapirfond. Their representatives were:

- Mr Jarmo Väisänen, b. 1951, Licentiate in Political Science, Senior Financial Counsellor in Prime Minister's Office;
- Mr Robin Backman, b. 1971, M. Sc. (Econ.), Portfolio Manager in Keva; and
- Mr Michael Gobitschek, b. 1971, M. Sc. (Econ.) Portfolio Manager in Skagen funds.

The Committee elected Jarmo Väisänen as its Chairman and the Chairman of the Board, Mr. Harri Sailas served as the Committee's expert member. The Committee convened twice before submitting their first proposal to the 2012 AGM on 1 February 2012. At the instruction of Minister Hautala, the Committee convened thereafter to submit a renewed proposal to the 2012 AGM on 21 March 2012. All members were present in all meetings.

As of the record date set by the 2012 AGM, 1 November, the three largest shareholders of Finnair were the State of Finland, Keva and Skagen Global Verdipapirfond, who appointed the following representatives to the Committee:

- Mr Jarmo Väisänen, (see above);
- Mr Robin Backman, (see above); and
- Mr Per Wennberg, b. 1969, B. Sc. (Hon.) in Business Management, Skagen's Managing Director in Sweden.

The Committee elected Jarmo Väisänen as its Chairman. Harri Sailas served as the Committee's expert member. The Committee convened two times and all members were present in the meetings. On February 1, 2013, the Shareholders' Nomination Committee submitted to the Board its proposal for the Annual General Meeting to be held on 27 March 2013. The Committee proposed that Ms Maija-Liisa Friman, Mr Klaus W. Heinemann, Mr Jussi Itävuori, Ms Merja Karhapää, Mr Harri Kerminen and Ms Gunvor Kronman be re-elected, and Mr Antti Kuosmanen be elected as a new member. The Committee proposed that Mr Klaus W. Heinemann was elected as Chairman of the Board. The existing Chairman of the Board, Mr Harri Sailas had informed the Committee that he would not stand for re-election in 2012 AGM.

The Shareholders' Nomination Committee proposes that the remunerations of the members of the Board would remain unchanged and thereby be the following: annual remuneration to the Chairman 61,200 euros, to the Vice Chairman 32,400 euros and to other members 30,000 euros each. The Committee further proposes that for each meeting of the Board or the committees of the Board a fee of 600 euros be paid to the members of the Board that reside in Finland and a fee of 1,200 euros be paid to the members that reside abroad.

## Board of Directors

The Chairman and the Members of the Board are elected by the AGM. According to the Articles of Association, the Board consists of the Chairman and a minimum of four and a maximum of seven other members. The Board elects a Deputy Chairman from among its members. The term of office of the members of the Board ends at the close of the first AGM following their election.

According to the Companies Act, the Board represents all shareholders of Finnair and has the general duty to act diligently in the interests of the company. Under law, the Board is accountable to the shareholders for the appropriate governance of the company and for ensuring that the operations of the company are run adequately.

The accountability for the company's governance pertains specifically to the assurance of the effectiveness of the Company's system of internal controls. The main features of the company's system of internal controls and risk management are described later in this report.

Finnair has a number of policies issued by the Board, designed to enhance the internal control. The policies are regularly updated and communicated to the personnel.

In 2012, the Board approved a group-wide code of conduct, which provides greater clarity and guidance on the ethical standards of the company to the personnel. This code of conduct is supported by a training course for all personnel, starting in 2013.

In addition to the Boards' statutory responsibilities, certain significant matters are reserved for Board decision, as set out in the Board's charter. The Board sets the company's strategic aims and monitors the implementation of the same by the management, approves other significant strategic matters, investments, divestments and capital commitments and approves the business and financial plans, significant partnerships and other major contracts. The Board reviews the performance of the management and it appoints and removes the CEO and other members of the executive management and determines their levels of remuneration. The Board also attends the succession planning of the management. The Board establishes and regularly evaluates the group's personnel policies, including the compensation structures. The Board's charter is available on Finnair's website in its entirety at www.finnairgroup.com. The Board evaluates its work annually.

The Board's gender distribution in the composition elected by 2012 AGM is four men and three women.

**Members of the Board and their independence**

The 2012 AGM elected Mr Harri Sailas as Chairman of the Board and the following persons as other members of the Board: Ms Maija-Liisa Friman, Mr Klaus Heinemann, Mr Jussi Itävuori, Ms Merja Karhapää, Mr Harri Kerminen and Ms Gunvor Kronman. The Board elected Mr Harri Kerminen as its Vice Chairman.

Board members represent a diverse range of business and other backgrounds, bringing a broad spectrum of views and experiences to Board deliberations. All members of the Board, including the Chairman are independent of the company and of its significant shareholders.

Also the members of the Board elected in the 2011 AGM (see tables on page 51) were independent of the company and of its significant shareholder, excluding Mr Pekka Timonen, who was in the service of Finnair's largest shareholder, the Finnish State.

**Members of the Board of Directors in 2012 and their attendance in Board and Committee meetings**

In 2012, the Board met 15 times (12 meetings with the composition elected by the 2012 AGM and three meetings with the composition elected by the 2011 AGM). See the table on next page for information on the Board members' participation in the meetings during 2012.

**Members of the Board of Directors in 2012 and their attendance in Board and Committee meetings**

| | Name | Personal information | Board meetings | Committee meetings Audit | Committee meetings Remuneration |
|---|---|---|---|---|---|
| Members since 2012 Annual General Meeting | Harri Sailas | Chairman of the Board since 24 March 2011<br>Member of the Board since 2010<br>B. 1951, M. Sc. (Econ.)<br>Main occupation: President and CEO of Ilmarinen Mutual Pension Insurance Company<br>Committee membership: Remuneration Committee (Chairman) | 13/15 | | 6/6 |
| | Harri Kerminen | Member of the Board since 24 March 2011<br>Vice Chairman of the Board since 28 March 2012<br>B. 1951, M. Sc. Tech, MBA<br>Main occupation: Board professional<br>Committee memberships: Audit and Remuneration Committees | 15/15 | 5/5 | 6/6 |
| | Maija-Liisa Friman | Member of the Board since 28 March 2012<br>B. 1952, M.Sc. (Chem. Eng.)<br>Main occupation: Board professional<br>Committee memberships: Audit Committee (Chairman) | 12/12 | 5/5 | |
| | Klaus W. Heinemann | Member of the Board since 28 March 2012<br>B. 1951, B.Sc. (Econ.)<br>Main occupation: Board professional<br>Committee membership: Audit Committee | 11/12 | 5/5 | |
| | Jussi Itävuori | Member of the Board since 28 March 2012<br>B. 1955, M. Sc. (Econ.)<br>Main occupation: Senior Partner, RJI Partners Limited<br>Committee memberships: Remuneration Committe | 11/12 | | 4/4 |
| | Merja Karhapää | Member of the Board since 28 March 2012<br>B. 1962, Master of Laws, PG IPR Diploma<br>Main occupation: Chief Legal Officer, Sanoma Group<br>Committee memberships: Audit Committee | 12/12 | 5/5 | |
| | Gunvor Kronman | Member of the Board since 28 March 2012<br>B. 1963, Master of Arts<br>Main occupation: CEO of Swedish-Finnish Cultural Centre<br>Committee membership: Remuneration Committee | 12/12 | | 4/4 |
| Members until the end of the 2012 Annual General Meeting | Elina Björklund | Member of the Board since 2009<br>B. 1970, M.Sc. (Econ.)<br>Main occupation: Partner, BletBI Advisors<br>Committee membership: Audit Committee | 3/3 | 1/1 | |
| | Sigurdur Helgason | Member of the Board since 2007<br>B. 1946, MBA<br>Main occupation: Chairman of the Board of Directors of the Icelandair Group<br>Committee membership: Audit Committee | 3/3 | 1/1 | |
| | Satu Huber | Member of the Board since 2006<br>B. 1958, M.Sc. (Econ.)<br>Main occupation: Managing Director of the Tapiola Pension Ltd<br>Committee membership: Audit Committee | 3/3 | 1/1 | |
| | Ursula Ranin | Member of the Board since 2006<br>B. 1953, LLM, MSc (Econ)<br>Main occupation: Board professional<br>Committee membership: Remuneration Committee | 3/3 | | 1/2 |
| | Veli Sundbäck | Member of the Board since 2004<br>Vice chairman of the Board since 24 March 2011<br>B. 1946, LLM<br>Committee membership: Audit Committee | 3/3 | 1/1 | |
| | Pekka Timonen | Member of the Board since 2008<br>B. 1960, LLD<br>Main occupation: Director General of the Prime Minister's Office's Ownership Steering Department<br>Committee membership: Remuneration Committee | 3/3 | | 1/2 |

More information on the Members of the Board is available on page 61 and on Finnair's website at www.finnairgroup.com.

