FC.2312.

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ What this form is for
You may use this form to accompany your accounts disclosed under parent law

X What this form is NOT
You cannot use this form an alteration of manner with accounting requiren

TUESDAY

A4C32OPM
A08 21/07/2015 #396
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	Finnair OYJ
UK establishment number	B R 0 0 9 6 1 0

→ Filling in this form
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷ Finnish law

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ No Go to **Section A3**

☑ Yes Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸ Finnish law

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to **Section A5**

☑ Yes Go to **Section A4**

OS AA01
Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ **No** Go to **Part 3 'Signature'**

☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**

Name of organisation or body ❶

PricewaterhouseCoopers

❶ Please insert the name of the appropriate accounting organisation or body

A5 Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ **No**

☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

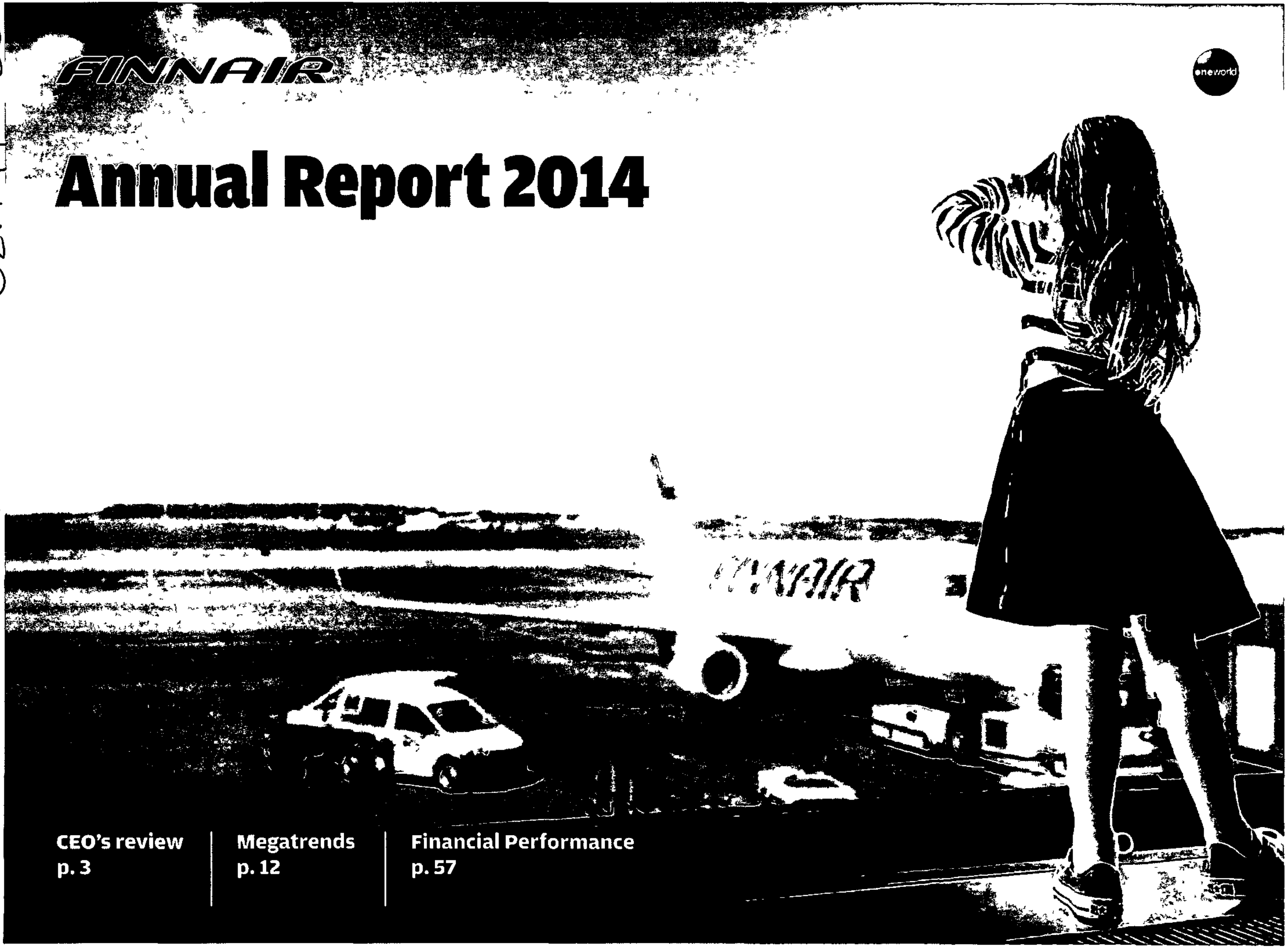
Signature

Signature

X X

This form may be signed by
Director, Secretary, Permanent representative

FC7312 027797-20



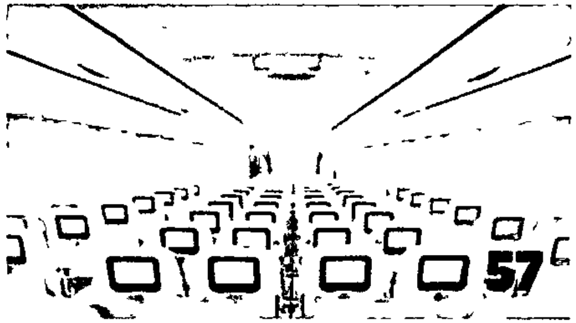
Annual Report 2014

Contents

About this report

The Finnair Group's main field of business is the provision of air transport and travel services The purpose of the Annual Report is to measure and account for the financial, economic, social and environmental performance of this enterprise, and to identify and explain the strategic business ramifications of this performance Shareholders, investors, analysts, media, customers, employees, other interested stakeholders and the general public at large comprise the report's intended audience

Finnair sees sustainability as a critical and strategic aspect of business performance, thus the Annual Report embeds material sustainability disclosures in its annual reporting framework The scope of the report is defined according to the Finnair Group's material activities in 2014 across all its units For more information on how materiality is determined, see the materiality and stakeholder matrix on pages 14–16



CEO's review

We had three focus areas in 2014 the conclusion of our cost-reduction program in cooperation with our personnel, the practical implementation of our commercial strategy – for example, in the form of product renewal initiatives — and restoring the company's profitability.

We achieved success in the first of these three objectives we took significant strides forward in 2014 in developing our operations and overhauling our cost structure. In 2014, we also achieved – and even slightly exceeded – the total cost reduction target of 200 million euros we set in 2011 and 2012 By the end of the year, we had accumulated 217 million euros in annual cost savings compared to the cost level of 2010 The effect of our cost-reduction program will be seen in full in 2015, with a further significant proportion of the savings agreed with personnel to be realised from 2016 onwards We expect our unit costs excluding fuel to continue to decrease in 2015

I am particularly pleased that we were able to reach cost saving agreements with all of our personnel groups Cost-consciousness has become a part of everything we do, and it creates a solid foundation for our work as we begin to pursue revenue growth This puts us in a good position to work together to build the Finnair of the future and strengthen Finnair's culture. For this, I would like to express my warmest thanks to our personnel, who have a strong commitment to Finnair

We also worked very hard to improve the services we provide to our customers The most prominent of our product and service renewals, namely the SkyBistro service on European flights, the Economy Comfort product in long-haul traffic, and the full flat seats in Business Class on long haul flights have all been well received by our passengers. I am proud that we have been able to maintain our operational quality even in a period of difficult cost-reduction programs we were the most punctual airline in Europe in 2014, and Finnair was named Northern Europe's Best Airline for the fifth consecutive time in SkyTrax's World Airline Awards Our passenger volumes grew and our aircraft load factors were higher than in the previous year.

We are also pleased to have developed our reporting on environmental responsibility. The Carbon Disclosure Project (CDP) awarded Finnair a position on The A List The CDP Climate Performance Leadership Index 2014, for actions to reduce carbon emissions and mitigate the business risks of climate change. Finnair is the only airline awarded an A grade Our efforts in the area of responsibility in 2014 were also recognised in January 2015 when Finnair became one of the first two airlines to be certified as a Stage 2 operator in the IATA (International Air Transport Association) Environmental Assessment (IEnvA) program The system is designed to independently assess and improve an airline's environmental management. Our aim is to develop continuously by improving our operations in terms of all of the various responsibility indicators we measure In September, we were the only airline to fly to New York for the UN Climate Summit using a more environmentally friendly biofuel mixture that was partly manufactured from recycled cooking oil

Our third objective, a profitable result, was one that we did not achieve The full-year operational result, -36 5 million euros, was a disappointment to us at Finnair A substantial factor contributing to the loss was a decline in turnover by 4 8 per cent compared to the previous year This decline in revenue was mainly attributable

Heading toward growth and the most modern long-haul fleet in Europe.

to a substantial decrease in unit revenues in passenger and cargo traffic, particularly in the first half of the year Further factors in the decline were the contraction in the sales of Aurinkomatkat-Suntours, and the loss of external turnover resulting from the restructuring of aviation services, such as the divestment of Finncatering and the airport shops of Finnair Travel Retail However, this trend appeared to take a turn for the better in the fourth quarter, when our unit revenue showed growth for the first time since the first quarter of 2013

We can also be satisfied with the fact that our balance sheet remains strong and our financial position is good

I am optimistic about the future, although there is still a lot of uncertainty with regard to the demand for passenger and cargo traffic, and competition in the industry remains tight. Fuel prices have decreased significantly, which is very good news for our industry We expect our turnover in 2015 to be at the same level as in 2014, but the lower price of jet fuel and the full effects of the completed cost-reduction program will support Finnair's financial performance in 2015

The year 2015 marks a new beginning for us we will seek revenue growth through the product renewals introduced in recent months as well as new services for additional fees We will continue to launch new services in 2015 that we expect to increase revenue as well as improve customer satisfaction

We will be the first European airline to roll out the new Airbus A350 XWB aircraft in our long-haul traffic The first scheduled A350 flight is planned for late October 2015 The new aircraft will offer our passengers a next-generation travel experience while facilitating the growth of our business we will immediately obtain additional capacity in cargo and passenger traffic, despite the fact that the first aircraft to be delivered are replacement investments The new aircraft will also improve the customer experience In two years' time, we will have the most modern long-haul fleet in Europe, comprised entirely of A330 and A350 aircraft This is a source of inspiration to all of us at Finnair

I hope that our good cooperation and dialogue with our various stakeholders will continue in 2015, and I thank you all for your trust in Finnair

Pekka Vauramo
CEO

@pekkavau

Highlights 2014

A year of significant reforms improved cost-competitiveness and allowed us to focus on core business as we seek to grow revenues and improve profitability.

New routes, new frequencies

In 2014 Finnair began operations to Tromsø in Norway, and increased winter flights to Finnish Lapland, in particular to Kittilä, Ivalo and Kuusamo, for more connections between Asia and Lapland's leisure destinations. Finnair also began service to Kazan, Nizhny Novgorod and Samara in the Russian Federation, each being served three times a week. Finnair also opened a new direct service to Miami.

Cost savings program completed

Finnair completed its 200 million euro cost savings program that it began in August 2011. Finnair reached conclusive labour agreements with its various employee groups, including those representing pilots and cabin crew which will allow Finnair together with its employees to open a new chapter and focus now on achieving profitable growth.

Sustainable developments

Personnel, media, loyal customers and corporate clients got a close look at the brand new Airbus A350 XWB aircraft, which visited Helsinki on a route-proving mission. The aircraft has received type certification and will begin service on Finnair routes in October 2015, consuming approximately 25 per cent less fuel over the aircraft it will replace.

Finnair used biofuel made from recycled cooking oil on its flight to New York on the day of the UN Climate Summit on September 23. Together with partners in the fuel supply chain, Finnair is currently investigating the possibility of establishing a biofuel hub at Helsinki Airport.

Finnair is the only airline globally named to the Carbon Disclosure Project's "A List" of companies taking active measures to reduce their carbon footprint. In the beginning of 2015 Finnair also became one of the two airlines to be certified for Stage 2 IEnvA, the cutting-edge environmental management system for the airline sector.

Joint businesses grow and add customer value

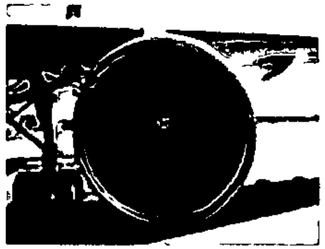
In April 2014, Finnair entered a joint business with **oneworld** partners British Airways and Japan Airlines, providing customers value with expanded schedules and connections between Japan and the EU. US Airways' merger with American Airlines meant that it joined the Atlantic Joint Business (with Finnair, American Airlines, British Airways and Iberia) on traffic between the EU and North America - adding 28 transatlantic routes to the joint business.

Product upgrade drive

All but three Finnair widebody aircraft - which are due to be retired from service gradually - now feature full flat seats in Business Class. The cabin retrofit of the long haul fleet was part of an ongoing product upgrade drive. Read more about the product development in page 22.

oneworld expansion

The **oneworld** alliance, which Finnair joined in 1999, completed a major expansion drive with new members SriLankan Airlines, TAM Airlines and American Airlines' merger partner US Airways. Finnair's customers can now earn and redeem Finnair Plus points travelling to nearly 1,000 destinations around the globe in more than 150 countries.



Strong balance sheet

Finnair completed the sale and leaseback of four Airbus A330 aircraft in its long-haul fleet, announced sale and leasebacks of three Embraer 190 and six ATR 72 aircraft and also completed the sale outright of three Embraer 170 aircraft that had been leased to and operated by other airlines.

LSG Sky Chefs exercised its option to acquire Finnair's Finncatering unit, while Finnair Travel Retail sold its airport shop operations to World Duty Free Group. These arrangements helped Finnair consolidate its financial position, manage risk, focus on core business and set the stage for future sustainable growth.

STRATEGY & VALUE CREATION

The fastest connections between North-East Asia and Europe.

Strategy and value creation

The cornerstone of Finnair's strategy is leveraging its geographical competitive advantage and the fastest connections in the growing market of air traffic between Asia and Europe.

The creation of value for Finnair's shareholders and other stakeholders is based on the company's ability to operate and grow its route network resource-efficiently and profitably, the way it treats customers, employees and other stakeholders and commits them to the company, and the ability to take the environmental and other impacts of operations into consideration. Ultimately, critical factors in the creation of value are the effectiveness of the processes used at Finnair, and the ability of Finnair's management to develop the company and manage the risks associated with operations.

Finnair's network – the smoothest connections between Asia and Europe

Finnair's business model is that of a network carrier, and it specialises in traffic between Asia and Europe. Helsinki's geographical location provides Finnair with a natural competitive advantage, as the most direct air routes between many cities in Europe and Asia happen to go through Finnish airspace. Helsinki is therefore a natural transfer hub. We also fly from the Baltic region (Finland, Scandinavia, the Baltic countries and Russia) to North America.

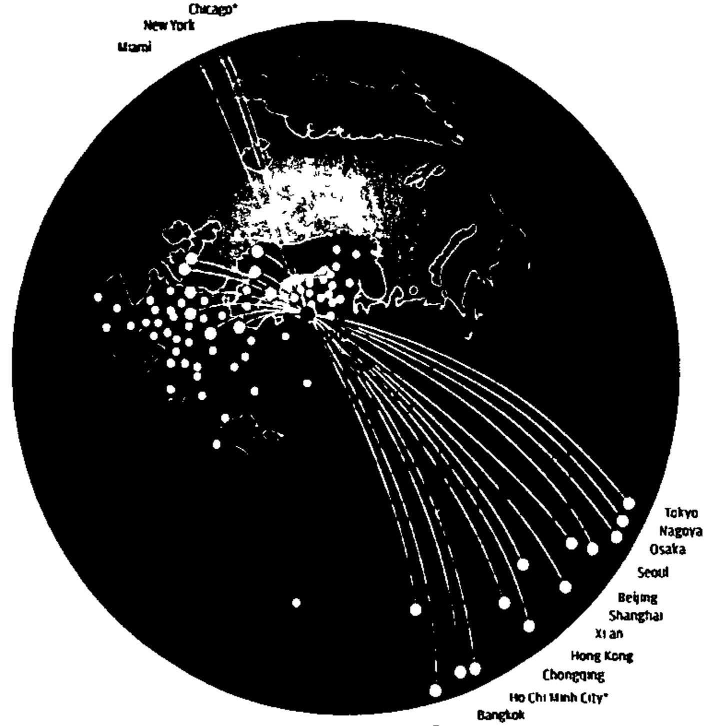
Our membership in the oneworld alliance increases the size of our network to nearly one thousand destinations around the world. Close cooperation with alliance partners on North American and Japanese traffic in particular is a priority for Finnair. We entered a joint business for flights between Europe and North America in 2013 and a joint business for flights between Europe and Japan in 2014. The joint businesses benefit our customers in many ways, significantly expanding the choice of destinations and offering more flexible routing and pricing options. For airlines, joint businesses are a way to gain benefits typically associated with consolidation in a highly competitive industry without actual mergers, acquisitions, or equity transfers between partners. Alliance partnerships and joint businesses have a significant impact on Finnair's revenue, and the expansion of the alliance in 2014 is estimated to have a positive impact on the company's long-term profitability.

Finnair's ability to operate its network safely and punctually from one of the world's northernmost air traffic hubs is integral to value creation. The transfer of passengers, baggage and cargo to connecting flights is ensured through efficient processes and cooperation with airport authorities.

Finnair's operational activities are described in more detail starting from page 28.

The Fleet – A350 XWB aircraft starts a new era

Finnair's fleet strategy is critically important to both revenue growth and cost management. The commonality of an all-Airbus fleet helps to optimize the use and training of flight personnel and maintenance



* Starting 2015

Helsinki's geographical location is a structural competitive advantage.

In 2014, Finnair flew 9.6 million customers and carried nearly 150,000 tonnes of cargo.

costs, while also facilitating efficient use of the fleet and flexibility in scheduled traffic

The introduction of next-generation Airbus A350 XWB aircraft to our scheduled traffic from October 2015 onward marks the beginning of a new era for Finnair *We will be the first European airline to operate these aircrafts* Airbus A350 XWB aircraft will substantially improve travel comfort and enable the company to offer new value-added services to customers The improved fuel efficiency and lower emissions of the new aircraft will increase cost competitiveness and meet the growing demand for more environmentally friendly and sustainable air traffic The new aircraft will also increase Finnair's passenger and cargo capacity in long-haul traffic

The Finnair fleet and the Airbus A350 XWB aircraft are described in more detail on pages 34 and 62

Designed for you – our customer promise

We pursue business and leisure travellers as well as cargo customers in fast-growing Asian economies, Finland and particularly those European cities that do not have direct connections to Asia A major proportion of the added value generated by our business operations is created at the customer interface The way we serve our customers before, during and after flights affects customer loyalty and the price they are prepared to pay for our services

In recent years, we have developed our services in a variety of ways to offer our customers an increasingly *enjoyable customer experience*

These renewal efforts related to passenger and cargo traffic are described in more detail starting from page 21

We take pride in having committed personnel

The airline business is a labour-intensive industry and our success depends significantly on our ability to commit our personnel to the company and recruit industry professionals to achieve our goals Flight personnel and ground service employees play a big role in operating our network and creating the customer experience, but equally important to value creation is the capacity of our experts to develop our product, negotiate traffic rights and manage partnerships

In 2013 and 2014, Finnair carried out complex negotiations with various employee groups to reduce personnel costs In 2014, we concluded important

Finnair's mission, strategic objectives and strengths

Finnair's mission is:

- To offer the smoothest connections in the northern hemisphere via Helsinki *and the fastest and best network to the world in its home market*
- To create value for shareholders by providing an attractive return on investment

Finnair's strategic objectives are to:

- Double Asian revenues by 2020 from the 2010 level
- Grow traffic via Helsinki by utilising Finland's geographic location
- Create shareholder value and be an attractive investment

Finnair's strategic strengths are:

- Competitive advantage due to geographical location
- Excellent operational quality and efficiency
- Top-class service – Northern Europe's best airline*
- Modern, fuel-efficient fleet
- Good financing position for implementing future fleet investments
- The quality of Helsinki Airport and its capacity to grow in line with growth in traffic demand

* Source Skytrax World Airline Awards report published in summer 2014

savings agreements with our flight personnel, which made us one of only a few network carriers that have reached agreements with all employee groups on savings that substantially improve the company's financial position without industrial action

Finnair's personnel, wellbeing at work and key projects affecting personnel are described starting from page 46

Environmental impacts

The airline business has many environmental impacts, the most significant of which are carbon dioxide emissions and noise The infrastructure required by air traffic also places a load on the environment. At the same time, the airline business benefits society by providing connections and creating jobs

The most significant way to reduce the environmental impacts of flying is investing in next-generation aircraft, such as the Airbus A350 XWB In addition to fleet investments, Finnair has improved fuel efficiency through operational measures and by making better use of infrastructure.