## The Board's work in 2012

*The Board met 15 times in 2012. In addition to its regulatory duties, the Board*

- *Evaluated the company's strategy, followed the implementation of the existing strategic initiatives and evaluated Finnair's position and its options in the on-going development towards consolidation and joint ventures throughout the industry;*
- *Approved the outsourcing of the engine and component services, the Catering services, the Embraer 190 operations, and the payroll services, as well as the related transactions and partnerships;*
- *Approved the Company's Code of Conduct and Disclosure Policy and the revised charters of the Audit Committee and Internal Audit;*
- *Confirmed the company's Treasury Policy and other Financial Risks Policies, reviewed the mid and long term investment and funding plans, approved the Issuance of a Hybrid Bond and the buy-back of the 2009 Hybrid Bond and, in December, approved the share buy-back plan;*
- *Reviewed the company's customer satisfaction ratings and the processes and organisations regarding the company's crisis management and operational quality management;*
- *Set the semi-annual short term incentive targets for the CEO and the executive team, assessed their performance and conducted talent reviews of the senior management;*
- *Attended the CEO's housing transaction;*
- *Hired independent experts, Mercer and PCA, to assist the Board in setting up a new share incentive scheme; and*
- *Performed an annual self-assessment and developed the meeting practices with the senior management.*

## The Committees of the Board

The Board delegates certain of its functions to the Audit Committee and to the Remuneration Committee. The Board appoints the Committee members and their Chairs from among the members of the Board. The minimum number of members is three in both Committees.

Each Committee meets regularly under their respective charters. The Committees' tasks and the work carried out by them during the year are described in their respective sections below. The Committees report on their work regularly to the Board but they do not have decision-making powers independent from the Board. Copies of the Committees' charters are available on Finnair's website at www.finnairgroup.com.

### Audit Committee

The Audit Committee assists the Board in its task to ensure the proper governance of the company, in particular, by considering the accounting and financial reporting, the Company's internal control systems and the work of the external auditors. The Audit Committee addresses concerns pertaining to control matters as raised by the management or the auditors of the company, which the Audit Committee reports to the Board. The Audit Committee ensures that appropriate action is taken by the management to rectify identified weaknesses.

According to the Corporate Governance Code, the members of the Committee must be sufficiently qualified to perform the responsibilities of the Committee.

Audit committee

- monitors the financial status of the company
- monitors the reporting process of financial statements and interim reports and assesses the draft financial statements and interim reports
- assesses the efficiency of the company's internal controls, internal auditing and risk management system
- monitors the statutory audit and review all material reports from the auditor
- assesses the independence of the auditors, in particular with regard to their ancillary services
- prepares for the Board proposals to the Annual General Meeting regarding the election of the auditor(s) and their remunerations

- reviews the auditors' and internal auditors' audit plans and reports
- reviews the company's corporate governance statement
- prepares for the Board the group's risk management policies
- prepares for the Board decisions on significant changes in the accounting principles or in the valuations of the group's assets; and
- assesses the group's compliance with laws and regulations.

The charter of the Committee can be viewed on Finnair's website in its entirety at www.finnairgroup.com under the Investors section.

Post the 2012 AGM, the Audit Committee members were Ms Maija-Liisa Friman (Chairman), Mr Klaus W. Heinemann, Ms Merja Karhapää and Mr Harri Kerminen. Before the 2012 AGM the Committee comprised of Veli Sundbäck (Ch.), Ms Elina Björklund, Mr Sigurdur Helgason and Ms Satu Huber. All Committee members were independent of the Company and of its significant shareholders.

The Audit Committee met six times in 2012 with an aggregate attendance rate of 100%. One meeting was held with the composition in place between the 2011 and 2012 AGM and five with the composition in place since the 2012 AGM. Finnair's General Counsel Mr Sami Sarelius acted as the secretary of the Audit Committee. The CEO, the Head of Internal Audit and Risk Management as well as external auditors also participated in the Committee's meetings. The Committee held closed sessions as well as sessions where the External or Internal Auditors participated without the presence of the members of the management.

**The Audit Committee's work in 2012**

*In addition to its regulatory duties, the Audit Committee attended selected focus areas, such as the IT risk management, funding and liquidity, and revenue recognition.*

*The Audit Committee also:*

*Reviewed the Treasury and other Financial Risk Policies and the mid and long term investment and funding plans;*

- *Reviewed the risk management process, the risk and control environment, the top risks for 2012 and the related control procedures. The Committee reviewed and approved a risk-based internal audit plan and assessed the sufficiency of the resources in the internal control functions. In April, the Committee approved a risk management development project, and its first phase was executed during autumn 2012. The development work will continue in 2013;*
- *Discussed with the CEO, the CFO and the auditors significant accounting policies and the estimates and judgements that were applied in preparing the reports;*
- *Run a tender process in January for the external auditing services, based on which it proposed to the 2012 AGM that PricewaterhouseCoopers was elected as the auditor for the fiscal year 2012;*
- *Developed its working practices and the content and format of the reports to be presented to the Committee. The Board approved the revisions proposed by the Committee to its charter in June 2012. The Committee adopted new practices regarding the follow-up of the audit findings of the recommended corrective actions proposed by the internal audit and of the related actions taken by the management, and reviewed the potential audit weaknesses and discussed the same with the management. It also reviewed the performance of the external and internal auditors; and*
- *Performed an annual self-assessment and prepared an annual plan for 2013. The areas of specific attention in 2013 will comprise revenue management and forecasting, fleet capacity allocation, procurement, financial processes and accounting principles, maintenance costs, and partner management.*

**Remuneration Committee**

The Remuneration Committee assists the Board in matters pertaining to the compensation and benefits of the CEO and other senior management, their performance evaluation, appointment and successor planning. The Committee assists the Board also in establishing and evaluating the group's compensation structures and other personnel policies.

The charter of the Committee can be viewed on Finnair's website in its entirety at www.finnairgroup.com under the Investors section.

Post the 2012 AGM, the members of the Remuneration Committee were Mr Harri Sailas (Chairman), Mr Jussi Itävuori, Mr Harri Kerminen and Ms Gunvor Kronman. Before the 2012 AGM, the Committee comprised of Mr Harri Sailas (Ch.), Mr Harri Kerminen, Ms Ursula Ranin and Mr Pekka Timonen. All Committee members were independent of the Company and of its significant shareholders, excluding Mr Pekka Timonen, who was in the service of the Finnish State.

The Remuneration Committee met six times in 2012 with an aggregate attendance rate of 92%. Two of the meetings were held with the composition in place between the 2012 AGM and four with the composition chosen after the 2012 AGM. The CEO and Senior Vice President, HR were invited to the meetings to assist the Committee. Finnair's General Counsel Mr Sami Sarelius acted as the Committee's secretary.