The environmental impacts of Finnair's operations are described starting from page 36

Helsinki hub – a permanent geographical competitive advantage

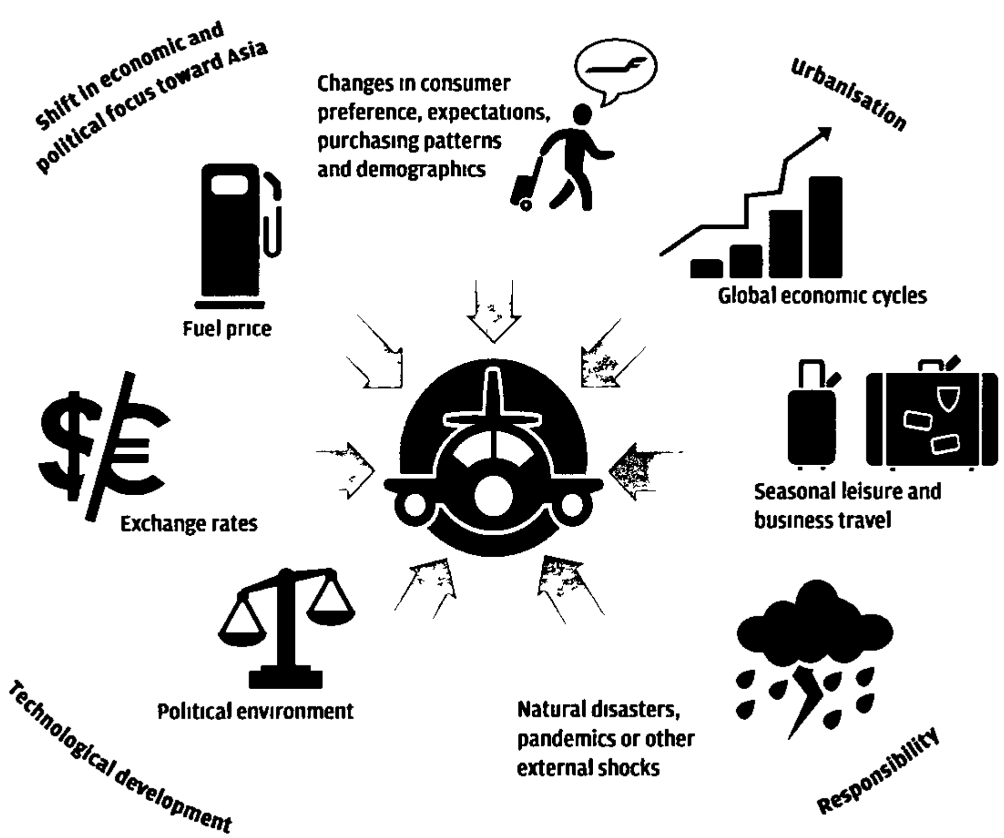
Our home airport plays an important role in the creation of value for customers and Finnish society A substantial proportion of the value we create is derived from the efficient operation of Helsinki Airport. Combined with our own expertise, it ensures the punctuality of flights, good customer service, and a reliability rating of over 98 per cent for connecting flights

External factors influencing airlines

The airline business is cyclical by nature and heavily influenced by external factors Typically revenues are high during economic upswings and considerably lower during periods of economic downturn For individual airlines, the yield also fluctuates based on the holiday and business seasons

Airlines must make decisions on significant fleet investments years before price-and-quality conscious travellers make their purchase decisions Aircraft delivery times may take years which means that airlines have to plan their business for the long term often at least 10 years ahead, especially in long-haul traffic This includes, among other things a plan for future destinations and network, the type of aircraft required, and the regulations they must comply with

It is often very difficult to foresee how the market will change between the order and delivery of an aircraft With the low margins in the airline business and the high capital expenditure needed for operating an airline, it is crucial to optimise all aspects of business operations to succeed It is also crucial to build resilience and flexibility for unexpected changes in the market environment



The geographical location of our home airport gives us a permanent competitive advantage compared to European airports located more to the west and south Helsinki's geographical location relative to northeast Asia means that almost all of Finnair's long-haul routes can be operated as round trips within 24 hours This reduces travel time, improves scheduling and enables a very high fleet utilisation rate along with a high capital efficiency Shorter flights also mean lower fuel consumption and lower emissions

Finnair's network strategy makes Helsinki Airport an active hub of international air traffic and logistics Finnair's current route network and its future expansion ensures that Finland will have more direct flight connections to other parts of the world than domestic demand alone could support This has a significant impact on the travel opportunities of Finns and on the Finnish business sector Aviation accounts for almost 4 per cent of Finnish GDP*, and according to an analysis conducted in autumn 2014 by ETLA, the Research Institute of the Finnish Economy, Finnair is the 10th most significant company for the Finnish economy** One of Finnair's strategic goals is to continue to grow air traffic through Helsinki by leveraging Finland's geographical location

* Oxford Economics "Economic Benefits from Air Transport in Finland" http://www iata org/policy/Documents/Benefits-of Aviation Finland 2011 pdf
** ETLA Brief 28 http://pub etla fi/ETLA Muistio-Brief 28 pdf

Management measures must ensure competitiveness

Finnair's goal is to generate shareholder value by focusing on its core business, improving its cost competitiveness, and increasing revenue The most important duty of Finnair's management is to ensure a successful future for the company The policies, guidelines and processes used at Finnair assist the management in managing and developing operations The management is also responsible for identifying changes and risks in the operating environment and making decisions to improve Finnair's competitiveness

Finnair has undergone a significant structural change in recent years to improve its competitive position This has shaped Finnair into an airline that is focused on its core business and has entered into partnerships for aviation support services These strategic partnerships have allowed Finnair to simultaneously improve the quality of its operations and, on the other hand, achieve cost reductions important for its competitiveness The structural changes and the successful implementation of a cost reduction program totalling 200 million euros between 2011 and 2014 have improved Finnair's capacity to adapt to the changes in the market, but the company must continue to improve its competitiveness

Finnair's financial performance is described starting from page 57 and Finnair's governance is described starting from page 121

A changing operating environment

Based on ICAO statistics and Airbus' forecast, revenue passenger kilometres have doubled every 15 years and will likely continue to do so * Airbus further forecasts that air traffic between emerging Asia and Western Europe will grow at an average rate of 4 0 per cent annually between 2013 and 2033, and between China and Western Europe at an average rate of 5 6 per cent annually over the same period This will provide Finnair with substantial opportunities for growth Today, approximately 23 million people travel annually between Finnair's current Asian and European destinations, and an estimated 45 per cent of these are transfer passengers without direct connections to their final destination ** Asian traffic already represents approximately half of Finnair's passenger traffic, and Japan is currently Finnair's second-largest market after Finland In the future, the share of traffic to and from China is expected to grow

The airline industry is highly competitive, and with the growth of the industry, the competitors have not just changed, but also multiplied Finnair's competitive landscape can be roughly divided into two parts short haul point-to-point traffic and Asian long haul transfer traffic In short haul point-to-point traffic, airlines with the lowest cost structures typically have the strongest competitive positions, and competition is mainly driven by price On the long haul transfer traffic scene, airlines with the largest network providing smooth and efficient end-to-end journeys typically have the strongest positions

European network carriers, Finnair included, have revised their operating methods and adjusted their cost base in recent years in response to competition from low-cost airlines and airlines based in the Middle East. Intense competition has led to more consolidation, alliances and joint ventures in the industry, with the aim of improving capacity discipline and profitability

* Source· ICAO Airbus Global Market Forecast 2014
** Figures are Finnair s estimates The estimates are based on oneway passengers and on MIDT data collected on the sales volumes of travel agencies and Finnair s estimates of airlines sales through their own sales channels such as websites Numbers reflect destination cities rather than airports and exclude seasonal routes

Air traffic doubles every 15 years.

Megatrends affecting Finnair

Shift in economic and political focus from the United States and Europe to developing countries

The gradual shift in economic and political focus from the United States and Europe to developing countries, and Asia in particular, is the strongest of the megatrends affecting the aviation industry Asian corporations are becoming globalised and their significance in the world market is growing The middle class is growing rapidly in many Asian countries

Asian travel will increase, and competition will intensify, as Asian airlines expand their operations to intercontinental flights At the same time, airlines and governments will also have to negotiate for more traffic rights Asian customers determine the expected standard of quality for service and products, and non-Asian airlines must increase their understanding of Asian culture and customers

Urbanisation

Migration flows from rural areas to cities continue to accelerate, particularly in China and other developing countries Especially in Asia, the number of cities with more than five million inhabitants will grow, as will the number of connections between such cities New markets will be created for airlines as traffic between these megacities grows Competition will intensify as regional airlines begin to operate on these routes

Technological progress, increase in the significance of network connections and digitalisation

Technological progress is leading to changes in purchasing behaviour, the comparability of prices and services online, and immediate feedback Consumers want and expect network connections everywhere they go Social media spreads news rapidly and requires businesses to react quickly

Airlines must anticipate changes, adapt to them and provide opportunities for buying, using services and sending feedback online Consumers want network access before, during and after their flights They increasingly want digital entertainment services during flights More advanced customer identification will also allow airlines to offer tailored services and a personalised customer experience

Increasing significance of responsibility

Political decision-makers, consumers and other stakeholders require businesses to operate more responsibly and transparently Regulation and reporting obligations will increase, and businesses are required to be more diligent in monitoring the ethical dimensions of their supply chains Consumers monitor the responsibility of companies' operations and give feedback on social media

The airline industry will face stricter regulations on emissions and noise, with increased regulation resulting in added costs such as tax-like payments Airlines must increasingly cooperate on issues related to safety, emissions, noise and passenger rights

Megatrend	Impact on the industry and Finnair	Our response
The shift in economic and political power to Asia	• Traffic between Asia and Europe grows • Intense competition continues • Increased importance of understanding Asian markets	• Renewal of the new generation long-haul fleet from 2015 onwards • New Asian destinations additional flights • Increasing Finnair's understanding of Asian markets • Good stakeholder relations
Urbanisation	• New markets are created • Intensifying competition	• Fastest route between Asia and Europe
Technological development	• Increasing significance of online services and network connections • New opportunities for serving customers	• Developing online services • Developing inflight entertainment systems Developing the service experience • *Designed for You* concept
Sustainability	• Increase in regulation and reporting requirements • Increasing significance of open communication	• Investments in a more environmentally friendly and efficient fleet and operations • Developing our operations towards greater efficiency and responsibility • Monitoring the supply chain • Participating in joint sustainability projects in the industry • Developing our reporting and stakeholder communications related to responsibility

Key performance indicators

Indicator (KPI) and target level	Actions taken in 2014	Performance in 2014
FINANCIAL INDICATORS		
• Operational result at least 6% of revenue	• Seeking additional revenue through product and service development Read more on page 18 onward • Optimisation of the fleet and route network Read more on page 28 onward • Implementation of the cost reduction programs commenced in 2011 and 2012 Read more on pages 49 and 60 • Fleet financing arrangements carried out in 2014 to maintain a strong balance sheet Read more on page 62 • Transfer to full Airbus fleet Read more on pages 34 and 62	✕ Operational result -1 6% of revenue
• EBITDAR at least 17% of revenue		✕ EBITDAR 7 7% of revenue
• Positive economic added value in excess of 8% of the cost of capital (WACC pre-tax)		✕ Negative operational result ✕ ROCE -6 5%
• Adjusted gearing no more than 140%		✓ Adjusted gearing 107 5%
• To pay, on average, at least one-third of the earnings per share as a dividend during an economic cycle The aim is to also take into account the company's earnings trend and outlook financial situation and capital needs for any given period		✓ The Board proposes that no dividend be paid for 2014
• CASK (Cost per Available Seat Kilometre) excluding fuel decreases from 2013 level		✓ CASK excluding fuel decreased by 1 1% compared to 2013
• Increase in RASK (Revenue per Available Seat Kilometre) from 2013 level.		✕ RASK declined by 2 2% compared to 2013 Currency neutral RASK declined by 1 9% compared to 2013
OTHER BUSINESS INDICATORS		
• Fuel consumption per available seat kilometre (ASK) will decrease	• Transfer to full Airbus fleet Read more on pages 34 and 62 • Reducing emissions Read more on page 39	✓ Fuel consumption / ASK decreased by 0 03% compared to 2013
• Emissions per available seat kilometre will decrease.		✓ CO_2 emissions / ASK decreased by 0 03% compared to 2013 ✕ NO_x emissions / ASK increased by 3 0% compared to 2013
• Customer satisfaction, read more on page 27	• Developing the product, service and network to better meet customer needs Read more on page 22	✓ Overall customer satisfaction 8 1/10
• The 4D wellbeing at work index Read on page 47	• Management programs and training programs Read more on page 55	✓ Wellbeing at work index 3 9/5
• Decrease in absences due to sickness		✕ Absence rate due to sickness was 4 6% in 2014, same as in 2013

Responsibilty at Finnair

Financial, social and environmental sustainability is integral to Finnair's overall business strategy and operations We want to be responsible world citizen and response to our stakeholder needs also from the CR perspective We report annually on various sustainability indicators in a consistent manner, based on the GRI guidelines This helps us to meaningfully measure our performance and, in business, what gets measured, gets improved

Many aspects of sustainability are clearly important to both our external stakeholders and our personnel. The wellbeing and safety of passengers and employees are the highest priorities in our materiality analysis/questionnaire They are followed by fuel efficiency, future competitiveness, environmental legislation, business continuity and cost efficiency Stakeholders are also very interested in climate change and working conditions Lobbying, public policy and noise pollution are little bit less meaningful for both stakeholders and management Nevertheless, even these issues are significant priorities for all and are thus given due attention in Finnair's decision-making and communications

In addition to transparent communications and reporting, it is important to make sustainability an integral part of our product and the Finnair brand Stakeholders need to be listened when designing the sustainability elements We must show that the choices we make will be meaningfully reflected on customers and other stakeholders Responsibility in operations rarely leads directly to revenue Instead, it justifies the company's growth and future operations in the market, and is part of the reputation and risk management.

IIt might not be relevant to even expect or pursue direct financial results from the CR activities, however, stakeholder interest in responsibility may be reflected in higher customer loyalty and better cooperation with partners and other stakeholders Investing in corporate responsibility needs to be linked to the business goals and values – CR strategy needs to coherent with these and important part of the overall all company strategy

In recent years the notion "Shared value" has emerged In many cases corporate responsibility does benefit many groups and goals at the same time A good example of a successful partnership that benefits all parties concerned is the Unicef project launched in 2014, that enables the online-donation to Unicef while booking the flight Thanks to a new product developed in partnership with Amadeus, providing this support is easier and this important issue can achieve greater visibility More information on this project is on page 23

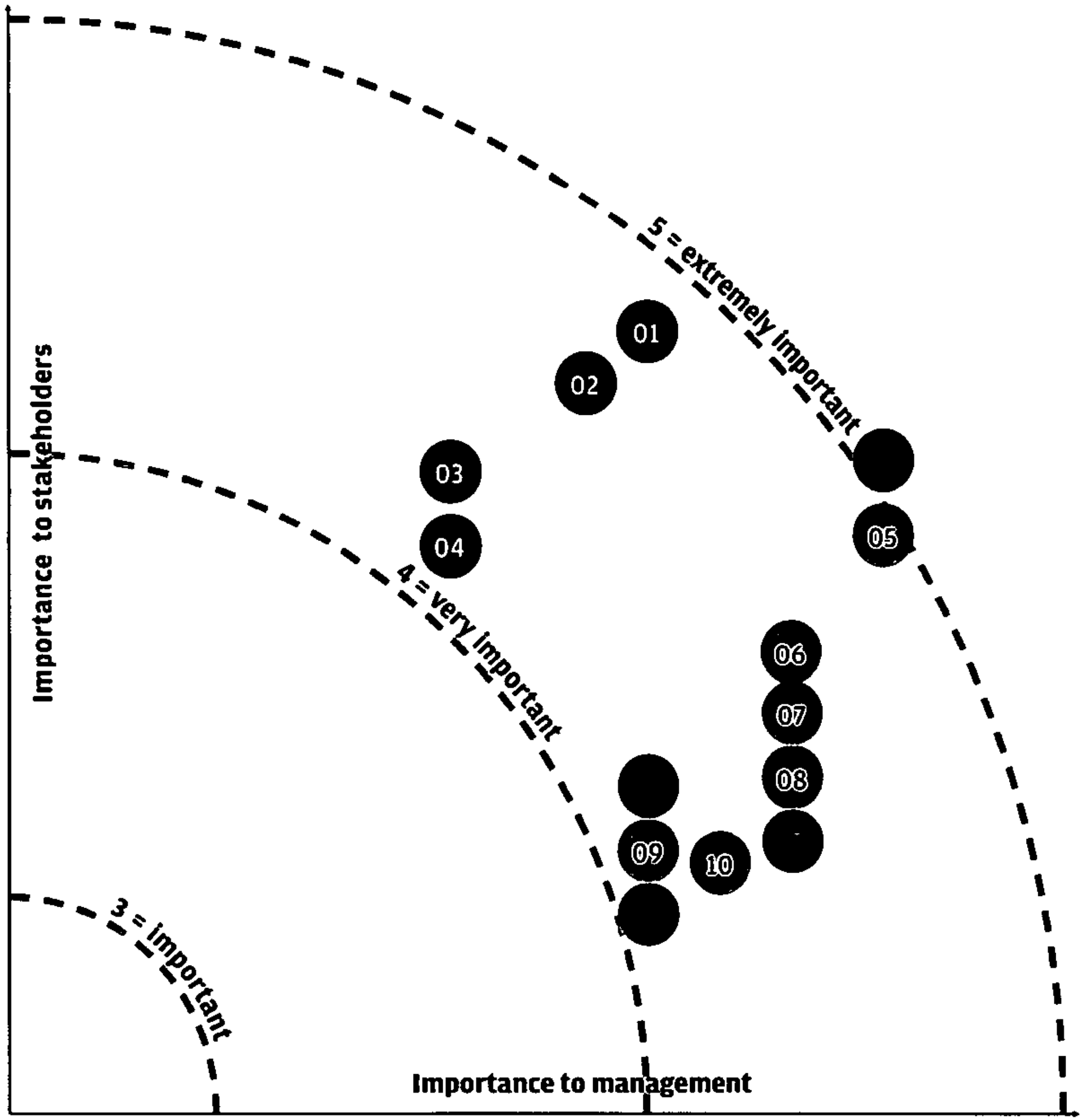
In cooperation with our partners we always strive to involve various stakeholders and bundle and benefit different parties of society in a larger scale. By doing this we are able to create added value through sustainability activities We are calling for active dialogue also in the future enabling us also collect information of the success and importance of our CR work

Kati Ihamäki
VP, Sustainable Development

@Katiihamaki

Responsiveness to stakeholders helps us create added, sustainable value.

Materiality matrix



Social responsibility

- 01 Passenger health and safety
- 02 Employee safety
- 03 Anti-corruption and bribery
- 04 Ethical code

Economic responsibility

- 05 Future competitiveness
- 06 Business continuity
- 07 Cost-efficiency
- 08 Strategic strengths and weaknesses
- 09 Economic performance
- 10 Business strategy and its connection to corporate responsibility

Environmental responsibility

- Fuel efficiency
- Environmental legislation and regulation
- Efficient air traffic management
- Energy

Stakeholder engagement

How Finnair communicates and cooperates with stakeholders

	Subjects	Channels
Customers	The travel experience, customer service issues, product quality on time performance emissions and noise reduction, safety, recycling, responsible tourism, charity and corporate responsibility projects via Finnair Plus	Surveys, research, written feedback, Finnair websites, social media, customer events Blue Wings magazine, customer service encounters at every stage of the journey messages to Finnair Plus customers
Personnel	Occupational health and wellbeing at work, target setting, Code of Conduct and ethical issues, changes to improve productivity, increasing trust, reducing environmental impact on the job, career assistance for employees made redundant	Intranet, internal blogs theme weeks personnel events, 4D Wellbeing At Work survey occupational health unit performance dialogue sessions, discussions with labour organisations, Career Gate
Shareholders and investors	Market environment and competitive landscape, company s operations, goals, strategy and financial position	Stock exchange bulletins of periodic and on-going information regarding financial development including interim reports, financial statements, report of the Board of Directors and Corporate Governance Statement stock exchange bulletins, Annual General Meeting, investor, analyst and media meetings and events, corporate website, Carbon Disclosure Project
Aviation sector	Safety, emissions reduction, emissions trading, air traffic management, biofuel supply chain development, sustainable tourism, economic impact of sector	Membership in IATA and AEA, membership in STLN for sustainable tourism oneworld alliance member Joint Businesses cooperation with Finavia and other airport operators sector seminars and working groups, manufacturers
Authorities and government	Safety, emissions trading, air traffic management, supply chain responsibility, economic contributions of aviation, impact of operations on environment and noise, traffic continuity biofuels employee relations	Dialogue with Finnish and foreign authorities and governments, events and other cooperation with Finnish Consumer Agency, Flight Safety Authority (TraFi), embassies and other relevant Finnish and foreign actors
NGOs and companies with sustainability approach	Greenhouse gas emissions reduction, environmental remediation public health measures, disaster relief, wildlife protection, common interest projects for sustainability and development cooperation, supply chain responsibility	Cooperation with Finnish Association for Nature Conservation, Baltic Sea Action Group UNICEF Finnish Red Cross and other NGOs Member of the Carbon Disclosure Project Partnerships with sustainable design firms such as Tikau, U6 and GlobeHope
Suppliers	Cooperation efforts to reduce emissions and other environmental impacts, monitoring of responsibility everywhere in the value chain	Contractual cooperation, Finnair procurement guidelines and Supplier Code of Conduct, extranet
Media	Daily operations and irregularities, company strategy and business, emissions reduction, personnel relations, financial sustainability, economic contributions of aviation, ethics, charitable cooperation projects, trends in traffic, biofuels, emission trading, noise impact of aviation on local economy and mobility	Press releases, press conferences visits by reporters, press trips, interviews, websites, media desk, social media Blue Wings magazine
General public	Customer service, product quality, labour relations, economic contributions of aviation, ethics, emissions reduction, presence in local economies, charitable cooperation projects, corporate citizenship	Communications via media websites e-mail and lectures, social media including blogs, Facebook Twitter and Sina Weibo

CUSTOMERS

Finnair is a service company. We listen to customers' wishes.

GRI:
PR3, PR5, SO1

Active listening improves the customer experience

In developing the customer experience, Finnair first looks inward and builds on its inherent strengths a convenient and compact hub, efficient and punctual operations, a modern fleet, and professional and knowledgeable employees But Finnair must also be alert to external changes in the market and to larger trends As a service company Finnair must meet customer needs, and listen to customers very carefully Customer satisfaction is one of our key measures

To meet the needs of customers, we sought to improve the product development process, and integrate it within our marketing operations so that market outreach activities are closely informed by the real customer experience and vice versa We carried out a detailed survey of nearly 8,000 of our customers in both Europe and Asia That resulted in several product upgrades, which are outlined in the case on page 22

New commercial strategy

Apart from product development, we identified several other areas for improvement in our new commercial plan, which we spent much of 2014 implementing Among other activities this involved

- Raising revenue management science to a new standard with new tools and revised workflows
- Introducing world-class business analytics tools to support decision-making
- Implementing a new capacity optimisation process to fill more aircraft and drive significant extra revenue

Customer satisfaction is one of our key performance indicators.

- Creating an e-commerce plan and starting to build Digital Finnair
- Reviewing overbooking practices to optimise revenue and drive up passenger load factors

Digital Finnair

The final plank in the new commercial strategy is the urgency with which the organisation is building Digital Finnair This entails everything from being present and helpful in social media to increasing automation to providing wireless Internet access on board

Finnair supports the goals of IATAs Fast Travel, an automation program covering check-in, baggage drop, document check, boarding, flight rebooking and bag recovery Finnair in fact is a Fast Travel Gold airline (as designated by IATA) for its automated processes for all of these activities at Helsinki Airport and many outstations, reducing queues at airports and giving customers more options for self-service during their journey

In 2014 Finnair built on its automatic capabilities by making mobile boarding passes (at all airports where these are permitted, including Helsinki Airport) also available in the Passbook of Apple iOS devices In May Finnair and Finnish airport operator Finavia also introduced self-service bag drop kiosks at Helsinki, Oulu and Turku airports These units allow customers to tag and drop their checked baggage without assistance, provided that they have checked in online or at a self-service kiosk Of course, customers who require assistance can still receive personal service from the regular baggage drop counters, which remain open as usual

In social media, Finnair engages with customers on various platforms (Twitter, Facebook, Pinterest, YouTube, Sina Weibo) in six languages English, Finnish, Swedish, Chinese, Japanese and Korean The company's objective with this dialog is to listen and learn, improve brand awareness, support sales and – last but certainly not least – answer customers' questions Helping customers and solving problems is especially vital when customer's travel plans change or operations are subject to a disruption During summer 2014 Finnair gradually implemented chat service both in Finnish and in English to support customers while booking online on Finnair web

Another key component of Digital Finnair is the mobile application launched late in the year for Apple iOS devices – and rolling out on other mobile platforms later – which aims to be the customer's personal digital assistant at every stage of their journey More information on this is detailed in the case on page 22

Finally, in 2014 Finnair committed to providing wireless Internet access (Wi-Fi) on board its Airbus A350 long-haul aircraft, which enter service in the second half of 2015 We are also studying very closely the possibility of adding Wi-Fi capability to the rest of our fleet in both long-haul and short-haul operations

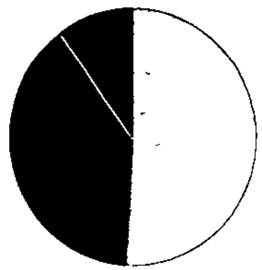
oneworld completes historic wave of expansion

The Finnair Plus program and the value it generates for customers has taken on new meaning, as oneworld has grown significantly in membership and provides Finnair Plus customers even more benefits

In social media, Finnair engages with customers in six languages.

Revenue passenger kilometres by traffic area

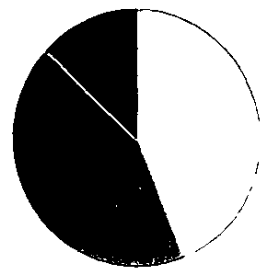
%



- Asia 51%
- Europe 39%
- North Atlantic 6%
- Domestic 4%

Distribution of passenger revenue

%



- Asia 44%
- Europe 43%
- North Atlantic 5%
- Domestic 8%

oneworld gives Finnair Plus members access to the route networks of 15 world-class airlines and their affiliates.

and more opportunities to "earn and burn" points on the route networks of 15 world-class airlines and their affiliates

SriLankan Airlines joined the alliance in May, completing a two-year wave of intense growth at oneworld, which since Air Berlin's entrance in March 2012 has also seen the addition of Malaysia Airlines, Qatar Airways, TAM Airlines and American Airlines' merger partner US Airways The result is a combined fleet 50 per cent larger than in 2011 This amounts to a substantial boost to Finnair's network feed and a quality customer experience across a collection of the leading airlines from each global region

We also began codesharing with new oneworld member SriLankan Airlines to its hub in Colombo, making the fast-growing tourism and leisure facilities in Sri Lanka more available to Finns and Scandinavians

Joint businesses off to a good start

Finnair has also taken steps to shore up relations within the alliance, delivering more value to customers and creating more revenue synergies In April Finnair successfully integrated into the Siberian Joint Business (SJB) with fellow oneworld members Japan Airlines and British Airways The SJB – an agreement to share revenue and coordinate pricing on traffic between Japan and Europe – makes Finnair part of the largest player in this market and transforms our possibilities to grow in Japan This means that on any itinerary between Japan and the EU (plus

Choose your own adventure

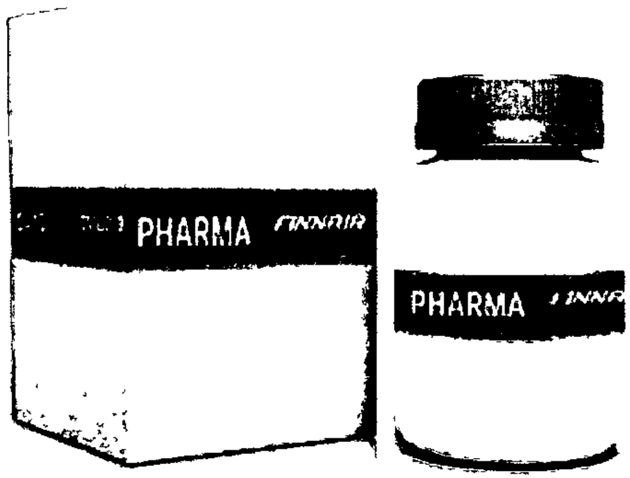
Many of Finnair's more purely tourist-oriented destinations in the past were available only as charters by tour operators selling package tours, as in Finland that was the consumer preference However those attitudes have been changing, and in 2014 Finnair began moving many of its leisure destinations over to regularly scheduled service The change also enables some of these holiday destinations to take on more transfer passengers from Finnair's scheduled services, particularly from Scandinavia, the Baltics and Russia

As a result, flight-only tickets to popular holidays destinations in Europe like the Canary Islands, Crete Cyprus Mallorca and Madeira as well as Krabi and Phuket in Thailand and Ho Chi Minh City in Vietnam, are now available to book on Finnair com or via travel agents

Finnair's tour operator subsidiary Aurinkomatkat (Suntours) continues to offer full package tours, and other tour operators of course also remain free to book blocks of seats on these and all other Finnair scheduled traffic This change merely puts the customer in charge, free to design their own bespoke holiday or let a tour operator take care of all the details for them

Norway and Switzerland), Finnair sells jointly and operates on a metal-neutral basis We treat all SJB customers as if they were our own

2014 also marked a milestone for our other joint business, the Atlantic Joint Business (AJB) with American Airlines, British Airways, Iberia and now US Airways, which joined after its merger with American Finnair's new partner adds more than 50 destinations to the oneworld and AJB maps, including new hubs in Philadelphia, Charlotte and Phoenix From the Finland point of sale, now even more North American destinations are only a one-stop itinerary away, providing more value still to the customer proposition.



Finnair Cargo is one of the first carriers to operate with IATA's Pharma certificate.

Cargo contributes to Asian growth

Finnair Cargo is the Nordic region's largest air cargo carrier transporting more than 150,000 tonnes of freight and mail annually mainly between Europe and Asia, with cargo logistics hubs in Helsinki and Brussels as well as an extensive General Sales Agent network in 47 countries

Most of Finnair Cargo's capacity is belly freight on passenger aircraft The belly freight capacity will double in the coming years, with the arrival of Finnair's new Airbus A350 XWB aircraft, which play a key role also in the growth of Finnair's cargo business

The fast cargo connections offered by Finnair reach practically all markets in Europe and are especially suited for high-value products, such as high-tech products, time-sensitive components, pharmaceuticals and perishables In 2014 Finnair Cargo was responsible for 19 per cent of revenue on Finnair's long-haul passenger routes a proportion which has grown thanks to the secondary Cargo hub in Brussels which has boosted cargo revenue growth between Central Europe and Asia by 35 per cent since being introduced in April 2013

Brussels is also important as a key delivery hub for pharmaceuticals - a growth opportunity for Finnair, as European pharmaceuticals such as vaccines and biotech medicines become more in demand in China and other Asian countries Finnair Cargo takes part in IATA's Center of Excellence for Independent Validators in Pharmaceutical Handling programme (CEIV Pharma), and aims to receive IATA's Pharma certificate in the first half of 2015 Pharmaceuticals are among the most delicate products transported as air cargo, and it is essential to ensure their transport in a standardised way, following strict temperature control requirements

Highlights in product development in 2014

Based on extensive customer research we implemented several product renewals for smoother air travel.

Economy Comfort

Finnair has two travel classes, Economy and Business, and this division will prevail in the future We learned though that some of our customers would like to enjoy more comfort in long haul Economy when Business Class travelling is not an option We wanted to answer customers needs and we created Economy Comfort for long haul flights The Economy Comfort starts at 45 EUR, and includes four inches of extra legroom, a better headrest, quality headphones and a personal amenity kit. The seats went on sale in October, and so far revenue performance is in line with expectations

Sky Bistro

Finnair introduced a new buy-on-board Sky Bistro offering in Economy class on European routes By offering a high-quality, mix-and-match selection of warm meal options - bought on board or tailored in advance (Pre-order meals) at finnair com - we aim to increase customer satisfaction by vast selection of items and open an important new revenue stream as well Sky Bistro was introduced in November and early feedback is encouraging

Mobile app

In December 2014 Finnair launched the Finnair mobile app, which aims to be the customer s personal concierge or assistant along every step of their journey, providing personalised flight information, upgrade offers and Finnair Plus account services The app was rolled out for iOS devices at the end of 2014, and other platforms will follow

Entertainment system

We refreshed the interface for long-haul in-flight entertainment system with better navigation and more content, including magazines and newspapers

Full flat seats in Business Class

In 2014 Finnair completed the cabin retrofit of its long haul fleet This means that 12 of Finnair's 15 long-haul aircraft now feature seats in Business Class that convert to fully flat beds The remaining three aircraft without the new seating arrangements are due to be retired from service gradually

Lounges

On the ground, both Finnair lounges at Helsinki Airport were also renovated and expanded, with more than 40 per cent more lounge capacity in the Schengen-area lounge and a new Premium Lounge annex - reserved for top tier Finnair Plus cardholders and oneworld equivalents only - adjoining the Finnair Lounge in the non-Schengen area Both lounge renovations were designed by dSign Vertti Kivi & Co

Finnair and long-term partners

Long-term partnership and the option to donate points all year round give the best results

Online donations to benefit children

Finnair and UNICEF have cooperated for 20 years, which makes UNICEF Finnair's oldest partner The cooperation entered a new phase in October when the travel service information system provider Amadeus added a donation option to Finnair s online booking engine When booking flights, customers can now donate one five or ten euros to the UNICEF Schools for Asia initiative which aims to change the lives of children through education in 11 Asian countries Donations are accepted on all of Finnair s 37 local websites

The introduction of the new donation method brings to an end the former practice of collecting cash donations for the Change for Good campaign on year-end flights, but there are still currency donation boxes in Finnair's lounges at Helsinki Airport and in employee facilities.