**The Remuneration Committee's work in 2012**

*In 2012, the Committee reviewed the performance of the senior management under the short-term incentive scheme during 2011, and assisted the Board in determining the semi-annual targets for 2012. The Committee also assessed the company's short-term incentive schemes applicable to the other personnel groups.*

*The Committee started designing the 2013–2015 share incentive scheme with the help of external experts. The scheme is replacing the expiring 2010–2012 scheme and its scheduled approval and roll-out is in the first quarter of 2013.*

## COMPANY MANAGEMENT

**Finnair's corporate structure**

Finnair has three business areas: Airline Business, Aviation Services and Travel Services (tour operators and travel agencies) and its financial reporting is based on this grouping. Shared functions in Finnair's Group Administration are Finance and Control, Human Resources, Communications and Corporate Responsibility, Corporate Development, Legal Affairs and Internal Audit.

**The CEO**

In 2012, the CEO of Finnair was Mr Mika Vehviläinen, M.Sc. (Econ.), b. 1961. The CEO is appointed by the Board. The CEO manages the company's day-to-day operations in accordance with guidelines and instructions issued by the Board. The CEO's instructions from the Board include, in particular, the implementation of Finnair's strategy, driving of structural change and improving the company's profitability. The CEO acts as the Chairman of the Executive Board. The tasks and work on which the CEO focused in 2012 appear from the below description of the Executive Board.

The Board determines the CEO's compensation and sets his short and long term incentive targets. The main contents of the CEO's contract, including his compensation and benefits, are described in the Remuneration Statement on pages 56-60.

### Executive Board

The Executive Board of the Company is led by the CEO and it comprises the senior management responsible for Finnair's business operations, finance and control, human resources, communications and corporate responsibility and legal affairs. The members' respective roles are more fully described on the company's internet site and information on their shareholdings in Finnair is presented in the Investors section at the www.finnairgroup.com. The senior management is appointed and removed, and their remunerations and other terms of employment determined, by the Board.

The duties of the Executive Board include group-wide development projects, the definition of principles and procedures that guide the company's activities as well as the preparation of matters to be dealt with by the Board. The Executive Board also acts as Finnair's risk management steering group.

In 2012, Finnair's Executive Board met 19 times. The main focus of the Executive Board was on the leadership development of the key personnel throughout the group, on the Peace of Mind - service identity renewal, on financial performance and on improvement of route profitability, fleet and crew utilisation, operational quality and customer service. In addition, the Executive Board met nearly every week to address the profitability and productivity improvement programs that comprised principally of internal efficiency improvements, partnerships, joint ventures and outsourcing projects.

### Subsets of the Executive Board

The Executive Board delegates certain of its functions to four subsets. These Groups' decision making authority is derived from that of the Executive Board, set by the Board of Directors by way of the approval limits, policies and instructions.

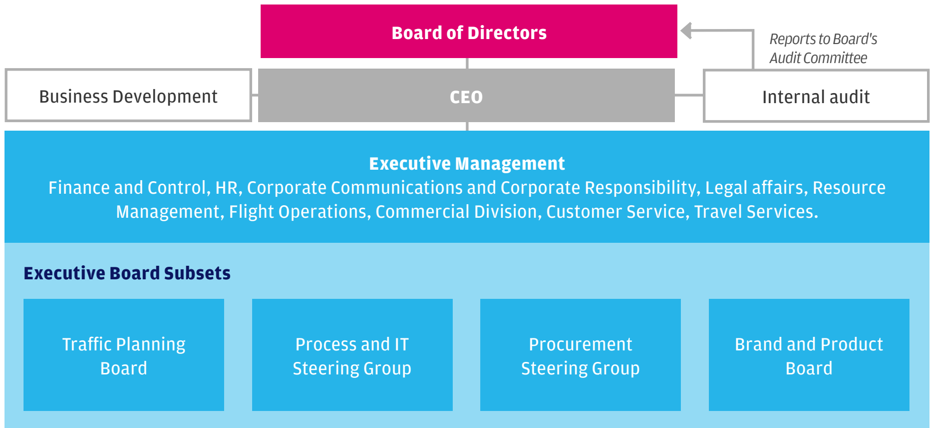
**Network Planning Group** is responsible for fleet and network strategy and short and long-term traffic planning of Finnair's scheduled, leisure and cargo traffic, among other things. The Group is headed by SVP Resource Management and meets monthly.

**Process and IT Steering Group** makes decisions on IT and process development projects and sets the priorities, budgets and targets for the same. It also approves significant projects, investments and supplier contracts in the area of IT. The Group is headed by CFO and meets bi-monthly.

**Procurement Steering Group** is responsible for Finnair's Procurement Policy, procurement category structure and related development projects. It also approves significant supplier contracts (with the exception of IT contracts) and their related governance models. The Group is headed by the CFO and meets at least quarterly.

**Brand and Product Board** is responsible for strategic brand steering and management as well as product decisions. It decides, for example, on brand development activities, service identity and visual identity of Finnair. The Board is headed by the CEO and meets bi-monthly.

**Company Management**




### Management Board

Finnair Management Board is principally a communication and co-operation forum designed for the personnel's participation in the company's governance processes, especially with regard to matters that affect the personnel. The focus of the Management Board work is on enhancing communication and understanding between the personnel groups and the management as to the implementation of the company's strategic objectives and on sharing information and discussing plans and projects that affect Finnair's personnel. The Management Board comprises the Executive Board members, certain senior managers and the representatives of all personnel groups. The Management Board also discusses the business plans and financial performance of the Group, the operational quality and customer satisfaction as well as significant development projects.

In 2012, the Management Board met seven times, and the discussion was focused on the structural changes implemented in Finnair during 2012.

### Corporate Governance in Finnair subsidiaries

For major subsidiaries, the Members of the Boards of Directors are selected from individuals belonging to Finnair Group management and from representatives proposed by personnel groups. The key tasks of the Boards of Directors of subsidiaries include strategy preparation, approving operational plans and budgets, and deciding on investments and commitments within the scope of instructions issued by Finnair's Board.

The subsidiaries of Finnair are presented in the Financial Statements 2012 under Note 33. Operating subsidiaries.

### Governance principles in key partnerships and outsourcings

Finnair has equity partnership in a Swedish company Flybe Nordic AB (ownership 40%) which is the sole owner Flybe Finland Oy and in Nordic Global Airlines Ltd (ownership 40%) through a wholly owned subsidiary Finnair Cargo Ltd. Flybe Finland is a Finnish regional passenger airline operating ATR turboprop and Embraer 170 and 190 aircraft. Part of its route network is designed to provide convenient feeder connections to Finnair's European and long haul routes.  Nordic Global Airlines Ltd is a Finnish full freight airline operating from bases in Finland and elsewhere according to the freight market conditions. Nordic Global Airlines provides cargo capacity to Finnair

Cargo Ltd. Finnair's influence over the governance of these companies is secured by shareholding and various contractual rights.

Finnair has entrusted certain important operational services to world class service providers. LSG Sky Chefs Finland Oy runs the former catering businesses of Finnair at Helsinki Airport. It supplies Finnair's catering services pursuant to a multi-year agreement designed to ensure Finnair's receipt of high quality services, cost savings and other benefits. Other similar long-term arrangements exist in the ground handling services, with Swissport Finland Ltd, and in the engine and component services with a Swiss company SR Technics. In addition to a requirement of continued cost competitiveness, these agreements contain service level requirements with baselines meeting or exceeding the levels achieved by Finnair prior to the outsourcing.