Friends of Children's Hospitals

Finnair has worked with the Association of Friends of the University Children s Hospitals since 1995 Over the years, the partnership has involved Finnair employees, as well as customers donating points

In 2013, we launched a trauma mattress fundraising campaign at our 90th anniversary celebration. We promised the association that Finnair would match employee donations for trauma mattresses. We kept our promise and the trauma mattresses were donated in May

Punainen Risti

Red Cross

In many past years, Finnair has assisted the Finnish Red Cross during emergencies by donating its logistics expertise and transport services Finnair customers can also support this partnership by donating points to the Disaster Relief Fund

Pink Ribbon

Finnair has been a supporter of the Cancer Society of Finland s Pink Ribbon campaign for four years Finnair's customer service personnel pin pink ribbons on their lapels for the month of October We use the ribbons and our communications to spread breast cancer awareness and promote the collection of donations for the Pink Ribbon fund We also arrange information sessions and campaign for healthy lifestyles and habits internally in the company

Over the course of several years of cooperation, we have observed that donations of points increase substantially during the campaign month The pink ribbons on Finnair employees lapels are an effective message to our customers

Tikau – Design helps

Tikau is a Finnish company that works together with its sister organisation, Tikau Share, in rural India to educate and employ disadvantaged communities with the aim of empowering them and ending the cycle of poverty One of Tikau's operating locations is a small village in the Odisha region The education and assistance projects are aimed at teaching the villagers to produce handmade products that are in line with the principles of sustainable development, thereby providing a livelihood for themselves

Finnair helps Tikau with logistics and fundraising, and has donated items to the villagers, including blankets that are no longer used on Finnair flights

Forestation project in Madagascar

Finnair's multi-year partnership with the Finnish Association for Nature Conservation is related to the conservation of lakes, mires and rivers as well as promoting biodiversity Most recently Finnair and its customers supported the Manondroala forestation project to expand rain forests in Madagascar

Finnair chose to support this project aimed at promoting biodiversity despite not operating flights to Madagascar or nearby areas

Support for the Baltic Sea

The Baltic Sea Action Group is an independent nonprofit foundation that engages in concrete efforts to save the world s most polluted sea, the Baltic Sea Finnair has supported the foundation in various ways over the years, with customers points donations to the foundation now established as a permanent aspect of the partnership

Social indicators

SO1

Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

As a company, Finnair is not deemed to have a significant direct impact on local communities outside Finland For this reason, no detailed programs relating to the assessment and management of the impacts of operations on local communities have been considered necessary However, the impacts are monitored and assessed as part of the monitoring of the subcontracting chain and the Group's ethical programs

In 2010, Finnair joined the international Sustainable Travel Leadership Network, which promotes sustainable tourism Finnair and the tour operators and travel agencies belonging to it have signed the Helsinki Declaration, which aims to promote sustainable tourism

However, Finnair recognises that the tourism industry has significant impacts on local communities around the world Of Finnair's subsidiaries, the tour operator Aurinkomatkat-Suntours and the travel agency Finland Travel Bureau Ltd, in particular, occupy a special position in respect of their opportunities for influence in this field

Finland Travel Bureau supported In a Car to Nepal movie

Finland Travel Bureau supported In a Car to Nepal – a Movie of Dreams, which is Finland's first-ever fully crowdfunded film production The subject of the charity film is Juho, a man with a dream of a more equitable world Juho previously worked in Asia, where the poor living conditions of the casteless people of Nepal left a strong imprint in his mind He wanted to find a way to help the casteless and decided to drive a car to Nepal to bring back 5,000 pieces of jewellery made by the residents of a women's safe house to be sold in Finland His desire to help grew into a plan to drive a van to Nepal, and a charity film to document the journey

Fundraising activities around the journey helped the In a Car to Nepal team build two schools in Nepal and renovate a further three schools, hire three teachers for one year, and raise more than EUR 70,000 in funds A company named Store of Hope was established for the purpose of selling the jewellery, with the proceeds going to fund the operations of safe houses for women and street children in Kathmandu

Aurinkomatkat-Suntours supports projects in holiday destinations

Aurinkomatkat-Suntours has various support recipients and projects at its holiday destinations, which are described below in more detail They allow Aurinkomatkat-Suntours to give its customers a concrete opportunity to support local residents

Helping low-income families in Langkawi

In Langkawi, we supported the charitable organisation The Charity Club Langkawi. The organisation supports the life of low-income families in Langkawi The proceeds from batik bags and cookbooks sold by Aurinkomatkat-Suntours were used to directly support the organisation's activities

Dominican Republic, Puerto Plata: Donations to a school and children's home

On our Rural life in the Dominican Republic excursion, we take people to visit a local school, among other places With the help of our customers, we have donated arts and crafts supplies for use by the younger children The older pupils have received rulers, pencil sharpeners and notepads as donations Our partner Out Back Safari supports the school we visit on our excursion as well as the local family whose home we visit Through our partner, we have also supported a children's home in Puerto Plata Casa Albergue de Martina is home to girls who have either been orphaned or whose parents are not capable of taking care of them

India, Goa: Mother Teresa orphanage

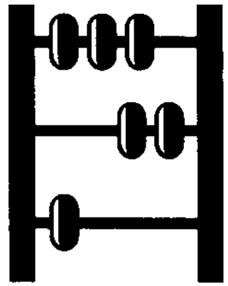
We visit the Mother Teresa orphanage in Panaji on our Namaste Hindustan' excursion

Cambodia: Tonle Sap school project

For several years, we have worked with a local school, which we visit on our Tonle Sap excursion The school's pupils are from low-income families With the help of our customers, we have donated items such as school uniforms and various school supplies In addition to basic necessities, we have also given the school toys to the delight of the pupils

Aurinkomatkat gives its customers a concrete opportunity to support local residents.

Donations to schools and orphanages.



Morocco, Agadir: Donations to an orphanage

Our local partner Time Travel Morocco has delighted the children at an orphanage connected to the Hassan II hospital in Agadir at Christmas in 2013 and 2014 The children's home was established at the hospital in 1967 It is currently home to 90 children aged 0–23 Some of the children have developmental disabilities Lions Club Tilila in Agadir began to look after the orphanage in the 1990s and established the non-profit organisation Tazzanine Before Christmas, Time Travel organised a celebration for the children and Aurinkomatkat-Suntours played a part in spreading Christmas cheer At our Independence Day celebration, we collected a voluntary coffee contribution that was donated to the orphanage Customers can also participate in helping the children by depositing their left-over dirhams with a Time Travel representative at the airport, with the money then donated to the orphanage

Thailand, Khao Lak: Donations of school supplies to a local school

In Khao Lak, our excursion takes us to Suttin Anusorn, a local school in the vicinity of our holiday destination. Customers who go on the excursion can bring school supplies to donate to the children

Thailand, Phuket: Children's Project

We work with our partner, the English-Thai company Siam Safari Nature Tours, on a children's project The project helps children from low-income rural families in schools and orphanages on the outskirts of Phuket Customers who wish to help can bring along clean used clothing, toys, notepads and other supplies suitable for children

Thailand, Pattaya and Hua Hin: All Around Asia

During their stay customers can donate clean clothes, shoes, toys and other supplies to low-income residents The supplies can be given to the guide who delivers them to local temple All Around Asia distributes the supplies to those in need.

Vietnam, Nha Trang: Bringing joy to a local day-care centre

On our Nha Trang city tour, we visit a small local day-care centre that takes care of children aged 3–6 We play games and sing songs with the children. Our customers can also donate colouring books, pens or other supplies that they bring along In partnership with its local representative, Aurinkomatkat-Suntours has also purchased furniture for the day-care centre

Vietnam, Phan Thiet: Donations to an orphanage and old-age home as well as a local school

On our Phan Thiet excursion, we visit a small state-owned orphanage and old-age home that takes care of babies as well as elderly people who have no family to look after them Our customers have the opportunity to donate clothes and other supplies to the orphanage On antoher excursion, we visit a small local school located in a nut growing region The school has some 200 pupils from low-income families On the visit, our customers have the opportunity to donate school supplies, which the teachers then distribute to those in need

Links (in Finnish):

http //www aurinkomatkat.fi/

http //www smal fi/ (Helsinki Declaration)

http //www sustainabletravelinternational org/
(an international cooperation network for sustainable travel in which Finnair is involved)

PR3

Type of product and service information required by procedures, and information requirements

Finnair's operations are regulated by numerous official regulations and international agreements For the customer, the most important product information issues relate to the conditions of carriage and customer's rights

The duty to disclose relating to the conditions of carriage is based on the Montreal Convention, and the content of the Convention has also been codified in official regulations Finnair's General Conditions of Carriage are enclosed with travel and cargo documents, and are also available on the company website The special conditions for package tours are based on the EU Directive 90/314/EEC The conditions relating to package tours provided by Finnair are to be found in tour operators' travel documents, travel brochures and websites

The airline has a duty to communicate the passenger's rights if a passenger is denied access to a flight, the passenger's flight is cancelled or the flight is delayed This duty is based on EC Regulation 261/2004 At the same time, the airline must inform customers of whom they can file a complaint with Finnair complies with these regulations in its customer service operations

A customer's protection of privacy is prescribed by the Finnish Personal Data Act 22 4 1999/523

Links:

Finnair's General Conditions of Carriage
http.//www finnair com/INT/GB/info/conditions-of-carriage

Finnair Notice on Passenger Rights
https //www.finnair.com/go/documents/PDFs/Finnair-Notice-on-Passenger-Rights-2012.pdf

Cargo guidelines and conditions of carriage
http //www finnaircargo com/en/cargo/guidelines html

http.//www.aurinkomatkat.fi/matkaehdot (Aurinkomatkat general conditions of travel in Finnish)
http.//www.smt fi/tietoa-matkalle (FTB information for travellers, in Finnish)

Montreal Convention
http //eur-lex europa.eu/LexUriServ/LexUriServ do?uri=CELEX 22001A0718(01) EN HTML

EU Package Travel Directive
http //eur-lex europa.eu/LexUriServ/LexUriServ do?uri=CELEX 31990L0314.EN HTML

Minimum Air Transport Passenger Rights when passengers are denied boarding against their will or a flight is cancelled or delayed
http //eur-lex.europa eu/LexUriServ/LexUriServ. do?uri=CELEX.32004R0261.EN HTML

Finnish Personal Data Act
http //www.finlex.fi/en/laki/kaannokset/1999/19990523

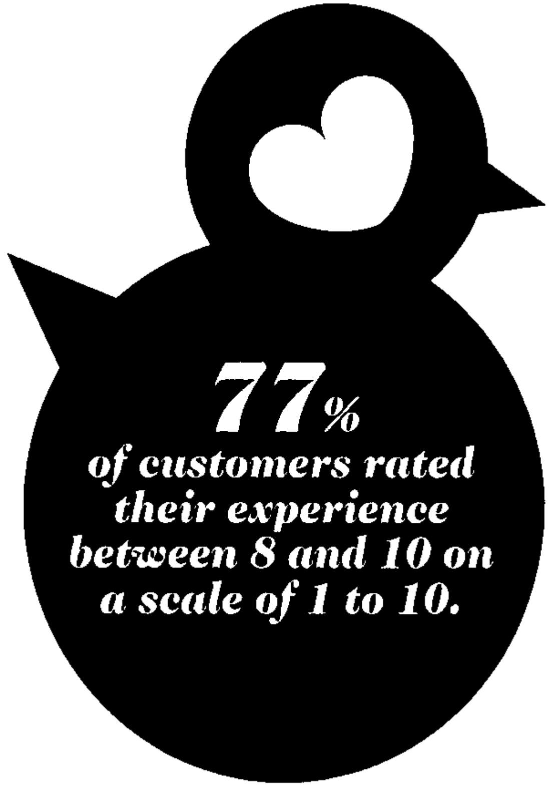
PR5

Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

Finnair monitors the customer feedback it receives and reports on the feedback to the department concerned at least once per month In urgent matters the feedback is forwarded immediately Especially in 2014, customer feedback was monitored after new product launches and what were our customer's reactions Based on feedback we have developed customer experience at the airports and in the cabin, as well as development areas has been the check-in and lounge services, the cabin entertainment and the serving in cabin Proactive customer compensation in airport service has also been developed further One of our main goals remains improving the overall customer experience based on feedback Customer feedback is also important for the motivation of customer service personnel

Finnair monitors customer satisfaction daily on its scheduled flights, and the results are reported monthly The customer satisfaction survey covers all of Finnair's scheduled traffic destinations and also part of the scheduled traffic destinations operated by Flybe Customer satisfaction is monitored by means of a web-based survey sent to a random sample of customers 1–7 days after their flight The survey's key indicators are the general rating of the flight experience as well as ratings of various elements such as booking, airport services and in-flight services On Asian and European routes, Finnair also participates in IATA's competitor monitoring surveys, which track the quality of service experienced by the customer in comparison to the most important competitors

Overall, Finnair's customer satisfaction remains close to the level seen in recent years, achieving the previously set target Of all customers completing the survey in 2014, 77 per cent rated their experience between 8 and 10 on a scale 1–10 (76 per cent in 2013) The strengths of the service included efficient and smooth ground services and effective



transfers at Helsinki-Vantaa Airport. Customers also appreciate Finnair's cabin environments and friendly in-flight service Development areas include in-flight entertainment and meals

In 2014 Finnair launched a suite of product upgrades and a mobile application as part of a larger drive to comprehensively renew the customer experience both on the ground and in the air

On long-haul flights, product upgrades included the Economy Comfort package, a new offering in the front of the Economy Class cabin featuring at least four inches of extra legroom, comfy headrests, high-quality headphones and personal amenity kits The meal service in long-haul Economy Class was updated with an additional complimentary mid-flight snack on day-time flights, a new wine selection and complimentary sparkling wine

Throughout both Business and Economy, the inflight entertainment system has been redesigned with a fresher, more intuitive look and feel and a greater selection of movies, TV shows, newspapers, magazines and books

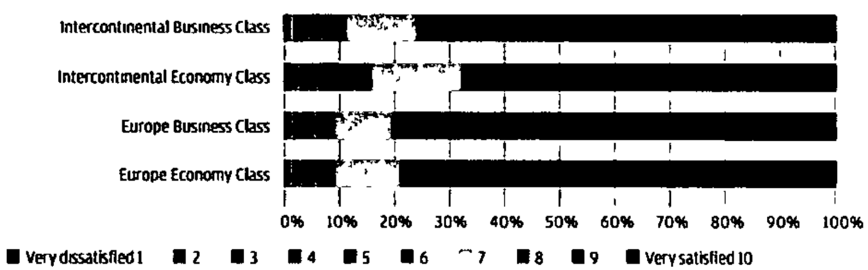
On short-haul flights in Economy Class, Finnair introduced Sky Bistro, a wider mix-and-match selection of seasonal, high-quality foods and beverages combining the best tastes of Europe and Asia Meals can be tailored in advance at Finnair com or bought onboard during the flight. Sky Bistro, which is available on nearly all European flights, replaced the complimentary cold snack service that had been offered on European flights lasting longer than two hours On all flights in all classes, coffee and tea remain complimentary – as does Finnair's signature refreshment, blueberry juice

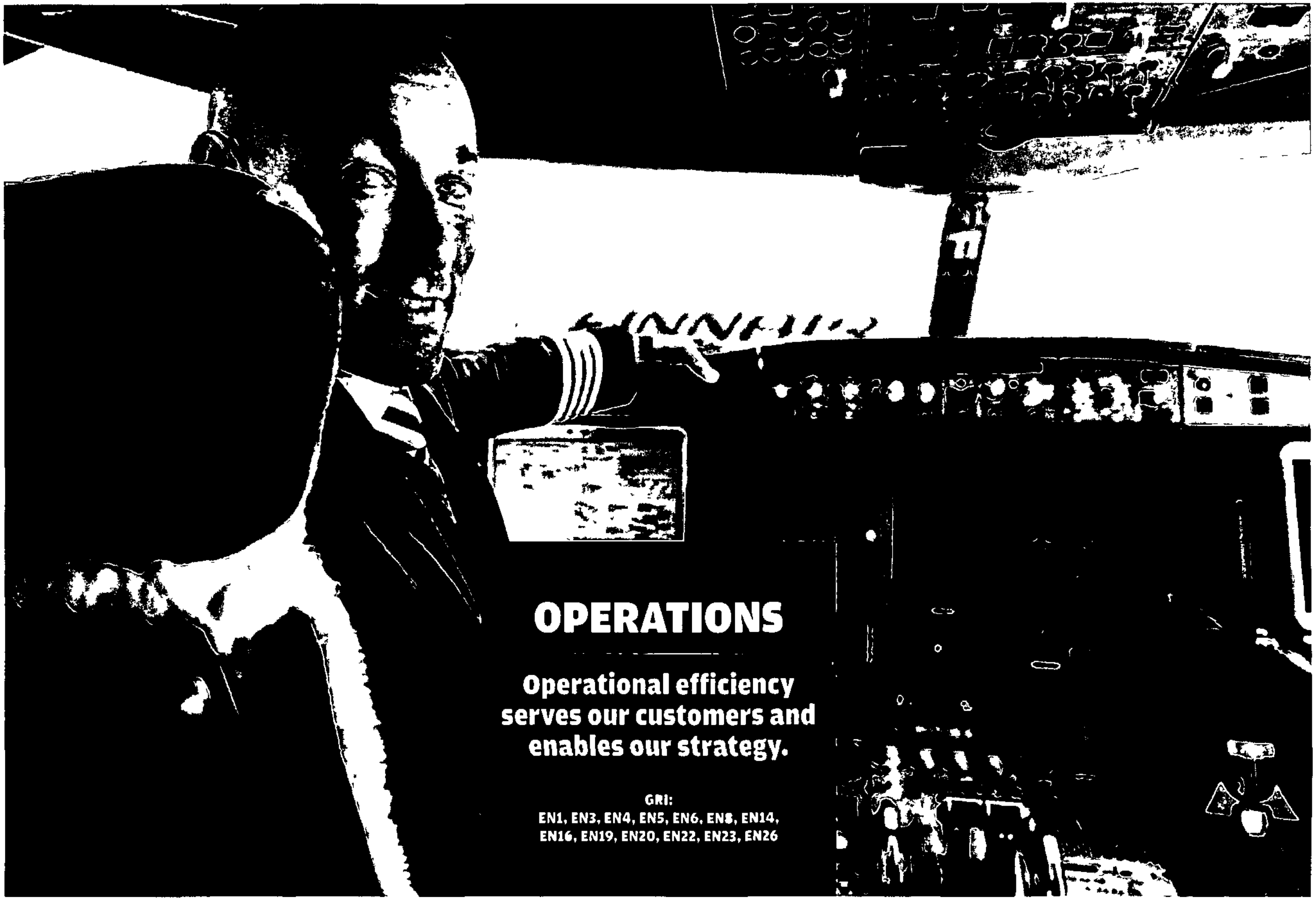
Finnair's mobile application, rolled out initially for Apple iOS devices and arriving on other mobile platforms later, is designed to be the customer's companion throughout the customer journey, providing personalised, up-to-the-minute flight information and storing the customer's mobile boarding passes The app can be used to check in, select seats, purchase upgrades, receive relevant offers and check Finnair Plus point status

Other product developments included new seats in Business Class that convert to fully flat beds on almost all longhaul aircraft, a sauna and new shower suites at the Finnair Lounge at Helsinki Airport non-Schengen area and the new Premium Lounge, an exclusive lounge annex for Finnair Plus Gold and Platinum members and other oneworld top tier customers only Also the newly renovated Finnair Lounge at Helsinki Airport Schengen area now offers more seating space, new shower suites and a small play area for kids

Finnair's customer satisfaction surveys also cover the services of LSG Sky Chefs Finland In addition to customer satisfaction surveys at the group level, Finnair's subsidiaries also commission their own customer satisfaction surveys

Finnair's customer satisfaction with flight as a whole in 2014





OPERATIONS

Operational efficiency serves our customers and enables our strategy.

GRI:
EN1, EN3, EN4, EN5, EN6, EN8, EN14,
EN16, EN19, EN20, EN22, EN23, EN26

Practical excellence enables network strategy

In a tight-margin business such as commercial aviation, operational efficiency plays a key role in an airline's survival and success. Finnair focuses on Europe-Asia transfer traffic, flying around 97,000 flights per year, and operates the world's northernmost hub for international transfer traffic. To be able to run this operation successfully, we must focus intensively on operational efficiency and have in place a world-class operating model, processes, tools, metrics and competencies.

Key operational performance indicators include Cost per Available Seat Kilometre (CASK), fuel burn/ CO_2 emissions, aircraft utilisation, on time performance, connection reliability and bags left behind (see table). High performance in each of these areas makes Finnair's Asian strategy practically feasible while also driving cost-competitiveness. Although Finnair already is one of the leading airlines based on operational performance, we have chosen operational excellence as one our key focus areas for future development.

Safety first

When developing flight operations the first and foremost consideration is always safety. As the foundation for the company's and indeed the sector's success as a whole, safety and risk prevention are built into Finnair's operating culture, and numerous official regulations bind the group's activities, starting with European Union OPS-1 regulations governing the operation of commercial aircraft. Additionally, as a member of the International Air Transport Association (IATA), Finnair adheres to IATA Operational Safety Audit requirements, which are to some extent stricter than the European OPS regulations. Compliance with regulations of all of the airline's operations is monitored on a daily basis and ensured by an annual audit, and possible deviations from requirements are designated for rapid correction.

Although regulations create the framework for flight safety, an effective airline needs a comprehensive safety culture. IATA's Safety Management System (SMS) methodology forms a framework within which also Finnair builds, monitors and systematically improves the different areas of safety.

One of the most important elements in safety is a functioning reporting culture. Personnel – traditionally pilots in particular but also other workers – report the risks associated with their work and events that occur. The company applies a safety reporting system in which reports on air safety, maintenance safety, ground safety and cabin safety are produced.

Reporting is widely encouraged, as the company wants to collect information on any deviations or exceptional situations. A report made of a case that was a "close call" can help to address the root cause behind it and thus prevent similar situations in the future. Human slip-ups and errors are permitted, but intentional violation of regulations is unacceptable. Finnair's entire safety philosophy is based on the idea that no single human error causes an accident, rather safety mechanisms built into the system are able to catch errors and mitigate their impact.

Safety is the foundation for the aviation sector's success.

	Finnair
Cost per available seat kilometre (CASK)	6 37 EUR
Fuel burn per seat	25 9 g/ASK
Aircraft utilisation (long haul)	14 4 h/day
Aircraft utilisation (short haul)	8 2 h/day
On time performance* (long haul)	79 6%
On time performance* (short haul)	89 5%
Bags left behind	6,4 bags/1 000
Transfer reliability (in Helsinki)	98 8%

*On time performance = percentage of flights that arrived at their destinations within 15 minutes of the scheduled time

Safety, reliability and fuel-efficiency meet in flight planning

Flight planning is one of the core functions of an airline, and its purpose is to create for each operation a safe, reliable and cost efficient flight plan that meets the requirements set by authorities as well as company-specific requirements
Each flight is planned separately, and flight plans are delivered to the air navigation service providers in all countries the flight plan touches Pilots get the final suggestion for the flight plan an hour before the scheduled departure, and the final responsibility for the plan is with the captain, who decides how much fuel is taken on board, based on the flight plan and their own experience

Finnair uses the Lufthansa Systems Lido flight planning system The required data for a flight plan include schedule, aircraft performance data, technical status of the aircraft, weather conditions at origin destination alternative airports along the route, and payload including passengers, luggage cargo and equipment. The route is planned taking into account published airways, navigation costs limitations set by high terrain, limitations set by flight permits, and official aeronautical information including Notices to Airmen (NoTAM) The flight route and flight time to each destination vary day by day based on weather conditions and available airspace In addition, the airline can decide to avoid certain airspace or airports for operative or other reasons In 2014, Finnair made adjustments to its routes due to the situation in eastern Ukraine

Planning of short-haul flights is automated at Finnair, and the flight dispatcher oversees the system and interferes in the planning only in situations where, for example, air control restrictions cause delays In long-haul flight planning the flight dispatcher adjusts and optimises the plan, going through all guidance from authorities related to the flight Also, operation of long-haul flights with twin engine aircraft requires adhering to ETOPS (Extended range Twin Operations) requirements, which means that there must be clearly defined suitable alternative airports along the route and sufficient fuel reserve to reach them safely in all circumstances even with a single engine in case of an engine failure

Safety and reliability are factors on which Finnair never compromises But careful flight planning does also impact on fuel efficiency and emissions When Finnair flies approximately 97 000 flights per year, even a seemingly small - say 100 euro - improvement in fuel efficiency of a flight will be accumulated and have a clear impact on fuel costs, which account for approximately one third of Finnair s total costs Also the impact on carbon dioxide emissions is significant for each extra ton of jet fuel carried on a 10 hour long haul flight, approximately 350 kilograms of jet fuel is burned, resulting in carbon dioxide emissions of more than one ton The target therefore is safe operation with an optimal fuel level

Certain fuel buffers are built-in within the flight plan, which includes taxiing fuel, trip fuel, contingency fuel, fuel for alternative airports possible additional fuel for ETOPs requirements, and final reserve fuel

Each extra ton of jet fuel carried on a 10-hour flight burns about 350 kg of fuel.

Also navigation costs for flying over different countries contribute to the costs, and form a considerable cost item for an airline Navigation costs vary country by country, and they are optimised along with fuel costs Finnair's target at all times is safe, reliable and economical operations taking into account all relevant factors
The flight plan can be adjusted during the flight, if needed For long-haul flights Finnair is adopting a practice where a new calculation is created for each operation during the flight, to account for the latest weather information and to ensure an optimal flight

Various protection mechanisms in the company's operating systems are designed with the key objective of stopping the advance of a possibly damaging course of events and the materialisation of risk

According to Just Culture principles, those making reports suffer no consequences on the basis of safety reporting, because the aim is to learn from events and further develop safety processes A safety report cannot, however, be used to wash one's hands of safety violations – intentional violations are unacceptable.

At Finnair all safety reports are interpreted and given a risk classification according to the seriousness of the event. Events that seriously jeopardise safety are rare and almost without exception a separate safety investigation is launched in respect of them A safety investigation may be carried out by the authority concerned, such as the Accident Investigation Board of Finland Even if authorities decide not to carry out an investigation, Finnair performs an internal safety investigation In cases related to flying, the safety investigator is always an experienced pilot specially trained in the subject The safety investigator (or investigators) always carries out the investigation independently and the company's management has no opportunity to influence the course of the investigation or its results

Another key element in our operations is management of operational risks Finnair follows reported information, signals and notices from Finnish and foreign authorities, and information from aircraft manufacturers We also actively investigate events in the aviation industry that we see would be even remotely possible in our own operating environment Possible risks are evaluated from the Finnair point of view, and when necessary, Finnair makes adjustments to its own operating procedures based on the risk analysis

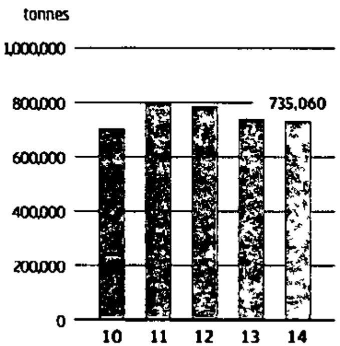
Fuel efficiency and a modern fleet

A commitment to safety and comfort entails more than regulations, process and culture, it is also embodied in a modern, energy and cost-efficient fleet Airlines that take environmental matters seriously want to operate young fleet representing the lates aircaft genereation The avereage age of Finnair fleet was 10 2 at the end of 2014, close to the IATA overall average of 10 9 years The average age of the fleet operated by Finnair will decrease considerably in 2015 with the arrival of new Airbus A350 XWB aircrafts

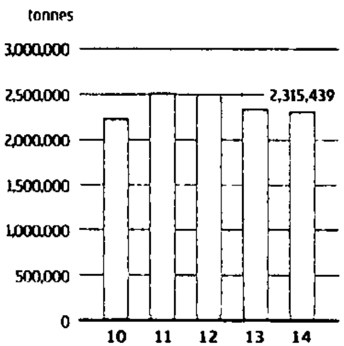
In the first half of 2014 Finnair made important progress toward the twin goals of cost-competitiveness and greener operations when it retired the last of its Boeing 757 aircraft and replaced them with Airbus A321 aircraft equipped with new, fuel-saving Sharklet wing tip devices The first deliveries of these aircraft took place in 2013 The A321 Sharklet has the lowest fuel burn, operating cost, emissions and noise footprint in its class It is more comfortable for passengers and about 7 per cent more fuel-efficient per seat than the Boeing 757 The new aircraft enable more flexibility and interoperability on European routes, driving up aircraft utilisation and improving returns on the fleet investment The new aircraft also complete Finnair's shift to all-Airbus operations The commonality and simplified maintenance regime of an all-Airbus fleet further helps achieve excellence in on-time performance, connection reliability and other operational KPIs – all of which are crucial as we focus on network traffic through Helsinki in line with our strategy

Transfer reliability exceeded 98% for 2014.

Jet fuel consumption

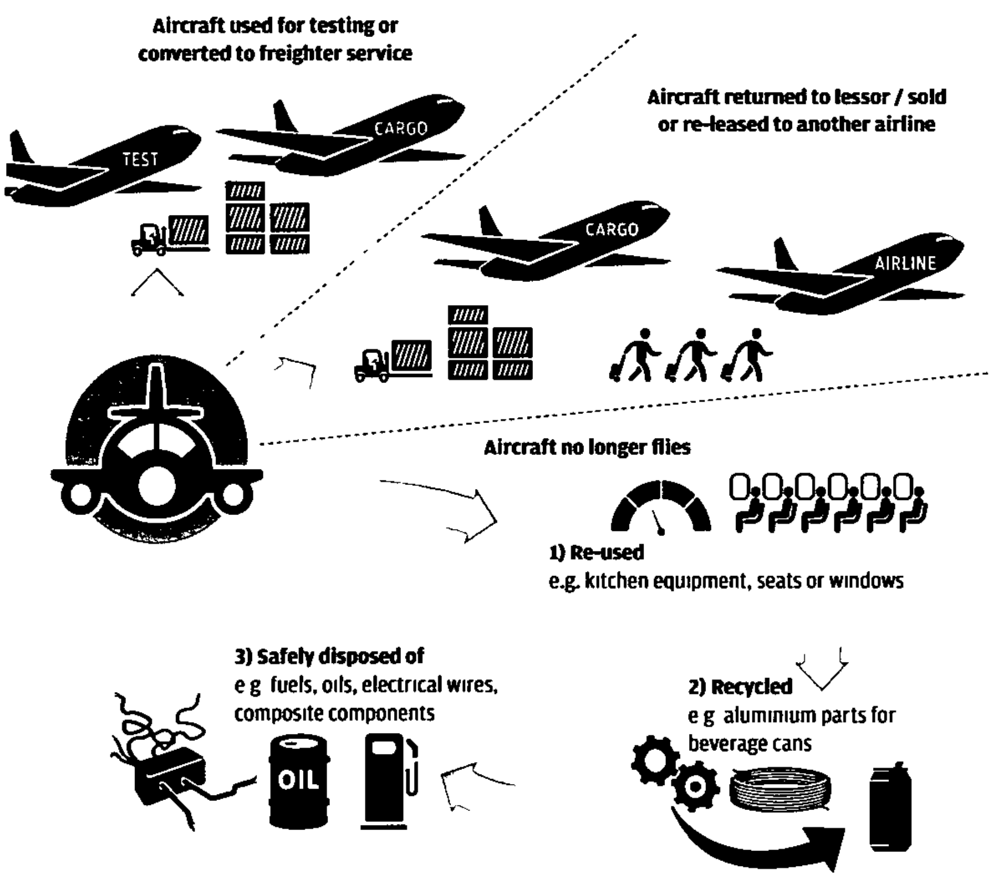


Direct CO_2 emissions in passenger traffic



Recycling of aircraft

When an aircraft is removed from our fleet there are usually clear alternatives available for its next phase Typically it can be returned to the lessor and re-leased or sold to another airline, or it can be converted to freighter service But when it is finally time for an aircraft to retire from the skies the aircraft is dismantled and recycled The majority of materials and devices in an aircraft can be recovered, reused or recycled According to AFRA (Aircraft Fleet Recycling Association), 80-85 per cent of an aircraft is currently recycled, and AFRA aims at increasing this number to 90 percent by the end of 2016



Even more significantly, however, in 2015 Finnair will receive its first Airbus A350 XWB aircraft, a completely new aircraft type of which Finnair will be the European launch customer Around 25 per cent more fuel efficient than the A340 aircraft it is set to replace, the A350 XWB will also boost passenger and cargo capacity while raising the bar for passenger comfort After exhaustive testing, the aircraft has acquired EASA and FAA type certification in November 2014 and Finnair oneworld alliance partner Qatar Airways had a commercial launch of the aicraft type in January 2015 Finnair is currently focusing on preparing to take delivery of the first of 19 A350s Operations will begin in the second half of 2015 (see more on page 34)

Partners in quality

To ensure swift turnarounds of aircraft and smooth connections, Finnair personnel work round the clock looking after the status of all aircraft and customers In 2014 Finnair renewed its Operations Control Centre at Helsinki Airport, combining in one large transparent space the Network Control Centre, Flight Planning Centre, Disruption Management and Flight Support Office, Defect Control and IT functions The goal was to improve cooperation, quality and cost-effectiveness The renewed OCC is Finnair's true nerve centre, focused on ensuring smooth operations for Finnair customers every day and night of the year

Several external partners and stakeholders also play a role in smooth operations Well-functioning working relationships with the Finnish Border Guard and Finavia, the operator of Helsinki Airport which guarantees a minimum connection time of 35 minutes, also keep our passengers flowing through the airport

Strategic vendors play a key role in Finnair's operational quality as well Finnair has now experienced two full years of operations with outsourced apron, catering, and engine and component maintenance

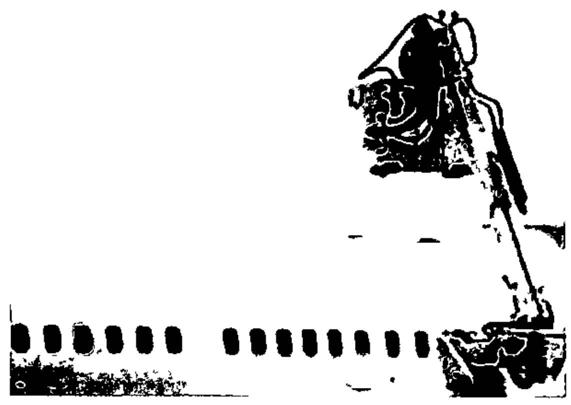
Finnair operates around 97,000 flights per year.

services – functions which previously had been performed for Finnair in house In choosing world-class partners for these functions – Swissport, LSG Sky Chefs and SR Technics respectively – Finnair has increased quality and achieved record levels of operational performance while reducing costs at the same time

The airline has achieved a similar result with its "thin route" Embraer and ATR flight operations – about one third of its European traffic – which are handled by strategic partner Flybe Finland, the operational subsidiary of Flybe Nordic, the Flybe-Finnair joint venture that the two airlines established in 2011 Finnish Competition and Consumer Authority approved the sale of Flybe UK Ltd s 60 per cent ownership of Flybe Nordic to StaffPoint Holding Ltd and G W Sohlberg Ltd in January 2015 The transaction is in process to be finalised and the flights operated by Flybe Finland continue normally Finnair and the new owners will evaluate different options to cost efficient regional flying Regional feeder traffic is important to Finnair long haul traffic It enables to have both extensive domestic and European network

Finnair's operational model in which it works in cooperation with strategic suppliers is not without risk In the previous era with most operations in house, Finnair largely had "no one to blame but itself" in the event of a significant disruption or operational difficulty Now, however, if a key vendor in our wider ecosystem is facing operational difficulties for whatever reason, those difficulties are likely to be felt by Finnair as well, which then must take ultimate responsibility This risk is mitigated to a large extent by close cooperation, coordination and performance review with mission-critical partners, and by the fact that while key partners each excel in different core competences, they all share the same ultimate business objective of serving passengers with a quality air travel experience

When disruptions do occur, Finnair works to ensure that the least inconvenience is felt for the greatest number of passengers in the network, with a particular priority on transfer passengers This world provides precious few guarantees, but with the track records established by Finnair and other key partners, passengers can feel reasonably confident that if they are transferring through Helsinki, they can count on a safe, hassle-free and pleasant air travel experience On many days the transfer connection rate is 100 per cent – for the whole year, more than 98 per cent



Improving safety and reducing effluents from deicing and anti-icing

Whenever there is precipitation at freezing or near-freezing temperatures, airlines deice and anti-ice aircraft to ensure safe operation Deicing removes any contaminants from the surfaces of the aircraft afterward, the anti-icing process covers these surfaces once again with a protective fluid that keeps the aircraft free of contaminates

During the most recent winter season (2014-2015) Finnair tested and began implementing important changes to its deicing and anti-icing process Developed by the Finnish firm Vaisala, the CheckTime decision-support system adopted by Finnair uses precision weather measurement equipment and real-time environmental data to provide dynamic information to the pilot in the cockpit on the state of the deicing and anti-icing fluids on the aircraft

The information, updated once per minute removes guesswork and eliminates the need to consult holdover timetables to determine how long aircraft surfaces are sufficiently protected against icing before a safe departure The new process widens safety margins, improves operational efficiency and reduces unnecessary chemical use

The first A350 XWB will join the fleet in autumn 2015.

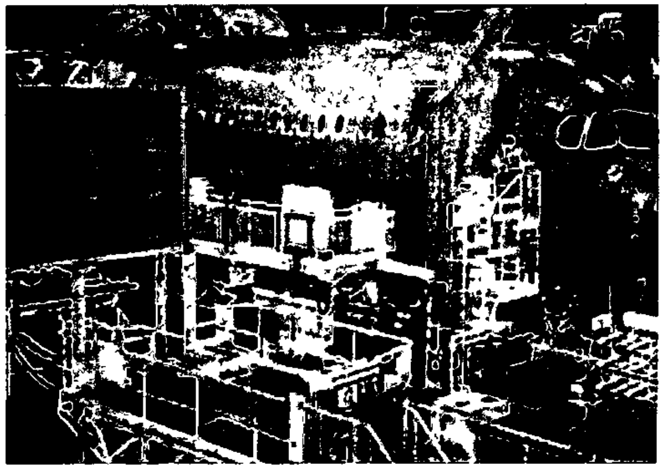
Finnair is one of the very first customers - and the first customer in Europe - of the next-generation Airbus A350 XWB, a new aircraft type that raises the bar for environmental performance and passenger comfort and represents a step-change in long-haul operating economics

As the largest fleet investment in Finnair's history, 19 A350 XWB are on order The aircaft is set to be the backbone of Finnair's long-haul fleet for years to come

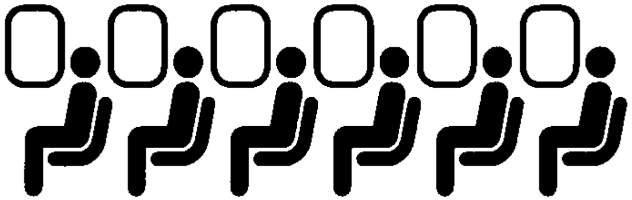
Given this profound strategic importance, Finnair has been focusing on ensuring that it takes delivery of each aircraft in an optimal way with seamless integration into the flight network This entails not just plenty of training for pilots, cabin crew and other personnel but a thorough review of the traffic plan, all ground handling procedures, IT and data requirements, maintenance schedules and needs, regulatory matters and airport infrastructure

The unique demands of the A350 XWB on the turnaround process, which are at the centre of Finnair's network strategy of smooth connections via Helsinki, have been mapped in detail The aircraft's airframe is made of more than 50 per cent composite material, which necessitates many changes in how aircraft are handled and how apron services are performed By careful preparation for the transition, Finnair ensures a smooth introduction of the new aircraft into the Finnair network

Getting ready to operate a completely new wide-body aircraft type involves many functions and hundreds of highly skilled personnel But when the first Finnair A350 XWBs arrive in the second half of 2015, we will be prepared



20% more capacity, or approximately 40 additional seats per aircraft.