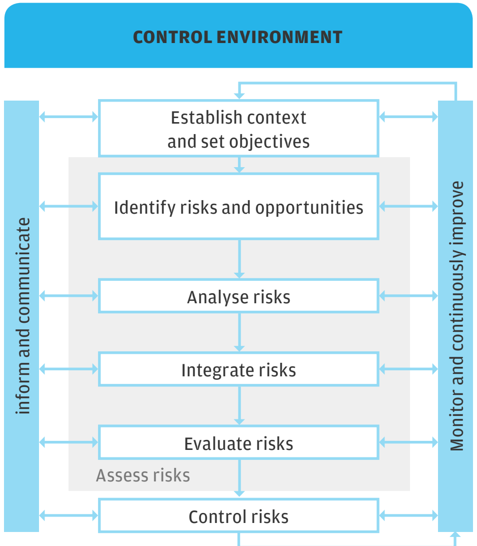
All Finnair's partners are expected to comply with Finnair's Code of Conduct and Finnair's Supplier Code of Conduct, and Finnair is entitled to audit the Supplier's governance and security practices to ensure this.

Finnair's Code of Conduct and Supplier Code of Conduct are available on Finnair's website at www.finnairgroup.com.

## MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PERTAINING TO THE FINANCIAL REPORTING PROCESS

### Description of the overall system

The objective of internal control and risk management system in Finnair is to safeguard the company's assets and provide the Board and the Executive Management with a reasonable assurance of the achievement of company's strategic and operational objectives, reliability of financial and operational reporting, as well as compliance with laws and regulations and internal policies. The overall system of internal control and risk management in Finnair is based on commonly accepted COSO ERM framework and ISO 31000:2009 standard for risk management. Finnair's internal control and risk management system is subject to continuous improvement activities based on PDCA (Plan-Do-Check-Act) cycle. The main features of Finnair's internal control and risk management system are illustrated below:




### Control environment

Finnair's values, Code of Conduct and management system form the foundation of its control environment and background for awareness and implementation of control activities across operations. The internal control and risk management principles in Finnair are documented in the Group Risk Management Policy that will be updated during Q1 2013 as part of development activities aiming at raising the maturity of Finnair's internal control and risk management system. Other key steering instruments supporting control over strategy implementation, operational processes, compliance and financial reporting include, but are not limited to, Annual Accounts drafting principles, Code of Conduct, Treasury Policy, Procurement Policy, Credit Policy and Disclosure Policy.

Finnair's Board of Directors holds the overall responsibility for the company's internal control and risk management. The Board has delegated the implementation of efficient control environment and measures to ensure the reliability of financial reporting to the President and CEO. The line organisations of business segments and common functions have the main responsibility for executing day to day control and risk management activities pertaining to the financial reporting process. A dedicated risk coordinator position has been established in 2012 to provide policy implementation support for segments and functions, and consolidate and review reporting on risks and risk management activities. Internal Audit assesses the control environment as well as the status and effectiveness of planned control and risk management activities. To ensure the independence of the Internal Audit activity, Internal Audit has a direct functional reporting line to the Audit Committee of Finnair Board and it is positioned to operate administratively under the President and CEO. The Audit Committee appointed by the Board of Directors oversees the financial reporting process and overall maturity of the internal control and risk management system. The described roles and responsibilities are in accordance with the Finnish Companies Act, and the Finnish Corporate Governance Code. The picture below summarises the roles of the listed stakeholders in the implementation of the internal control and risk management system.

### The roles in the implementation of the internal control and risk management system

| | |
|---|---|
| **First line of defense** | **Business segments and common functions**<br>Day to day control and risk management activities pertaining to the financial reporting process. |
| **Second line of defense** | **Compliance and risk management functions**<br>Oversight and continuous improvement of the internal control and risk management system. |
| **Third line of defense** | **Internal Audit**<br>Assessment of internal control environment, day to day control and risk management activities and overall maturities of the internal control and risk management system. |
| **Ultimate responsibility** | **The Board of Directors**<br>Reasonable assurance of the achievement of companys' strategic and operational objectives, reliability of financial and operational reporting, as well as compliance with laws and regulations and internal policies. |

**Risk Assessment**

In executing its strategy, Finnair and its operations are exposed to a broad range of risks and opportunities. To exploit business opportunities, Finnair is prepared to take and manage risks within the limits of its risk-bearing capacity (rewarding risks). In relation to reliability of reporting, compliance with laws and regulations, and flight safety matters, Finnair's objective is to minimise risks (unrewarding risks).

Finnair's risk assessment process takes place in close relation to the company strategy process and operational objective setting to enable a holistic view on risks and opportunities. Integration of risk management into key management processes will be subject to further development during 2013. Any external or internal event, that may have an impact on reaching Finnair's strategic, operational, reporting or compliance objectives or the continuity of operations, are subject to further analysis and, further on, distinction between risks and opportunities. To ensure the coverage of risk identification and systematise the risk assessment activities, Finnair has established a common risk model and a common risk repository.

Risk assessment activities are carried out at all organisational levels of the Finnair Group. Objective of Finnair's financial reporting risk assessment is to identify, evaluate and prioritise the most significant threats to the reliability of internal and external reporting at the Group, reporting area, unit, function and process levels. Processes related to financial reporting are subject to ongoing risk assessment by the business unit controllers, financial controllers and shared service center as part of their daily and weekly activities. In 2012, this work was complemented by an enterprise wide risk assessment covering the area of financial reporting and by a development project focused on process level gap analysis of Finnair's reorganised finance operations. In conjunction with reorganising the financial operations the main financial processes were described, updated and documented with respective work instructions. The responsibility areas between the renewed financial organisations inside the Group were also reviewed.

**Risk response and control activities**

The President and CEO, supported by the members of Executive Board, is responsible for defining risk management strategies and procedures, and setting risk management priorities. Risk owners in business segment, common functions and process level hold the responsibility for ensuring the residual risk of individual risks are within the limits of company's risk appetite.

Risk related to financial reporting are managed through controls aiming to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies. Identified risks are managed through a range of control activities by companies, business segments and processes. The business unit controllers, financial controllers and Shared Service Centre play an important role in performing the control activities. To systematise its control framework, Finnair has established a control self-assessment tool and a control catalogue covering the whole financial reporting process and consists of entity level controls and process level controls. The control catalogue and its implementation are subject to continuous improvement and shall be revised during the year 2013.

**Information and communication**

Information and communication system provides means for Finnair's personnel to capture and communicate information related to execution of risk management and control activities across company's operations. The system provides required personnel access to adequate and timely information on accounting and reporting as well as on related controls. Information regarding control requirements is communicated through common policies, dedicated guidelines and process level procedure descriptions.

**Monitoring**

Finnair's internal control and risk management system is subject to both ongoing and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness. Ongoing monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, business segments and common functions.

Internal audit periodically evaluates state of the internal control and risk management system with special focus on areas related to the reliability of financial reporting. In relation to the financial reporting, the scope of internal audits include, but are not limited to, the integrity of transactions, the accuracy of information in internal and external accounting and execution of specific controls. Internal Audit works in cooperation with the external auditor and reports the results of its work regularly to the Audit Committee. The results of the Audit Committee's observations, recommendations and proposed decisions and measures on Finnair's internal control and risk management system are regularly reported to the Board of Directors.

**Internal Audit**

The Internal Audit is established by the Board of Directors, and its responsibilities are defined by the Audit Committee of the Board of Directors as part of their oversight function.