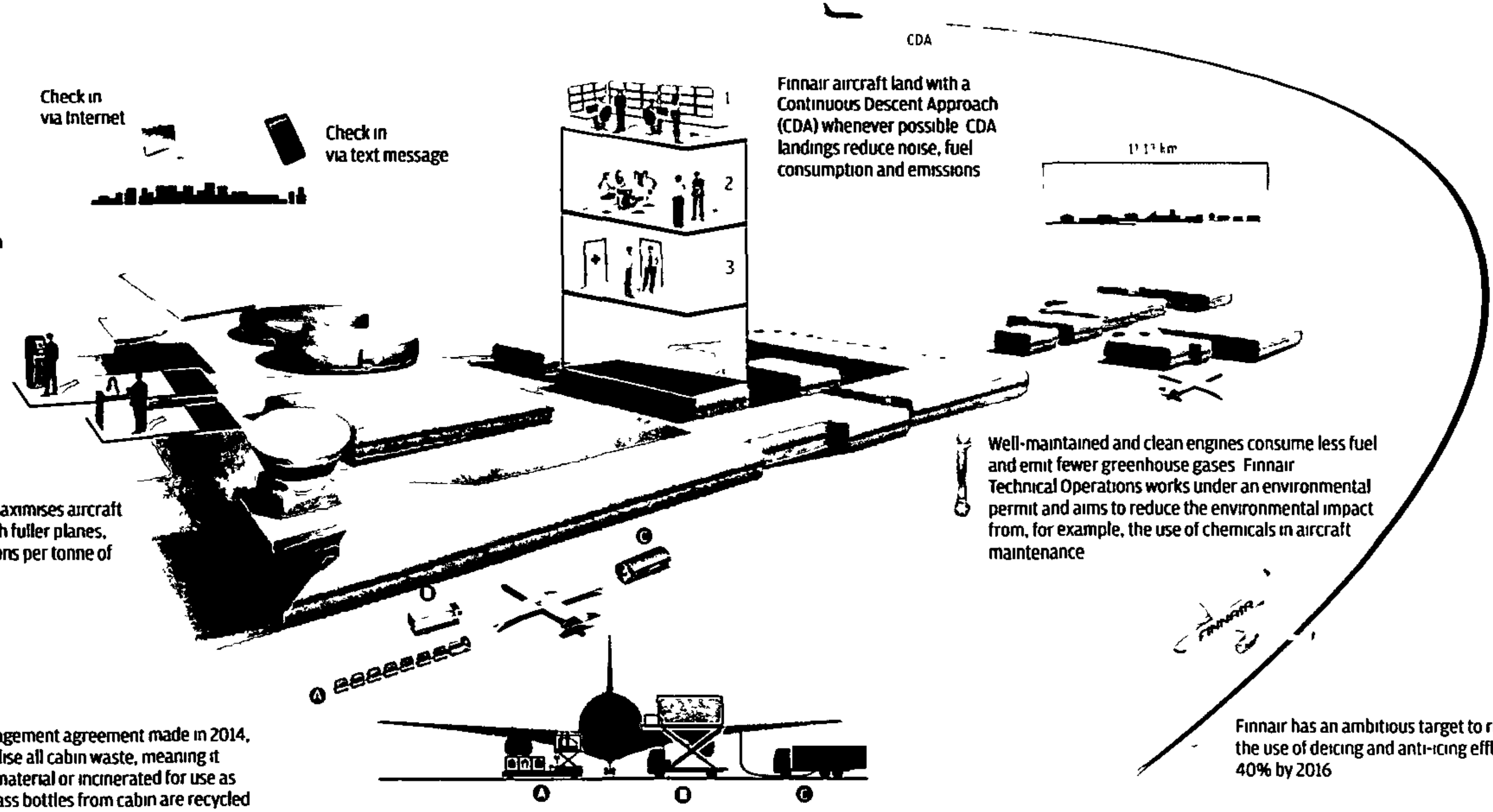
The World of Finnair

1 Finnair's Operations Control Center works 24 hours a day to ensure accurate and smooth flight operations

2 We seek ways to reduce heat, electricity and water consumption in our offices We also sort bio-, paper and energy waste for collection and recycling.

3 Employee well-being and work capacity are monitored by Finnair Health Services, which is also responsible for providing aviation medical services and regular check-ups for flying personnel

Finnair offers customers several options for checking in
- Check-in kiosk
- Baggage drop by the check-in kiosks



Finnair aircraft land with a Continuous Descent Approach (CDA) whenever possible CDA landings reduce noise, fuel consumption and emissions

A When Finnair Cargo maximises aircraft payload we can fly with fuller planes, which reduces emissions per tonne of transported goods.

Well-maintained and clean engines consume less fuel and emit fewer greenhouse gases Finnair Technical Operations works under an environmental permit and aims to reduce the environmental impact from, for example, the use of chemicals in aircraft maintenance

B Thanks to waste management agreement made in 2014, Finnair is able to reutilise all cabin waste, meaning it was either reused as material or incinerated for use as energy Plastic and glass bottles from cabin are recycled

Finnair has an ambitious target to reduce the use of deicing and anti-icing effluents by 40% by 2016

C When 1 kg of fuel is burned, 3 15 kg of CO_2 is discharged into the atmosphere Greenhouse gas emissions are by far an airline's largest environmental impact. Finnair improves fuel efficiency and reduces emissions by technological, operational, infrastructural and economic means.

Environmental indicators 2014

EN1

Materials used by weight or volume

The emphasis of Finnair's use of materials is mainly on transport fuels, particularly jet fuel. In this report, fuels will be treated mainly as energy and the consumption of fuels is reported in section EN3. In addition to flight operations and fuel burn, material flows that are significant from our perspective are created in Finnair's subcontractor LSG Sky Chefs Finland as well as the Finnair subsidiaries Finnair Technical Services and Finnair Cargo.

Meal services for Finnair flights from Helsinki are supplied by Finnair's partner LSG Sky Chefs Finland. As one of Finland's largest kitchens, LSG Sky Chefs represents the majority of the material consumption in Finnair's supply chain. The raw materials used in Catering consist mainly of foodstuffs and the materials required for packaging them. Most of the catering materials used are renewable.

Finnair continuously develops its service concepts. In 2014, Business Class customers were served meals designed by Pekka Teräva and Tomi Björck, two of Finland's most renowned chefs. Terävä's meals for Finnair use Finnish nature as the starting point and primarily feature Finnish game and fish as the main ingredients. As part of the development of service concepts, Finnair introduced a paid Sky Bistro concept on its European flights in November. The Sky Bistro replaced free snack and beverage service. The early signs indicate that Sky Bistro will contribute to reducing the amount of waste generated on flights.

In Finnair Cargo, the majority of material consumption is related to the storage of cargo as well as preparing and protecting cargo for transportation. Cargo to be transported is weather-protected using plastic, because the loading and unloading of aircraft and the transport of cargo between the terminal and the aircraft takes place outside.

Finnair's Procurement Services department increased its use of eInvoicing in 2014, with approximately 70 per cent of invoicing during the year done electronically and only 30 per cent by PDF attachments or paper invoices.

Aircraft de-icing is a significant area of material use in Finnair's operations. In cold weather, ice and frost form on the fuselage and wings of aircraft as well as falling snow. These must be removed before take-off for flight safety reasons. A mixture of propylene glycol (hereafter referred to as glycol) and hot water is used for de-icing. In 2014, the total consumption of glycol was approximately one million litres, and the water mixed with glycol amounted to approximately 1.5 million litres. The primary reason for the decrease in glycol consumption in 2014 compared to the previous year was the exceptionally mild and relatively snowless winter. Combined rainfall and snowfall was close to normal, but the majority of it fell as rain rather than snow, which meant that de-icing was not necessary. The glycol consumption figure includes all glycol purchased by the company. Some of the total amount was used for de-icing aircraft operated by other airlines. More information on de-icing agents is given in section EN21.

Finnair Technical Services' most important environmental impacts relate to the use of spare parts and chemicals. Due to the use of chemicals, Technical Services has an environmental permit. In 2014, the operations of Finnair Technical Services were again scaled back considerably, which was reflected in a substantial decrease in chemicals consumption.

The spare parts and components needed for the maintenance of aircraft are to a large extent repairable. In line with industry practice, aircraft equipment and components are repaired whenever safety considerations and official regulations allow it, because the components are very expensive. This means that the lifecycle of aircraft components is typically long. The amounts of components and spare parts are not reported, however, because no universal or meaningful comparable data are available on them.

70%
of invoicing is done electronically.

The early signs indicate that Sky Bistro will contribute to reducing the amount of waste generated on flights.

Unit	2014 1,000 kg	2013 1,000 kg	2012 1,000 kg	2014 1,000 l	2013 1,000 l	2012 1,000 l	2014 1,000 pcs	2013 1,000 pcs	2012 1,000 pcs
Plastic	559	312	319						
Paper (not office)	315	150	270						
Cardboard	75	165	110						
Textiles	70	65	50						
Metals*	50	35	35						
Chemicals	570	751	708						
Porcelain	18	45	17						
Glass	11	15	9						
Board	88	43	n/a						
Loading pallets (wood)							73	124	n/a
Office paper (reams)							17	27	29
Propylene glycol				1,049	1,596	2,294			
Food purchases**	2,350	3,399	3,050	1,138					

* This figure does not include metals used by Finnair Technical Services, because the statistics system used for metal raw material consumed in Technical Services cannot provide comparable data. Finnair Technical Services does not manufacture products, however, so as a user of raw materials it is not a significant player on an industrial scale.

**The decrease in the figure for food purchases is due to reporting water, juice and dairy products separately as litres, unlike in previous years.

Finnair Technical Services' use of chemicals 2010–2014, in tonnes

Chemical group	2014	2013	2012	2011	2010
Glues and sealing agents	0.4	0.7	0.9	2.7	3.2
Paints and varnishes	3.3	3.4	9.1	16.5	24.4
Surface finishing agents	0.9	5.8	6.4	11.3	24.5
Cleaning agents and detergents	19.9	31.2	38.6	41.2	48.2
Solvents	2.6	8.7	19.8	29	26.4
Lubricants and oils	91.5	111.6	93.4	105.4	86
Total	**118.6**	**161.4**	**168.2**	**205.9**	**212.8**

Paper usage decreased by 37%.

Finnair is committed to diminish by 40% the usage of propylene glycol in deicing and anti-icing.

EN3

Direct energy consumption by primary energy source

Finnair's primary energy consumption consists of the use of transport fuels Aviation is very energy-intensive and Finnair's largest environmental load arises from flying and particularly from the use of fossil jet fuel

In 2014, Finnair's total consumption of jet fuel decreased by nearly 7 million kilograms, or approximately one per cent, compared to the previous year

Finnair's primary energy consumption 2012–2014

Jet fuel	2014	2013	2012
Jet fuel (Jet A-1), 1,000 kg	735,060	741,883	785,176
MWh	8,842,773	8,924,852	9,445,665
GJ	31,833,981	32,129,469	34 004,395
Change %	-0 9	-5 5	-1 9
Ground vehicles			
Petrol, 1,000 l	9	10	21
MWh	78	94	185
GJ	280	338	664
Change %	-17.2	-52 4	-25 2
Diesel, 1,000 l	38	41	77
MWh	382	412	771
GJ	1,376	1,483	2,777
Change	-7 3	-46 8	-61 4
Fuel oil, 1,000 l	8	10	269
MWh	82	96	2,687
GJ	294	347	9,673
Change %	-15 3	-96 4	-77 9
Total			
MWh	**8,843,314**	**8,925,455**	**9,449,308**
GJ	**31,835,931**	**32,131,637**	**34,017,509**
Change %	**-0.9**	**-5.5**	**-2**

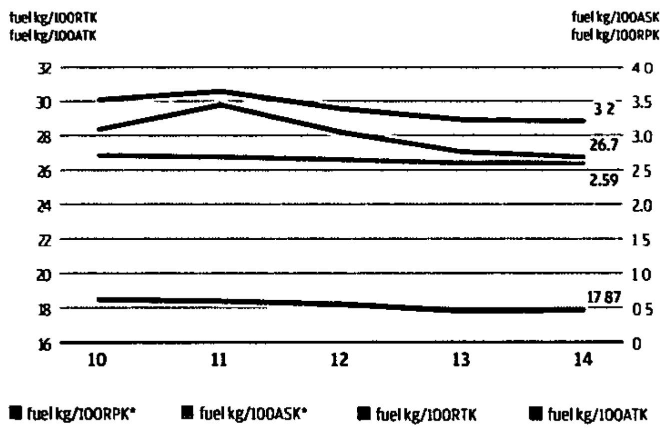
In 2014, Finnair's ground vehicles consumed slightly less of fuel as in the previous year

In addition to Finnair's fleet's energy and fuel consumption, the company's energy balance sheet also includes the transportation capacity that Finnair Cargo purchases from other companies In 2014, transport of the cargo entrusted to Finnair Cargo by other airlines required 24,517 tonnes of jet fuel in total This is equal to approximately 1,057,916 GJ The amount includes cargo flights that were operated solely due to Finnair Cargo

Fuel consumption and fuel efficiency of Finnair aircraft 2009–2014

	2014	2013	2012	2011	2010	2009
Consumption, tonnes	**735,060**	741,883	785,176	800,449	704,885	712,487
g/RPK*	**32**	32 2	33 8	36 3	35 1	36
g/ASK*	**25.9**	25 9	26 4	26 8	27	27 3
g/RTK	**267**	270	281 2	297 1	283	313 5
g/ATK	**178.7**	178	182 2	183 7	184 7	183 7

Passenger and payload traffic fuel efficiency 2010–2014



Finnair's total consumption of jet fuel decreased by nearly **7** *million kg.*

* Fuel consumption adjusted to passenger traffic

RPK = revenue passenger kilometres
ASK = available seat kilometres
RTK = revenue tonne kilometres, i e capacity use according to payload weight
ATK = available tonne kilometres, i e capacity according to payload weight

RPK and ASK describe passenger traffic performance and RTK and ATK describe performance according to payload capacity (passengers + baggage + cargo)

EN4

Indirect energy consumption by primary source

In 2014, Finnair's indirect energy consumption amounted to 90,797 MWh Of this amount, electricity consumption accounted for 39,811 MWh, while heating energy accounted for 50,986 MWh Both electricity and heating consumption declined by approximately 10 per cent from the previous year This reduction in energy consumption was primarily the result of the company relocating to a newly constructed energy-efficient building, the House of Travel and Transportation (HOTT), in June 2013 Geothermal energy accounts for 80 per cent of HOTT's energy consumption The building is categorised in Energy Class A and it received LEED Platinum environmental certification in 2014 LEED certification is based on determining the building's performance based on its operating environment, and it also takes into account the lifecycle requirements set for the building HOTT's modern workspaces, motion sensor based lighting and Energystar-labelled computers and displays have significantly reduced the total energy consumption of Finnair's office premises

Energy consumption of Finnair's properties in 2011–2014

Indirect energy consumption		2014	2013	2012
Electricity	MWh	39,811	46,104	52,584
	GJ	143,320	165,974	189,302
Change, %		-13 6	-12.3	-3 9
Heat	MWh	50,986	56,200	63,002
	GJ	183,550	202,320	411,379
Change, %		-9 3	-10 8	5 8
Total	MWh	90,797	102,304	115 586
	GJ	326,869	368,294	416 110
Change %		-11,2	-11 5	1 1
Change from 2007, %		-22 3	-12 5	-4 8

Of the heat energy consumed by Finnair, 88 per cent was consumed in the operating locations situated at Helsinki Airport Of the district heating used, 44 per cent was produced by natural gas, 56 per cent by coal and 0 04 per cent by heavy fuel oil The CO_2 emissions created from the production of heat energy in 2014 amounted to 22,177t/CO_2

Finnair buys electricity from the electricity derivatives market via the Finnish national grid According to the company that maintains the grid, most of the production is carbon neutral, but part is produced by fossil fuels The different energy sources and their relative proportions are not known, nor is the amount of primary energy required to produce the electricity

EN5

Energy saved due to conservation and efficiency improvements

Owing to the energy-intensive nature of its operations and the resulting costs, Finnair has a strong motivation to make its operations more energy efficient, particularly by striving to reduce jet fuel consumption The single most significant measure by which Finnair has reduced its energy consumption is its fleet modernisation Next-generation aircraft consume approximately 20 per cent less fuel than their predecessors The carbon dioxide emissions of the aircraft have also declined by a corresponding amount.

The modernisation of Finnair's fleet continued in 2014 with the addition to the fleet of the remaining aircraft from the five A321 Sharklet aircraft ordered These new aircraft replaced old Boeing 757 aircraft

In addition to fleet modernisation, Finnair strives to continuously improve fuel efficiency by other means The ongoing fuel conservation program has achieved a reduction of several per cent in jet fuel consumption in recent years A two per cent increase in fuel efficiency in Finnair's traffic corresponds to approximately 15 million kilograms of fuel, which in turn corresponds to a reduction of nearly 50 million kilograms of CO_2 The most significant factor affecting the fuel consumption of an aircraft is its weight The use of new technology and high-quality lightweight materials have enabled Finnair to reduce the empty weight of its aircraft For example, Finnair replaced all baggage containers used in its narrow-body aircraft with lightweight composite containers in 2014 Weight is one of the key considerations in all procurement activities related to aircraft equipment

Finnair has also invested in fuel efficiency in its operational functions For example, single engine taxiing is used whenever possible, and the use of APU engines (the auxiliary power unit, or APU, generates electricity and pressurised air for various aircraft systems) has been optimised to reduce emissions and noise These measures alone result in annual fuel savings of several million kilograms

Owing to the energy-intensive nature of its operations and the resulting costs, Finnair has a strong motivation to make its operations more energy efficient.

In addition to various fuel efficiency projects, Finnair continued its economical flying training program introduced in 2012 and aimed at all Finnair pilots The aim of the training is to implement consistent operating practices and disseminate information on the factors that influence overall flight economy These include optimal airspeed and altitude, as well as continuous descent approach (CDA) Finnair's flight planning is also aimed at achieving optimal fuel efficiency by selecting the most economical route alternatives

The Finnish airspace reform implemented in late 2014 enables even more efficient use of airspace, which has a positive impact on fuel efficiency and flight times In addition, international cooperation continued on multiple fronts with the aim of increasing the efficiency of airspace use and introducing new flight paths on routes used by Finnair to improve fuel efficiency

In March, Finnair participated in the international Earth Hour for the third time by switching off its advertising lights at the airport and in various properties for a whole weekend and informing personnel of ways to conserve energy at work as well as off duty

In October, Finnair organised its annual energy conservation week, during which information and energy conservation tips were disseminated through the company's internal communication channels Every day of the week had its own theme, and in relation to each theme personnel were encouraged to discuss and consider the significance of energy conservation as well as new ways to save energy

Finnair Facilities Management is part of an energy efficiency agreement between the Confederation of Finnish Industries, the Finnish Ministry of Employment and the Economy and industry associations The parties to the agreement are committed to reducing properties' energy consumption by nine per cent from the 2007 level by 2016 This target was already exceeded in 2014. The reduction in the energy consumption of properties is the result of continuous energy efficiency improvement measures at various properties, as well as the decommissioning of the oldest aircraft hangars in parallel with the focusing of the operations of Finnair Technical Services

Finnair's partner LSG SkyChefs reviewed and adjusted the operating times and speeds of air conditioning equipment as an energy conservation measure The energy savings will likely materialise only over longer-term comparisons

In December 2014, Finnair Cargo implemented a vacuum lifter to facilitate the lifting of boxes of salmon on to loading pallets Every week, Finnair transports some 200 tonnes of salmon to the Far East as air cargo, and the vacuum lifter allows 90 per cent of fish shipments to be loaded in the cargo hold of aircraft without wooden pallets, which would otherwise need to be placed under the boxes of fish This conserves fuel, as wooden pallets weigh approximately 18 kilograms each The new method significantly reduces Finnair Cargo's wood consumption Another technical improvement that has reduced the use of loading pallets is a special forklift that features side clamps instead of a lifting fork The special truck can lift as many as 30 boxes of fish at a time

In 2014, approximately 100,000 copies of the 150-page Aurinkomatkat Suntours Holiday Guide were printed, and 150,000 copies of an eight-page S-bonus supplement, on environmentally friendly eco-labelled paper

EN6

Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives

In 2015, Finnair will take delivery of the first of the 19 Airbus A350 XWB wide-body aircraft it has ordered The aircraft will replace Finnair's current Airbus A340 aircraft The next-generation Airbus A350 offers an entirely new level of travel comfort and energy efficiency compared to current aircraft. The A350 is approximately 20 per cent more fuel efficient than the wide-body aircraft in the current fleet

On 23 September 2014, world leaders met in New York at the UN Climate Summit to discuss climate change Finnair's flight from Helsinki to New York on the same day was operated using a more environmentally friendly biofuel mixture that was partly manufactured from used cooking oil Finnair first operated flights using biofuel in 2011 Biokerosene produced from cooking oil used by restaurants is a good example of an alternative aviation fuel that significantly reduces greenhouse gas emissions, does not compete with food production and does not pose a threat to biodiversity

Finnair is also evaluating the possibility of establishing a biofuel hub at Helsinki Airport It is part of a project led by the Finnish Ministry of Transport and Communications that also includes Finavia and Neste Oil as partners Finland is very well positioned to be among the first countries in the world to introduce biofuels in broader and continuous use in avia-

We operated our third biofuel flight to New York on the day of UN Climate Summit.

tion The survey conducted by the project identified renewable bio-based diesel as a potential alternative to biokerosene, due to the lower investment required for continuous production, and therefore lower costs Renewable bio-based diesel has not yet received international approval for use as aviation fuel, but the approval process is underway Estimates indicate that, if the approval process progresses smoothly, renewable bio-based diesel could be approved for aviation use in 2016

Finnair is also an active member of the Nordic Initiative for Sustainable Aviation working group comprised of Nordic airlines, airport operators and government ministries who are working together with aircraft manufacturers to expedite the development of biofuel in the aviation industry It is important for Finnair to find an ecologically, financially and socially sustainable fuel solution The projects that are currently underway play a significant role in this development

EN8

Total water withdrawal by source

In 2014, the water used by Finnair was taken from the municipal water supply network The primary water source is Lake Päijänne

Finnair's water consumption 2012–2014

Water consumption	2014	2013	2012
Water, m3	70,968	89,587	100,098
Change %	-20 8	-10 5	-13 9

EN14

Strategies, current actions, and future plans for managing impacts on biodiversity

International cargo operations by both air and sea adhere to the International Standards for Phytosanitary Measures prescribed by the Food and Agriculture Organisation (FAO), which regulate, among other things, the quality and characteristics of timber used in logistics Timber must be treated so that no parasites or insect pests are transported along with it. Correctly-treated timber is also stamped in the manner required by the standard.