The mission of Internal Audit in Finnair is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. Internal Audit helps the organisation to mitigate factors that might undermine its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**Focus areas in 2012 and 2013**

*In 2012 Finnair executed a development project including current state analysis of its existing internal control and risk management system, design of the system's future state and a roadmap describing required action points. Finnair has started to implement these action points with primary focus on Group Risk Management Policy revision, integration of risk management and strategy processes, and implementation of corporate wide risk repository. Key development activities for the year 2013 will focus on the implementation of the revised internal Group Risk Management Policy in cooperation with business segments and common functions.*

*Finnair revised the mission, vision, strategy and operating model of its Internal Audit during 2012. The scope of Internal Audit was broadened to cover all objective levels of the company including strategic, operational, reporting and compliance objectives. Internal Audit Charter was updated accordingly and changes were implemented through a systematic internal audit process supported by recruitment of new key personnel. Main focus areas of Internal Audit for the year 2012 were based on and aligned with corporate strategy, results of risk analysis and changes in internal processes. As part of the Audit Plan, special attention was given to the HR process controls, cost savings program and major outsourcing projects.*

# Finnair Plc Remuneration Statement 2012



## INTRODUCTION

This remuneration statement describes Finnair's remuneration policies and the remuneration of the senior management, i.e. the Board of Directors, the CEO and the members of the Executive Board in 2012. The remuneration of personnel is described in more detail in Finnair's Sustainability Report 2012. Further information is also available on the company website at www.finnairgroup.com. This remuneration statement is based on Recommendation 47 of the Finnish Corporate Governance Code for Listed Companies.

## MANAGEMENT REMUNERATION PRINCIPLES AND DECISION-MAKING PROCESS

### Remuneration principles

Finnair's aim is to recruit, motivate and develop employees to allow them to successfully implement the company's strategy. Finnair aims at motivating and fair overall remuneration.

Remuneration and incentive structures take into consideration the effectiveness and costs of different forms of remuneration. Finnair's remuneration policies are compliant with local legislation, regulations and practices. Finnair's overall pay structure is compared annually to the local labour market pay levels in every country in which the company operates.

The salary and other incentive structures applicable to the CEO and the members of the Executive Board, as well as other personnel groups whose remuneration is not determined by collective agreements, are as follows:

I. **Fixed pay:** basic salary, based on Finnair's job-grading
II. **Variable pay:** short and long-term incentives linked to company and individual performance
III. **Employee benefits:** perquisites and other personnel benefits

For other personnel groups, the salary and other incentive structures are defined in their respective collective agreements.

The management's employee benefits include supplementary pension, travel benefits in line with company policy, car benefit and a sickness fund.

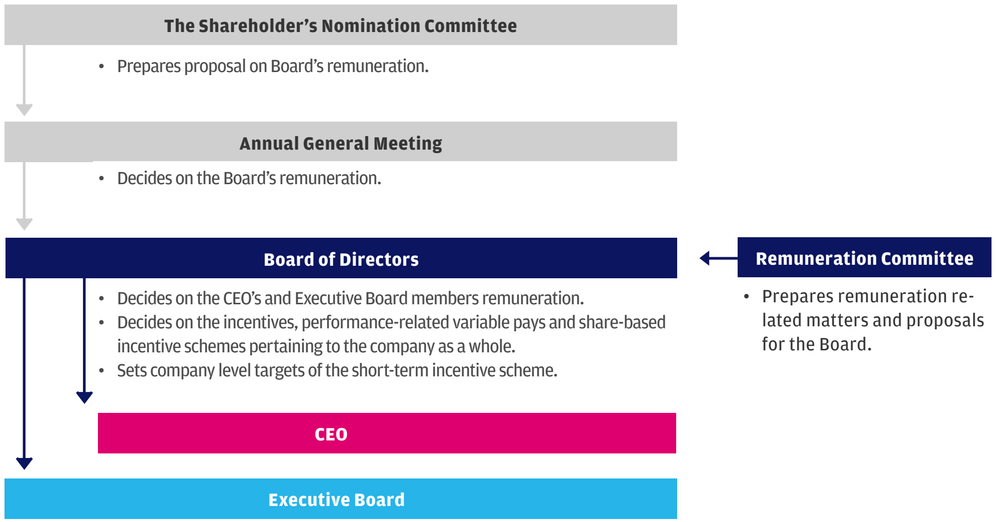
Finnair aims to attract skilled employees by making work rewarding and interesting through not only monetary incentives, but also by offering opportunities for development and career progression within the company. Finnair's goal is to systematically develop the competencies of the employee and to create opportunities for job rotation and promotions according to the development of the employee.

### Decision-making procedure

**The Board of Directors' remuneration:** The Shareholders' Nomination Committee prepares annually its proposal for the remuneration of the members of the Board of Directors. The Annual General Meeting of shareholders makes the final decision on the Board's remuneration.

**The remuneration of the CEO and the Executive Board:** The Board decides on the salary, incentive schemes and associated targets of the CEO and other members of the Executive Board based on preparatory work carried out by the Board's Remuneration Committee. Decisions on remuneration have been made with consideration for the statement by the Cabinet Committee on Economic Policy regarding the remuneration of executive management and key individuals, issued on 13 August 2012.

**Remuneration decision-making procedure**



## VARIABLE PAY

The objective of variable pay related to both short and long-term incentive schemes is to achieve flexible and motivating remuneration that reflects the company's success as well as individual performance. In addition, long-term share-based incentives are aimed at retaining key employees and aligning their interests with those of the shareholders. The company's and the senior management's targets are set by Finnair's Board of Directors.

### Short-Term Incentives (STI)

**a) Incentive scheme:** Finnair utilises goal-driven short-term incentives throughout the management. The incentive scheme is comprised of a process of target setting, performance evaluation and performance review. At the target level, the variable pay ranges from 2.5–20% of basic salary, depending on the job grade. If an individual exceeds his or her targets substantially, the variable pay may, at a maximum, reach 5–40% of the annual base salary.

The final amount of the variable pay is determined by Finnair's result factor, which multiplies the pay-out by a factor of 0.5–1.5, depending on the company's financial result (operational EBIT). This multiplier is designed to adjust the variable pay to the company's financial performance. The short-term incentive scheme is based on the company's six-month budgeting period and the variable pays are paid semi-annually. The variable pay is calculated based on the individual's base salary for the period in question.

The short-term incentives for the CEO and other members of the Executive Board are determined on the basis of the half-year targets set by the Board of Directors. The targets are based on the company's business targets set by the Board of Directors for the period in question and on the targets set for the business area for which the individual in question is responsible. The result factor described above applies also to the short-term incentive of the CEO and the other members of the Executive Board. The short-term incentive for members of the Executive Board corresponded to 20% of the base salary at the target level in 2012 and 40% of the base salary at the maximum level, taking the result factor into account.

**b) 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.

### Long-Term Incentives 2010–2012

On 4 February 2010, Finnair's Board of Directors approved a share-based incentive scheme for the years 2010–2012. The scheme offers key individuals an incentive based on share ownership, and its rewards are based on Finnair's financial success as well as its share price. The scheme also encourages the key individuals to acquire the company's shares, which in turn harmonises the goals of said key individuals with those of the company and its shareholders.

In the share incentive scheme, key individuals have the opportunity to receive the company's shares and cash payments for three consecutive annual periods according to the attainment of the company's financial targets. The scheme comprises shares, a share incentive paid in cash, and a purchasing incentive paid in cash. The incentives have the same earning criteria.

**a) Share-based incentive:** The earning period for the incentive paid in shares and cash is 2010–2012. Finnair's Board of Directors decides annually the individuals included in the share-based incentive scheme and their maximum allocation of shares. The shares earned under the incentive scheme vest in spring 2013 after the 2012 financial statements are confirmed. The cash reward equals 1.5 times the value of the shares at the time of payment and in most cases it corresponds to taxes and tax-related payments arising from the receipt of the incentive. The shares received as an incentive are subject to a three-year lock-up period.

**b) Purchasing incentive:** If a key individual belonging to the share-based incentive scheme purchases Finnair Plc's shares during 2010–2012, he or she will receive a cash incentive in the spring of the year following the share purchases. To qualify for the purchasing incentive, shares must be purchased between 1 January and 31 August of the year in question. The incentive equals 2.5 times the value of the shares acquired by the key individual multiplied by the attainment percentage of the annual targets of the share-based incentive scheme, using the share price of the time of payment. Under the scheme, in each financial year the number of shares that are taken into account is capped at 50% of the key individual's share incentive allocation. Share purchases that exceed this maximum amount will be taken into account the following year. Additionally, in order to encourage the participants to purchase the shares early in the scheme, the shares purchased in 2010 and 2011 will be taken into account in 2011 and 2012 to the extent the targets were not met in 2010 and/or 2011.

In 2012, the incentive scheme covered approximately 70 key individuals.

#### Returning received remuneration, adjustment and other special circumstances

If a recipient of a share-based incentive resigns or his/her service contract is terminated for reasons attributable to the person, the person is obliged to offer the shares received through this incentive scheme and being locked-up back to Finnair without any compensation. The Board of Directors may, however, at its discretion, decide that the person may keep the shares in part or in full. If a person's employment ends due to other reasons, he/she may keep the shares that have already been received. Paid purchasing incentives will not be returned to the company when a person's employment or service contract ends. The lock-up period for shares acquired by the person him/herself ends on the day his/her employment or service contract ends.

Remuneration paid under the incentive schemes may be adjusted if, due to changes in circumstances independent of the company, paying the remuneration would be unreasonable from the company's perspective. Payment of remuneration may also be postponed based on similar grounds, if earlier payment is deemed to have a negative effect on the company. Payment of remuneration may be cancelled and returning previously paid remuneration may be required, in full or in part, if the accrual of the incentive was influenced by unethical means. The Board of Directors may also refuse the payment of the incentive to an individual member of key personnel due to a weighty cause related to the individual.

Finnair's Board of Directors may also exercise its discretion in other special circumstances relating to remuneration. For example, after CEO Mika Vehviläinen resigned from his position on 27 January 2013, the Board of Directors and the outgoing CEO agreed to shorten the notice period to one month from the six months specified in his contract. Vehviläinen, who will leave Finnair on 28 February 2012, will not be paid a share-based incentive, but he will be paid the purchase incentive earned in 2012, which he would have been entitled to under the terms of the share-based incentive scheme even if the notice period had not been shortened to one month.

#### Earning criteria

The Board of Directors determines the financial targets of the share-based incentive scheme for each earning period annually. The pay-out corresponds to the attainment level of the targets. However, over a three-year earning period, the amount of the share-based incentive program may not exceed the total base salary for the same period. Two targets of equal weight are set for each annual target period. Between the minimum and maximum levels, the amount of the reward is determined in a linear manner. In other words, the reward is 0% at the minimum level, 50% at the target level and 100% at the maximum level. The criteria and targets are presented in the table below.

On 7 February 2013, Finnair's Board of Directors approved a new performance share plan for the key personnel of the Finnair Group. The new plan is described in more detail in the company's stock exchange release of 8 February 2013 and the company's website www.finnairgroup.com.

## REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting (AGM) decides annually on the remuneration and other financial benefits of the members of the Board of Directors and its committees. The election and remuneration of the members of the Board are prepared by the Nomination Committee formed by the representatives of the company's largest shareholders. The remuneration of the Board of Directors and its committees is paid in cash.

The members of the Board of Directors are not covered by the company's share incentive scheme or other incentive schemes.

The annual remuneration and meeting compensation sums decided by the 2012 AGM for the members of the Board of Directors are:

- Chairman's annual remuneration, 61,200 euros
- Deputy Chairman's annual remuneration, 32,400 euros
- Other Board members' annual remuneration, 30,000 euros
- Meeting compensation paid to members residing in Finland, 600 euros per Board or committee meeting
- Meeting compensation paid to members residing abroad, 1,200 euros per Board or committee meeting.

The members of the Board of Directors are entitled to a daily allowance and compensation for travel expenses in accordance with Finnair's general travel rules. In addition, the members of the Board of Directors have a limited right to use staff tickets in accordance with Finnair's staff ticket rules. However, the members of the Board of Directors are not in an employment or service relationship with the company and therefore are not entitled to other financial benefits.

Finnair's remuneration for members of the Board of Directors has remained unchanged since 2008.

| Year | Criterion | Minimum (0%) | Target (50%) | Maximum (100%) |
|---|---|---|---|---|
| 2010 | ROCE % | 0% | 2% | 4% |
| | EBITDAR (EUR million) | 112 | 162 | 212 |
| 2011 | ROCE % | 0% | 2% | 4% |
| | EBITDAR (EUR million) | 193 | 243 | 293 |
| 2012 | Adjusted gearing % | 105% | 91.5% | 75% |
| | EBITDAR (EUR million) | 100 | 160 | 220 |

ROCE = Return for Capital Employed.

EBITDAR = Earnings before Interest, Taxes, Depreciation, Amortisations and Rents.

The formulas for calculating key figures are presented on page 19.

**Paid remuneration to Board of Directors in 2012**

| | Annual remuneration* | Compensation for meetings, € | Taxable benefits** | Total |
|---|---|---|---|---|
| **Members 1 January–31 December 2012** | | | | |
| Harri Sailas (Ch.) | 61,200 | 10,200 | 21 | 71,421 |
| Harri Kerminen (Vice Ch. from 28 Mar 2012 onwards) | 30,000 | 12,300 | 479 | 42,779 |
| **Members 28 March–31 December 2012*** ** | | | | |
| Maija-Liisa Friman | 22,500 | 8,100 | 4,984 | 35,587 |
| Klaus Heinemann | 22,500 | 14,400 | | 36,900 |
| Jussi Itävuori | 22,500 | 14,400 | | 36,900 |
| Merja Karhapää | 22,500 | 8,400 | | 30,900 |
| Gunvor Kronman | 22,500 | 7,800 | 1,150 | 31,450 |
| **Members 1 January–28 March 2012****** | | | | |
| Elina Björklund | 7,500 | 3,600 | 1,051 | 12,151 |
| Sigurdur Helgason | 7,500 | 3,600 | | 11,100 |
| Satu Huber | 7,500 | 1,800 | 1,624 | 10,924 |
| Ursula Ranin | 7,500 | 1,800 | 1,106 | 10,406 |
| Veli Sundbäck (Vice Ch. until 28 Mar 2012) | 8,100 | 1,800 | | 9,900 |
| Pekka Timonen | 7,500 | 1,800 | | 9,300 |

Remunerations paid to the Board in 2012. Remuneration for some of the 2012 meetings was paid in early 2013 and is not included in the reporting above. The Board members' attendance in the 2012 Board and Committee meetings is described on page 51.

* The remuneration is expressed at the annual level but paid in monthly instalments.

** Taxable benefits include Finnair staff tickets. The members of the Board have a right to use staff tickets in accordance with Finnair's staff ticket rules.

*** The members were elected in the AGM on 28 March 2012 and received remuneration from that date onwards.

**** Membership in Finnair's Board of Directors ended at the AGM on 28 March 2012. The members received remuneration for the period 1 January 2012–28 March 2012.

## MANAGEMENT'S REMUNERATION

Finnair Plc's CEO in 2012 was Mika Vehviläinen. The Executive Board comprised of nine members in addition to the CEO. The Executive Board is presented on page 62.