Nature and biodiversity is a significant attractiveness factor in the operations of Aurinkomatkat-Suntours Ltd, a tour operator that is part of Finnair Group In planning its destination programs, Aurinkomatkat-Suntours carefully evaluates their potential effects on the environment and biodiversity The operations aim to avoid excursions to sites where visits could pose a threat to biodiversity Customers are informed at destinations on appropriate conduct to preserve biodiversity In Israel, Aurinkomatkat Suntours works with Eilat Loves Animals, an animal protection organisation that operates on donated funds Cats play an important role in keeping the streets of Eilat clean, as without them, there would be rats, snakes and scorpions on the streets However, the city does not look after injured cars or orphaned kittens Eilat Loves Animals takes care of these cats and Aurinkomatkat Suntours supports its work in cooperation with customers by assisting the organisation in different ways

EN16

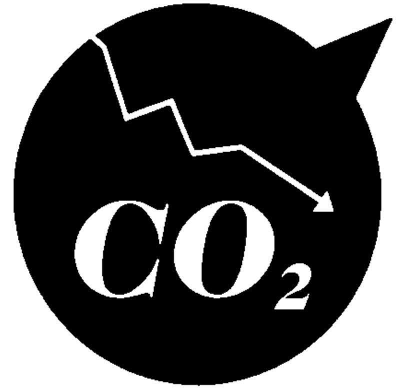
Total direct and indirect greenhouse gas emissions

Nearly all of Finnair Group's greenhouse gas emissions arise from flight operations Flying primarily causes two kinds of direct greenhouse gas emissions carbon dioxide and water vapour Water vapour is the most important greenhouse gas in the atmosphere, but it is not generally examined directly as a human-derived greenhouse gas emission, because the water vapour in the atmosphere is mainly the result of natural evaporation Air transport can in this respect be considered to be in a special position, because the water vapour generated by the engines is released high in the atmosphere, which increases the atmosphere's H_2O content above the cloud layer However, not much is yet known about the potential impacts of water vapour emissions from aviation

As part of the implementation of its new IEnvA environmental system, Finnair has updated its ambitious CO_2 reduction target Finnair is committed to reducing its CO_2 emissions by 20 per cent per one hundred tonne kilometres flown from the 2009 level by 2017 In 2014, the greenhouse gas emissions of Finnair's own fleet amounted to approximately 2,315,439 tonnes of carbon dioxide This figure does not include wet lease operations, which refers to Finnair flights operated with leased aircraft and crew in circumstances where the company's own equipment is unavailable

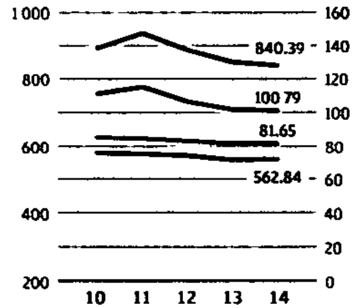
These figures also include the capacity acquired from other operators by Finnair Cargo In 2014, this cargo capacity produced approximately 77,229 tonnes of carbon dioxide in total The amount includes cargo flights that were operated solely due to Finnair Cargo

Finnair is committed to reducing its CO_2 emissions by 20% per one hundred tonne kilometres flown from the 2009 level by 2017.



Information on truck transport used by Finnair Cargo is absent from this report. Finnair Cargo purchases transport services from truck companies, and the statistical practices of these companies do not allow actual emissions to be calculated at present. Finnair Cargo's main partners in truck traffic use vehicles classified as EURO 4 at a minimum

Unit-specific CO_2 emissions, relative to passenger and payload traffic 2010–2014



■ g/RPK ■ g/ASK ■ g/RTK ■ g/ATK

RKP = revenue passanger kilometres
ASK = available seat kilometres
RTK = revenue tonne kilometres, i e. capacity use according to payload weight
ATK = available tonne kilometres, i.e. capacity according to payload weight

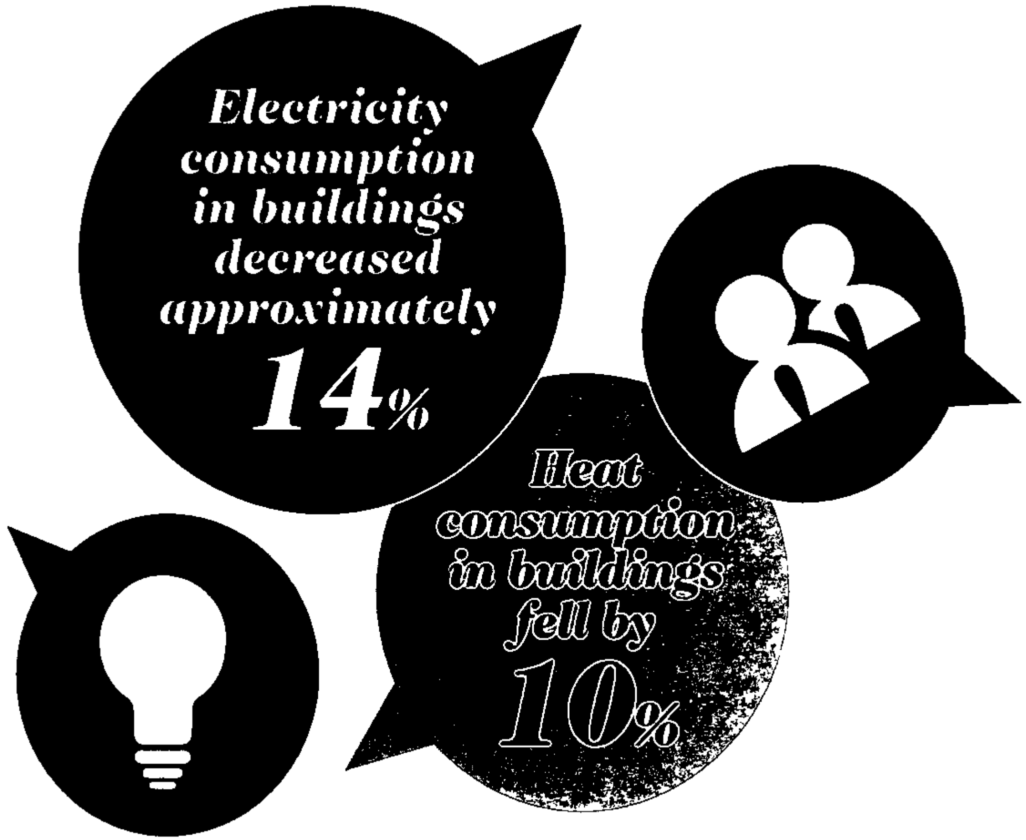
RPK and ASK describe passanger traffic performance and RTK and ATK describe performance according to payload capacity (passangers + baggage + cargo)

Adjusted to passenger traffic.

Finnair's direct and indirect greenhouse gas emissions 2012–2014

	CO_2, tonnes			H_2O, tonnes		
Direct greenhouse gas emissions, tonnes	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Flying AY	**2,315,439**	2,336,930	2,473,303	**955,578**	964,447	1,020,729
Ground equipment, AY	**143**	160	979			
Indirect greenhouse gas emissions						
Electricity	**8,877***	10,281	11 726			
Heat	**14,428***	15,905	18,799			
Total	**2,338,890**	2,363 276	2,503,838	**955,578**	964,447	1,020,729
Change %	**-1.0**	-6 6	-1 8	**-0.9**	-5 5	-1 9

* Vantaa Energy's published figures for 2013 are being used for CO_2 emission factor for electric and thermal energy



EN19

Emissions of ozone-depleting substances

The Finnair Group does not use agents that destroy the ozone layer in the upper atmosphere. Aircraft fire extinguishing systems, which use halon fire-extinguishing agents, constitute an exception. Halon must be used in aircraft fire-extinguishing systems, as alternative agents approved for civil aviation use are not yet available on the market. The types of halon used in Finnair aircraft are Halon 1301 and Halon 1211.

In 2014, two extinguishers containing Halon 1301 and three extinguishers containing Halon 1211 gas were set off, resulting in 81 kilograms of halon being released into the atmosphere.

Halons released into the atmosphere	2014	2013	2012
Halon 1211	3.73	1.45	0
Halon 1301	76.8	10	10.4
Total	80.53	11.45	10.4
CFC equivalent Total	779.19	104.35	104

The ODP (ozone depleting potential) of halon 1211 is 3 and that of halon 1301 is 10. The ODP of a chemical compound is the relative amount of degradation to the ozone layer it can cause, using the ozone depleting potential of a CFC compound as the reference point.

EN20

Nitrogen and sulphur oxides (NO_x, SO_x), and other significant air emissions

In 2014, the total nitrogen oxide emissions from Finnair flight operations increaced by approximately 6 per cent compared to the previous year. The increase is due to increased flying. The figure also excludes the NO_x emissions caused by wet lease operations.

Besides carbon dioxide, nitrogen oxides (NO_x) are the most significant air emission arising from flying. NO_x emissions arise in combustion processes that take place at high temperatures. Nitrogen oxides contribute to the formation of ozone in the lower atmosphere, but destroy methane, which is a powerful greenhouse gas, in the atmosphere. The impact of nitrogen oxides is complex and in many respects still not fully understood.

The basis of the calculation of NO_x emissions produced by the engines of Finnair aircraft are emission figures in relation to route lengths reported by engine and aircraft manufacturers. In Finnair, these values are applied to actual fuel consumption figures separately for each individual route. In addition, the figures are compared with documents based on engine certifications maintained by the UN's International Civil Aviation Organisation (ICAO).

NO_x emissions arising from Finnair flight operations 2012–2014

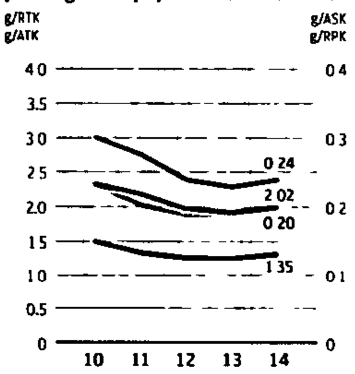
	2014	2013	2012
NOx-emissions Mkg	5.6	5.3	5.6

In addition to NO_x emissions, Finnair's operations give rise to volatile organic compound (VOC) emissions. VOC emissions are harmful to the environment by, for example, contributing to the formation of ozone in the lower atmosphere. Lower-atmosphere ozone, moreover, is harmful to both human and animal health and flora. Finnair's VOC emissions are derived mainly from hydrocarbons that remain uncombusted during the combustion of transport fuels as well as from chemicals used in Technical Services. Finnair Technical Services' environmental permit specifies an upper annual limit for VOC emissions and Technical Services' emissions are considerably lower than this. Due to substantial scaling down of operations, the VOC emissions of Finnair Technical Services declined by more than half in 2014 compared to the previous year.

Finnair Technical Services' VOC emissions in 2014

Chemical group	VOC emissions, 1,000 kg
Paints and varnishes	1.08
Paint removal agents	0.28
Glues and sealing agents	0.02
Solvents	1.16
Anti-corrosion agents	0.03
Cleaning agents	1.59
Washing benzene / washing solvents	0.23
Total	4.39

Unit-specific NO_x emissions, relative to passenger and payload traffic 2010–2014



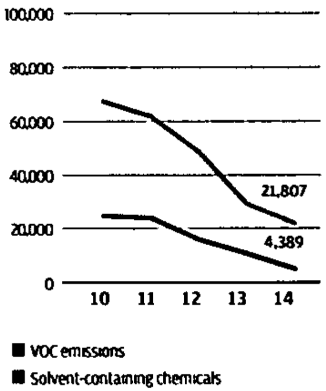
■ g/RPK ■ g/ASK ■ g/RTK ■ g/ATK

RKP = revenue passanger kilometres
ASK = available seat kilometres
RTK = revenue tonne kilometres, i.e. capacity use according to payload weight
ATK = available tonne kilometres, i.e. capacity according to payload weight

RPK and ASK describe passanger traffic performance and RTK and ATK describe performance according to payload capacity (passangers + baggage + cargo)

Adjusted to passenger traffic

Development of use of solvent-containing chemicals and VOC emissions in Finnair Technical Services 2010–2014



EN22

Total weight of waste by type and disposal method

The total amount of waste generated by Finnair decreased by nearly 15 per cent, or slightly over 700 tonnes, from the previous year The reduction in waste volume is primarily attributable to the contraction of production operations in Finnair Technical Services and the divestment of the business operations of Finnair's subsidiary Finncatering Oy

The company also placed even more focus on waste recovery and sorting In spring 2014, Ekokem Oy Ab was selected as Finnair's new waste management partner In conjunction with this, Finnair set waste management objectives of increasing waste recovery, cost efficiency and safety, as well as reducing the volume of waste In practice, this means that waste will be utilised as either energy or material As a rule, waste generated by Finnair's operations is no longer disposed of in landfills The combination of mixed waste and energy waste is made possible by the thermic processing of waste at Ekokem's power plants in Riihimäki Unlike before, food waste originating from outside of the EU that is subject to the EU by-products Regulation can now also be directed to thermic processing, allowing it to be utilised with other waste in generating district heating and electricity

Waste generated by Finnair according to final disposal method 2012–2014

1 000 kg	2014	2013	2012
Composting	155	461	395
Change, %	-66 3	-1 7	-14 3
Recycling	1,012	1,374	1,116
Change, %	-26 4	9 8	-18 7
Energy use	2,743	1,349	1 259
Change, %	103 4	78 5	-6 6
Landfill site*	139	1,671	1,264
Change, %	-91 7	32 2	-20 8
Other*	204	157	144
Change, %	42 2	8 3	100 0
Total	4 253	5,011	4,178
Change, %	-15 1	4 0	-16 6
Re-utilisation %	96 7	66 7	69 8
Recycling %	32 2	39 7	39 6

* Other waste means re-utilised waste that goes to a third party for further processing The proportions of each waste segment are not known Other waste is considered recyclable waste here The increase in quantity is due to demolition waste of old Finnair Technical Services' hangars.

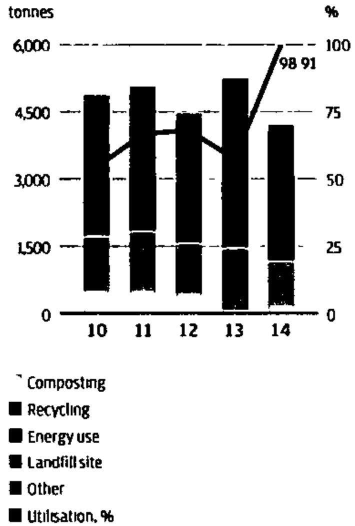
The majority of Finnair's hazardous waste is generated by Finnair Technical Services In 2014, the amount of hazardous waste generated by Technical Services declined to less than half of the previous year's level This was a result of structural changes in Technical Services and the downsizing of operations

Finnair Technical Services' hazardous waste 2012–2014

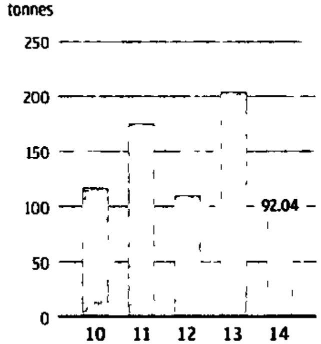
	2014	2013	2012	2011	2010
Hazardous waste, tonnes	92 0	204 4	110 4	175 2	117 2
Change, %	-55 0	85 1	-37 0	49 5	-15 3
Re-utilisable*	88 0	38 2	24 0	41 9	34 8
Re-utilisation %	95 6	18 7	21 7	23 9	29 7

* Reutilisable hazardous waste includes waste kerosene, which is used as a co-combustion agent in processing hazardous waste, and part of solvent waste, which Finnair's partner cleans and returns to Technical Services for reuse

Amounts of waste and utilisation percentage 2010–2014



Finnair Technical Services' hazardous waste 2010–2014



EN23
Total number and volume of significant spills

In October 2014, foam cannons went off in a fault incident in an aircraft hangar, leading to the release of approximately 4,000 litres of foam in the hangar, the apron and drains. Approximately 1,000 litres of this amount was recovered. Approximately 3,000 litres of fire extinguishing agents ended up in sewer system. The substance contains perfluorinated alkyl compounds (PFOS), some of which are very long-lasting and bioaccumulatory. A sample analysis of the emission could not entirely exclude the possibility that the foam contained banned PFOS compounds that could have ended up in the sewer system. Even in the worst case scenario, the total amount of the compound released into the sewer system would not have exceeded 0.30 grams.

EN26
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

One typical adverse environmental effect of air transport is noise. The noise produced by aircraft is mainly engine noise and aerodynamic noise. The level of engine noise is greater in takeoffs, while the level of aerodynamic noise grows during approaches.