### Summary of the remunerations paid to the CEO and other Executive Board members

| Salary and other remuneration paid, euros per year | CEO | 2011 | 2012 | Executive Board | 2011 | 2012 |
|---|---|---|---|---|---|---|
| **Base salary**<br>The salaries of the CEO and members of the Executive Board are decided by the Board of Directors. | **In total** | 576,490 | **576,227** | **In total** | 1,557,991 | **1,739,005** |
| **Employee benefits**<br>The employee benefits are pursuant to the company's remuneration policy and include travel benefits, a car benefit, club activities, sickness fund and Finnair Health Services. The CEO also had a housing benefit. | Car benefit | 11,313 | 11,340 | Car benefit | 71,989 | 84,083 |
| | Phone benefit | 240 | 240 | Phone benefit | 2,160 | 2,600 |
| | Housing benefit | 23,607 | 26,816 | Housing benefit | - | - |
| | **In total** | 35,160 | **38,396** | **In total** | 74,149 | **86,683** |
| **Short-term incentives***<br>Principles are described on page 57. | Target payout, % | 20% | 20% | Target payout, % | 20% | 20% |
| | Target achieve-ment, % | 16.4% | 25,6% | Target achieve-ment %, average | 20.4% | 25.6% |
| | **In total, euros** | 94,303 | **147,442** | **In total, euros** | 317,731 | **445,807** |
| **Long-term incentives** | | | | | | |
| **Share-based incentive scheme**<br>Principles are described on pages 57–58. | 2010 | **2011** | **2012** | 2010 | **2011** | **2012** |
| Number of allocated shares | 48,723 | 48,723 | 48,723 | 172,049 | 187,929 | 187,929 |
| Target achievement percantage | 32.3% | 0% | 97.3% | 32.3% | 0% | 97.3% |
| Accumulated value of incentive in euros** | 198,293 | 0 | 282 075 | 700,205 | 0 | 1,087,987 |
| **Purchasing incentives paid, euro***** | 0 | 72,000 | 0 | 0 | 61,562 | 0 |
| **Other payments**<br>In 2011, the management received a special one-time additional bonus payout. The special bonuses were based on the decision made by the Board of Directors in 2009. The purpose of these bonuses was to retain the Executive Board members and certain other key individuals during a transitional period from autumn 2009 to spring 2011. The retention need arose from the sudden resignation of the CEO in august 2009. These one-time bonuses were decided upon and promised under exceptional circumstances. | | 0 | 0 | | 1,299,549 | 0 |
| SALARY AND OTHER REMUNERATION PAID IN TOTAL | | 777,953 | 762,065 | | 3,310,982 | 2,271,495 |

* Earnings period for incentives paid in 2011 was 1 Jul 2010–30 Jun 2011 and for incentives paid in 2012 1 Jul 2011–1 Jun 2012.

** Computed value based on the share price on 31 December on each year. The actual value will be determined by the share price at the time of payment. The incentive is paid in 2013. Share based incentive will not be paid to the CEO due to his resignment on 28 Jan 2013.

*** Payable in the year following the purchases. The estimated value of purchasing incentive earned during 2012 accumulates to 141,039 euros for the CEO and 293,311 euros for the Executive Board based on the share price on 31 December 2012. The actual value will be determined by the share price at the time of payment.

## Supplementary pensions

### The CEO

The CEO accumulates pension in accordance with the Finnish Employees' Pensions Act. In addition Finnair has a defined contribution pension scheme that includes the CEO. The CEO's supplementary pension includes vested rights after a service of 48 months. The CEO's retirement age is 63 years.

CEO Mika Vehviläinen resigned from his position on 27 January 2013 and his service in the company ended on 28 February 2013. As his service at Finnair lasted less than 48 months, he lost his right to his supplementary pension.

### Executive Board

The members of the Executive Board accumulate pension in accordance with the Finnish Employees' Pensions Act. In addition, the company has a supplementary pension scheme that includes the members of the Executive Board.

All pension arrangements for members of the Executive Board are collective within the meaning of the Finnish tax laws. All supplementary pensions taken for the executives after 1 October 2009 are defined contribution schemes. The supplementary defined contribution pension arrangement currently applies to six members of the Executive Board. The annual contribution equals 10% of the income for the year (income being defined in accordance with the Finnish Employees Pensions Act). The supplementary pension includes vested rights. In supplementary pension agreements concluded after 1 January 2011 the vested rights apply after 24 months of service. The retirement age is 63 years.

All supplementary pension agreements concluded prior to 1 October 2009 are defined benefit schemes. The retirement ages under these defined benefit schemes are 62 or 63 years. These schemes applied to three members of the Executive Board in 2012. The amount of the defined benefit pension is 60% of the annual income determined by the average earnings for the four years preceding retirement, excluding the years with the lowest and highest earnings during the four-year period. The supplementary pension includes vested rights.

New CEO's and Executive Board members' service contracts will not include supplementary pension benefits. This change took place 1 January 2013.

## Termination of the service contract and severance pay

### The CEO

Both the CEO and the company have the right to terminate the service contract without cause. The notice period is twelve months for the company and six months for the CEO. In the event that the company terminates the service contract, the CEO is entitled to a severance pay corresponding to total salary for twelve months (base salary + taxable value of benefits) in addition to the salary for the notice period (12 months). The severance pay does not apply if the CEO resigns or retires.

### Executive Board

The notice periods for the company and for the current members of the Executive Board vary based on the time they began their service in the company, with the maximum notice period being 6 months. In the event that the company terminates the agreement, the member of the Executive Board is entitled to a severance pay corresponding to the base salary of twelve months in addition to the salary for the notice period. The severance pay does not apply if the contract of employment is cancelled, if the executive terminates the contract or retires.

Under a new policy adopted in 2012, the notice period for service contracts signed after 1 January 2013 is six months for both the company and the member of the Executive Board. In the event that the company terminates the agreement, the member of the Executive Board is entitled to a severance pay corresponding to nine months' base salary in addition to the salary for the notice period. This severance pay does not apply if the contract of employment is cancelled, if the executive terminates the contract or retires.

Management remuneration is also discussed in the notes to the Financial Statement: Note 9. Employee benefit expenses; Note 26. Share-based payments; and Note 27. Pension liabilities.

Read more on the Finnair website

WWW.FINNAIRGROUP.COM

# Board of Directors

## Harri Sailas

b. 1951, M.Sc. (Econ.)
Finnish citizen.
Chairman of the Finnair Board of Directors since 2011, member of the Board since 2010.
**Committee memberships:**
Remuneration Committee (Chairman).
**Main occupation:**
President and CEO, Ilmarinen Mutual Pension Insurance Company.
**Key positions of trust:**
Member of the Boards of Directors of Pohjola Bank Plc and Helsinki Region Chamber of Commerce. Chairman of the Boards of Directors of Finnish Pension Alliance TELA and Aalto University Properties Ltd.

## Maija-Liisa Friman

b. 1952, M.Sc. (Chem. Eng.)
Finnish citizen.
Member of the Finnair Board of Directors since 2012.
**Committee memberships:**
Audit Committee (Chairman).
**Main occupation:**
Board professional.
**Key positions of trust:**
Vice Chairman of the Board of Neste Oil Oyj, Chairman of the Audit Committee of TeliaSonera AB, member of the Boards of Edita Oyj, LKAB, the Finnish Securities Market Association and Boardman Oy. Chairman of the Board of Ekokem Oy and Helsinki Deaconess Institute.

## Jussi Itävuori

b. 1955, M. Sc. (Econ.)
Finnish Citizen.
Member of the Finnair Board of Directors since 2012.
**Committee memberships:**
Remuneration Committee.
**Main occupation:**
Senior partner, RJI Partners Limited.
**Key positions of trust:**
Member of the Board of Patria Plc.

## Gunvor Kronman

b. 1963, MA,
Finnish citizen.
Member of the Finnair Board of Directors since 2012.
**Committee memberships:**
Remuneration Committee.
**Main occupation:**
CEO of Swedish-Finnish Cultural Centre.
**Key positions of trust:**
Chairman of the Board of Plan Finland and Vice Chairman of the Boards of Crisis Management Initiative, Finnish Broadcasting Company YLE and Helsinki Music Hall. Member of the Boards of Finnish Red Cross Blood Service, Helsinki University, Konstsamfundet, Swedish Royal National Theater Dramaten (Sweden) and Victoria Augusta Hospital (Israel).

## Harri Kerminen

b . 1951, M.Sc. (Eng.), MBA.
Vice Chairman of the Finnair Board of Directors since 2012, member of the Board since 2011.
**Committee memberships**: Audit Committee and Remuneration Committee.
**Main occupation:**
Board professional.
**Key positions of trust:**
Member of the Boards of Outokumpu Oyj, Tikkurila Oyj and Normet Oy. Chairman of the Boards of Finpro ry and Finnish Industry Investment Ltd, and member of the Board of TT Foundation of the Confederation of Finnish Industries.

## Klaus Heinemann

s. 1951, Diplom Kaufmann,
German citizen.
Member of the Finnair Board of Directors since 2012.
**Committee memberships:**
Audit Committee.
**Main occupation:**
Board professional.
**Key positions of trust:**
Chairman of the Board of Directors of AerData, Member of the Advisory Board of Skyworks Holdings LLC.

## Merja Karhapää

b. 1962, LLM, PG IPR Diploma,
Finnish Citizen.
Member of the Finnair Board of Directors since 2012.
**Committee memberships:**
Audit Committee .
**Main occupation:**
Chief Legal Officer Sanoma Group.
**Key positions of trust:**
Member of the Board of Biotie Therapies Corporation.

Read more on the Finnair website

WWW.FINNAIRGROUP.COM
Current information about the Board of Directors

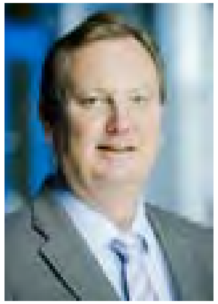
The FInnair Board of Directors were elected at the Annual General Meeting held on 28 March 2012.

# Executive Board

**Mika Vehviläinen**
b. 1961, M. Sc. (Econ.)
Finnair's President and CEO until 28 February 2013.
Joined Finnair in 2010.

**Gregory Kaldahl**
b. 1957, B. Sc. (Education)
SVP Resources Management.
Joined Finnair in 2011.

**Mika Perho**
b. 1959, BA.
SVP Commercial Division until 31 December 2012.
Joined Finnair in 1985.



**Manne Tiensuu**
b. 1970, M. Sc. Psych.
SVP Human Resources.
Joined Finnair in 2010.

**Erno Hildén**
b. 1971, M.Sc. (Econ.)
Finnair's CFO.
Joined Finnair in 1997.

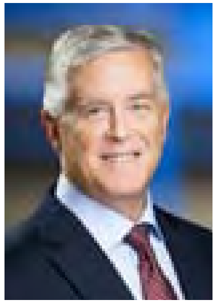
**Anssi Komulainen**
b. 1964, BA.
SVP Customer Service.
In Finnair's service between 1989 and 1999 and since 2001.

**Sami Sarelius**
b. 1971, LLM.
SVP and General Counsel.
Joined Finnair in 1998.

**Kaisa Vikkula**
b. 1960, D. Sc. (Econ.)
SVP Travel Services.
Joined Finnair in 2006.

**Ville Iho**
b. 1969, M. Sc. (Tech.) Finnair's Deputy CEO since 7 January 2013 and COO.
Joined Finnair in 1998.

**Allister Paterson**
b. 1960, MBA.
SVP Commercial Division since 7 January 2013.



**Arja Suominen**
b. 1958, MA, e-MBA.
SVP Corporate Communications and Corporate Responsibility.
Joined Finnair in 2011.

Read more on the Finnair website

WWW.FINNAIRGROUP.COM
Current information about the Executive Board.

# Information for the shareholders

### Annual General Meeting

The Annual General Meeting of Finnair Plc is held on 27 March 2013, at 15.00 at the Helsinki Exhibition & Convention Centre at the address Messuaukio 1, Helsinki, Finland. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 14.00. Coffee is served before the commencement of the AGM.

### The notice to convene the AGM

The notice to convene the AGM and the proposals of the Board of Directors to the AGM will be published as a stock exchange release and on Finnair's corporate website. The notice will contain the agenda for the AGM. Shareholders are entitled to having an issue put on the Annual General Meeting's agenda, provided that such an issue requires a decision by the Annual General Meeting according to the Finnish Companies Act, and provided that they request it in writing in due time to be included in the notice.

### The right the participate in the AGM

Each shareholder who is registered on Friday, 15 March 2013 in the Company's register of shareholders maintained by the Euroclear Finland Ltd has the right to participate in the AGM.

### Registration for the AGM

The shareholder who wants to participate in the general meeting and exercise their voting right can register to the meeting at the latest on 22 March 2013 at 10 a.m. Registration can be done:

- In the internet at www.finnairgroup.com,
- By e-mail to: agm@finnair.fi,
- By phone from Monday to Friday at 9.00–16.00 on the number: +358 20 770 6866,
- By fax: +358 9 818 4092 or
- By mail to: Finnair Plc, Register of shareholders, HEL-AAC/ 05, 01053 FINNAIR.

A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the shareholder's register of the company, the issuing of proxy documents and registration for the general meeting from his/her custodian bank. The account management organisation of the custodian bank will register a holder of nominee registered shares, who wants to participate in the general meeting, to be temporarily entered into the shareholders' register of the company at the latest on Friday, 22 March 2013 at 10 a.m. A shareholder may participate in the General Meeting and exercise his/her rights at the Meeting in person or by way of proxy representation. Possible proxy documents should be delivered in originals to Finnair Plc, Register of Shareholders AAC/5, 01053 FINNAIR on Friday 22 March 2013 at the latest.

### AGM 2012 – Important dates

- 15 March 2013 record date.
- 22 March 2013 at 10 a.m. EET deadline for giving notice of attendance.
- 27 March 2013 at 2 p.m. EET the reception of persons registered to the AGM will commence and at 3 p.m. EET the AGM will commence.

### Board of Directors' proposal on dividend

Finnair Plc's distributable funds were 263,092,639.25 euros on 31 December 2012. The Board of Directors proposes to the Annual General Meeting to distribute a dividend of 0.10 euros per share for 2012.

### Financial information in 2013

In 2013, interim reports will be published as follows:

- Q1 on Friday 26 April 2013
- Q2 on Wednesday 14 August 2013
- Q3 on Friday 25 October 2013

Financial report, financial statements and interim reports are published in Finnish and English. The material is available on the company website. Shareholders can subscribe or unsubscribe for the releases at www.finnairgroup.com

### Silent period

Finnair's silent period starts three weeks prior to publishing of its interim financials and four weeks prior to publishing of annual financial results. Finnair will not comment on its business or meet with capital market representatives during that period.

### Change of address

Shareholders are kindly requested to report changes of address to the custodian of their book-entry account.

### Changes in contact information

Euroclear Finland Ltd maintains a list of Company shares and shareholders. Shareholders who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly. Finnair cannot make these changes.

### Assessments regarding Finnair as an investment

According to information held by Finnair, at least the following analysts publish investor analyses of the company: ABG Sundal Collier, Carnegie Investment Bank, HSBC, Nordea and Pohjola Bank. Finnair does not accept any responsibility for the views or opinions expressed by the analysts.

# Contact Information


## Finnair

Helsinki-Vantaa Airport
Tietotie 11 A
FI-01053 Finnair
Tel. +358 600 0 81881 (€1.25 answered call + local network charge)
www.finnair.com
www.finnairgroup.com

**Chief Financial Officer**
Erno Hilden
Tel. +358 9 818 8550
erno.hilden@finnair.com

**Director, Investor Relations and Financial Communications**
Mari Reponen
Tel. +358 9 818 4054
mari.reponen@finnair.com

**Investor Relations Officer**
Kati Kaksonen
Tel. +358 9 818 2780
kati.kaksonen@finnair.com