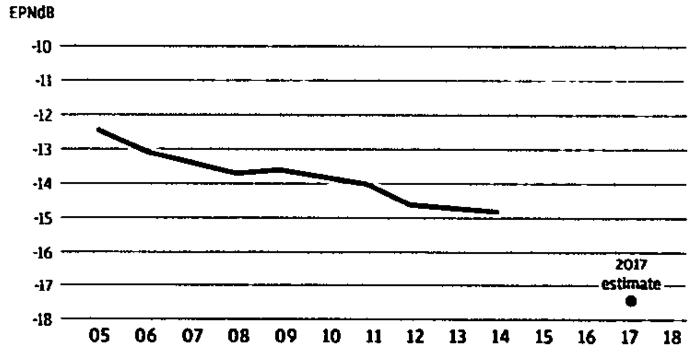
In the Finnair Group, noise pollution is reduced by modernising the aircraft fleet and by planning takeoffs and landings at less undesirable times from a noise perspective. However, Finnair also operates flights in the evenings and at night, at which times noise is perceived to be more disruptive.

In the Canary Islands (Fuerteventura, Gran Canaria and Tenerife), Aurinkomatkat Suntours participates in a campaign organised by its local partner, the charitable organisation Fundacio Seur, to collect hard plastic bottle caps. The proceeds received from recycling companies are used for the medical care of children from low-income families and the purchasing of required equipment. Aurinkomatkat Suntours customers can hand bottle caps collected during their holiday to staff, who will then have them delivered to collection points. This gives Aurinkomatkat Suntours and its customers the opportunity to support the medical treatment of local children as well as environmental protection.

In Crete, Aurinkomatkat Suntours supports the Noah's Ark stray animal centre. Abandoned pets are a growing problem in Crete, which is why assistance is necessary. Customers of our service office in Hania can donate money as well as items such as used towels and animal food to the stray animal centre. Some animals have even found a new home in Finland.

The island of Santorini has a major problem with stray dogs and abandoned donkeys. The Santorini Animal Welfare Association, or Sawa, works in cooperation with volunteers and a local veterinarian to distribute information aimed at preventing the stray dog problem. Travellers who are fond of animals can help by volunteering at the association's dog pound. Aurinkomatkat Suntours customers can also make donations to the dog pound, such as money, used beach towels, dog food and other supplies for dogs.

Finnair fleet noise development
(cumulative margin to Chapter 3 EPNdB limit)

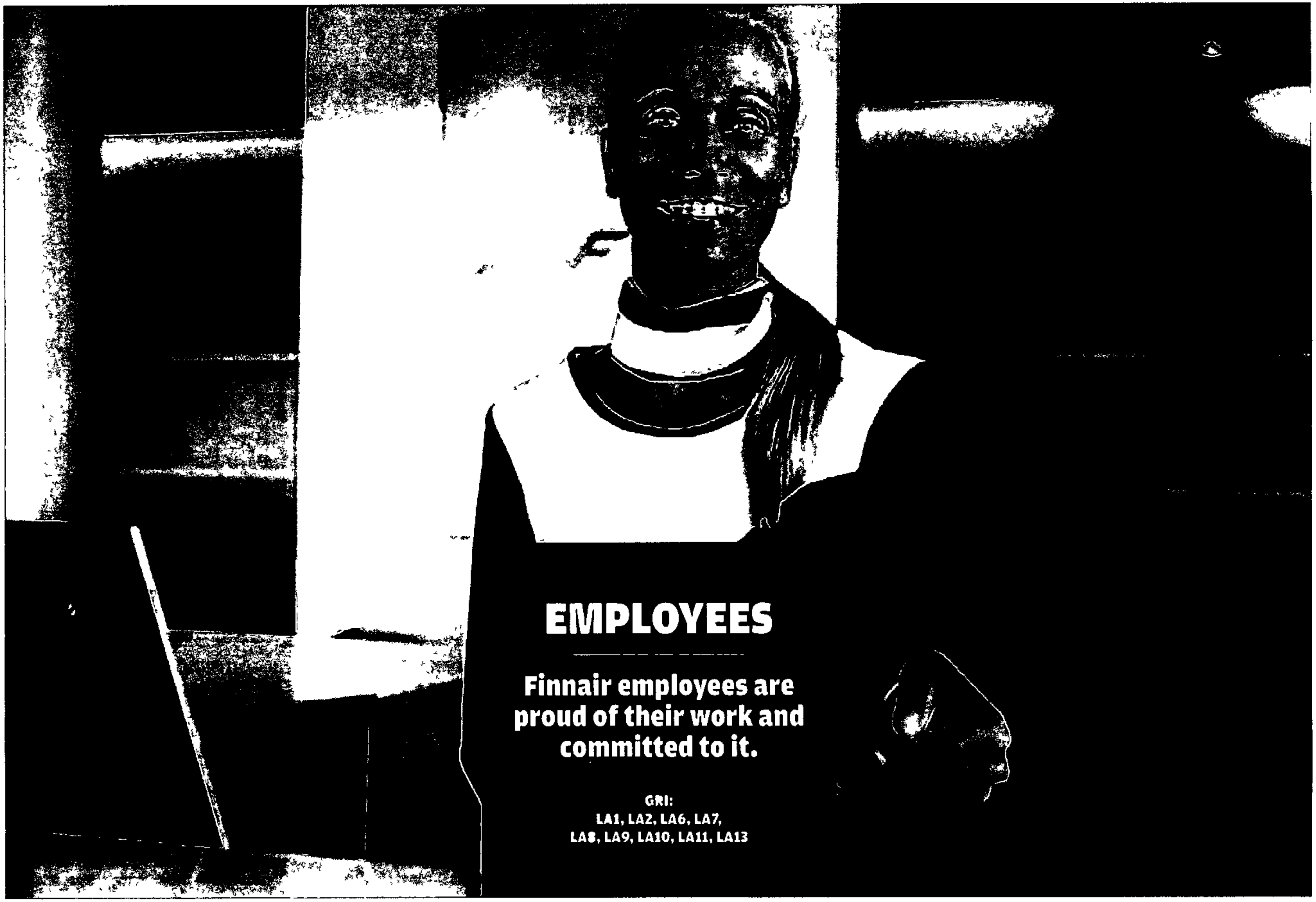


Among Finnair's subsidiaries, the FTB travel agency is also actively involved in responsible business projects. The company is represented in several Finnish corporate responsibility organisations and the Global Business Traveller Association's (GBTA) ICARUS project, which includes a CO_2 group aiming to produce comparable carbon footprint indicators for various service products in the business travel market.

FTB trains its personnel and provides assistance and guidance to customers on environmentally friendly business travel. The popularity of these services has increased, and the product range was reviewed in 2014. FTB offers, independently or in cooperation with its partners, various emissions calculators concerning air travel, hotel accommodation and events to allow its customers to monitor their carbon footprint. Customers can also offset their carbon footprint through FTB thanks to Finnish Nordic Offset cooperation. Events booked through FTB can be implemented in an environmentally friendly manner. Environmental considerations are taken into account according to customer wishes with regard to transportation, meeting facilities, meal and beverage service, event programming and other services.

FTB also offers its customers extensive consulting services on environmentally friendly travel. The consulting involves analysing the customer's current travel processes and their environmental impacts, and presents opportunities for reducing the carbon footprint through sensible travel policy decisions.

In Finnair noise pollution is reduced by modernising the fleet and by planning takeoffs and landings at less undesirable times from a noise perspective.



EMPLOYEES

Finnair employees are proud of their work and committed to it.

GRI:
LA1, LA2, LA6, LA7,
LA8, LA9, LA10, LA11, LA13

From winds of change to building the future

An airline's service is delivered by its people Finnair personnel have gone through large and difficult changes, as the company has focused on core functions and sought cost savings to secure its competitiveness Finnair employees have played a key role in the completion of the cost savings program and they are also essential as the company embarks now on a new phase increasing revenues, renewing the fleet and growing the business

The role of Human Resources is to enable the implementation of the company's strategy by ensuring employees can successfully do their work It all starts with understanding the goals Every Finnair person needs to understand what role they play in strategy implementation In a changing environment, leadership and culture development, competence development and employee wellbeing are also important.

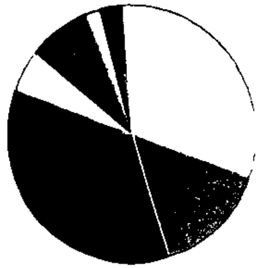
Finnair measures employee wellbeing by conducting an annual 4D survey, where employees are asked to express their opinion about four aspects of work my line manager, my work community, my personal aspect and my health and wellbeing In addition, we carry out a smaller 4D Pulse survey every autumn The results of these surveys are used to develop wellbeing at work in the whole company, and in addition teams use the team specific results for their own action plans

Identifying future competencies

In a rapidly changing world, identifying future competence areas and constantly maintaining and developing the professional skill set are keys to

Employees by group

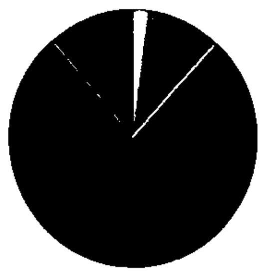
%



- Cabin Crew (SLSY) 30%
- Pilots (SLL) 15%
- White Collar Employees (FYT) 12%
- Abroad 10%
- Technical Services (IAU) 7%
- Ground Services (IAU) 6%
- Travel Agency Staff 5%
- Aviation Employees (SLV) 4%
- Technical Employees (FT) 4%
- Management 2%
- Travel Guides 2%
- Engineers (FIRY) 1%
- Travel Agency Professionals 1%

Employee wellbeing in 2014

%



- 1 = Very poor 2 1%
- 2 = 10 1%
- 3 = 32 1%
- 4 = 44 4%
- 5 = Excellent 11 3%

A special project develops payroll management

Finnair outsourced its payroll management to Zalaris Oy in spring 2013 In 2014, there were several problems in payroll management, related mainly to the payment of different salary supplements and the payment of holiday pay

In autumn 2014, Finnair started a development project that goes through the different areas of payroll administration, clarifies roles, responsibilities and interfaces, and addresses the root causes of the payroll issues The target is to ensure reliable, faultless and smooth payment of salaries The project reports to the SVP Human Resources.

In leadership development Finnair focuses on manager skills.

success for both the company and its employees Process understanding, sales and marketing, customer service development and utilisation of digital channels are examples of areas that Finnair wants to invest in also in the future An annual talent mapping is one of the tools Finnair uses to identify future talent and competence needs

The first of our new A350 XWB aircraft will join our fleet in the second half of 2015, and the fleet renewal entails plenty of training needs The training of pilots, technical staff and cabin crew supports the smooth integration of the new aircraft type into the Finnair fleet When the Airbus A350 XWB test aircraft visited Helsinki Airport in August 2014, also Finnair staff had the chance to see the aircraft and its cabin and cockpit

Toward an open culture

In leadership development Finnair focuses on manager skills and supporting an open discussion culture The target is that Finnair leadership is goal-oriented, fair, developing, encouraging and caring, and the realisation of these attributes in the daily work is evaluated for example in the personal development discussions

An open discussion culture and a practice of working together is crucial, as we build team spirit and trust, both of which are needed to be able to move to the next phase of Finnair and create growth

Wellbeing at HOTT

Since Finnair moved many of its functions to the new House of Travel and Transportation (HOTT) near Helsinki Airport in 2013, one of the building amenities most popular with employees is the HOTT Gym on the first floor

The gym is a key element of Finnair s drive to ensure wellbeing at work and features a wide range of fitness equipment, free weights, exercise bikes, treadmills and cross trainers Open every day including weekends from 05 00 to 23 00, changing rooms and showers are also provided Access is free for all Finnair Group employees

Finnair also arranges fitness classes for a nominal fee in the gym s exercise room There are at least two classes almost every day of the workweek

HOTT also provides changing rooms and shower facilities for commuter cyclists

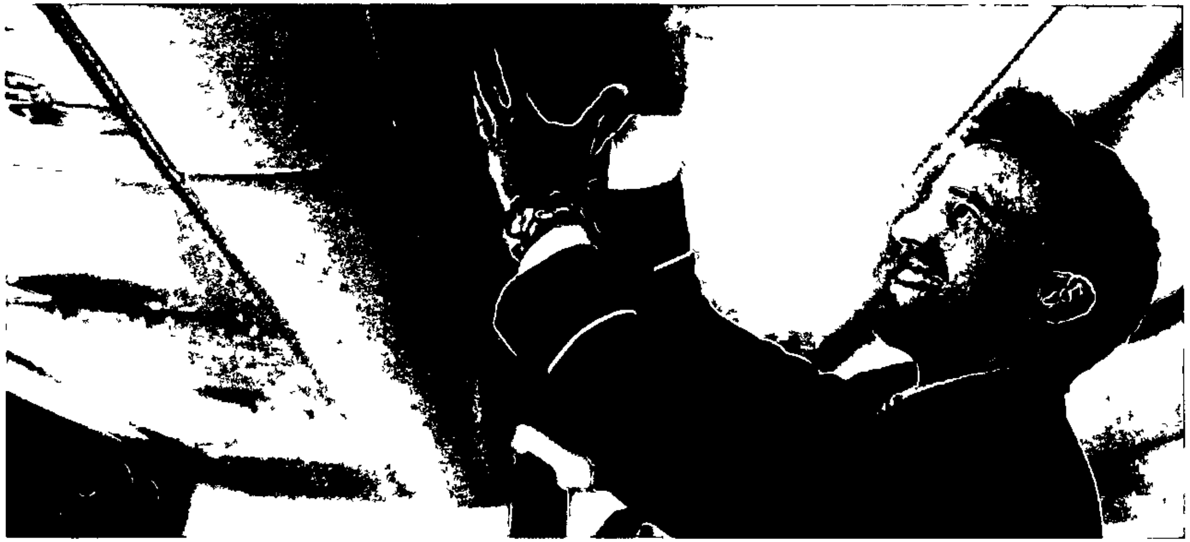
In autumn 2014, we arranged a series of workshops where together with the personnel we discussed the changes in the company and defined the "new normal" of Finnair This work continues in 2015, when the focus moves to building a common value base for the future

An important part of an open discussion culture is the development of the company's internal communications channels, and encouraging open dialogue across the organization Open dialogue within the company builds trusts and a sense of community, and fosters also creativity, as ideas can be shared and developed together

International team as an asset

Finnair has approximately 5,000 employees, and 90 per cent of them are based in Finland Our customers, however, represent many different nationalities, and our global sales team and our Asian cabin crew play a key role in building Finnair business and serving our customers Finnair's growth comes from outside of our home market, and our international team is a key asset for us as we develop our business

An organization lives and evolves only if it has a spark Identifying and fostering this spark is vital for Finnair's future Finnair employees have a genuine pride for their work and they are committed to developing it. The personnel have strong desire to be heard and they have a lot to offer for building the future of the company After years filled with changes, Finnair now faces a new era, and we must be able to renew the company together and turn our eyes on future



Costs savings agreements reached with key personnel groups

During 2014 Finnair finished the implementation of its cost saving program, and the focus was on achieving permanent savings in personnel costs

Finnair conducted negotiations with the labor unions representing different personnel groups, with the aim of reaching market-level wages and costs, primarily by improving productivity and renewing wage and work time structures Our target was to reach such a cost level that would enable us to seek growth with our own personnel

Finnair has six collective labor agreements in place, and the personnel are represented by five different labor unions During 2014 we reached savings agreements with all of the unions

Agreements included cost savings agreements with Finnair Technical Services, Finnair's employees at Helsinki Airport, a collective settlement with senior staff and engineers, and new collective labor agreements with pilots and cabin crew

In September Finnair reached a major milestone when it signed a collective labor agreement with the Finnish Airline Pilots Association The agreement brings Finnair permanent annual costs savings of 17 million euros in the coming years

Negotiations with the Finnish Cabin Crew Union on cost savings on cabin personnel related costs ended without a result in summer 2014 and Finnair was forced to proceed with outsourcing plans for a part of its cabin service However, the negotiations resumed again in the autumn, and in October Finnair signed a collective labor agreement for cabin crew that brings the company permanent annual savings of 18 million euros in the coming years As a result of this, Finnair stopped the planned outsourcing of cabin service, and will implement only the two outsourcing agreements that were signed before the agreement was reached This was considered in the new agreement with the cabin crew

Social indicators 2014

LA1
Total workforce by employment type, employment contract and region

The number of Finnair employees decreased significantly in 2014 as a result of the structural change in progress at the company At the end of 2014, the number of Finnair's employees was 4,461 which is 1,342 fewer than in the previous year Geographically, the greater part of personnel work in Finland, the majority at Helsinki Airport or in its immediate vicinity

There were 567 Finnair employees working outside Finland at the end of 2014 Of these, 198 were employed in sales and customer service duties for Finnair's passenger and cargo traffic A total of 141 people worked for financial services based in the Baltic countries 86 people worked as guides at Aurinkomatkat Suntours' holiday destinations Personnel based abroad are included in the total number of Finnair employees

In addition, 195 people worked for travel agencies and tour operators in the Baltic countries and are not included in the total number of employees*

Fixed-term and permanent employees as of 31 December 2014

	Airline business	Travel services	Other functions	Total
Total	3,772	376	313	4,461
Fixed-term (%)	3	9	2	3
Permanent (%)	97	91	98	97

Full-time and part-time employees as of 31 December 2014

	Airline business	Travel services	Other functions	Total
Total	3,772	376	313	4,461
Part-time (%)	1	5	3	2
Full-time (%)	99	95	97	98

Full-time staff accounted for 99 per cent of Finnair employees, and 97 per cent of staff were employed on a permanent basis The average age of employees was 45 years

LA2
Total number and rate of employee turnover by age group, gender and region

Number and proportion of those who ended their employment (voluntarily, made redundant, retired or as a result of a fatality)

Fixed-term and permanent employees 31 December 2014

	Airline business	Travel services	Other functions	Total
Total	3,772	376	313	4,461
Departed	518	128	38	684
Turnover, %	12	25	11	13

Turnover figures do not include changes in personnel numbers due to outsourcing and the ending of fixed-term employment contracts Finnair personnel working abroad are included in the figures Finnair does not maintain turnover statistics in relation to gender, age group or other diversity aspects

LA6
Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs

At Finnair, cooperation on occupational health and safety is organised in compliance with Finnish occupational health and safety legislation Personnel have representation in official occupational health and safety committees at the company level or the business unit level The occupational health and safety of Finnair's personnel abroad is also taken into consideration in the work of the committees

The occupational health and safety committees operate at the company level, representing various personnel groups. In large subsidiaries, employees are also represented by occupational health and safety delegates at the department level, whose task is to participate in occupational health and safety activity in pairs with the employer's representatives at the job level. Occupational health and safety delegates are selected via elections for terms of two years at a time. The previous term commenced at the beginning of 2014 and will conclude at the end of 2015. At the end of 2015, employees will organise occupational health and safety elections for the 2016–2017 term.

The number of occupational health and safety delegates and their operating areas were adjusted at the end of 2013 to correspond with the significant structural changes in the organisation. The changes were aimed at facilitating and improving the efficiency of occupational health and safety activities by bridging the gap between the employer's representatives and the employee delegates. The goals set for the changes were achieved, as the development of occupational health and safety activities in fixed cooperation between employee delegates and employer's representatives, as well as through open dialogue between occupational health and safety delegates and line management, has continued to improve.

Employee health and safety issues are also handled by Finnair's informal Trust Forum. Members of the Executive Board, HR management, delegates and occupational health and safety organisations are invited to join the forum. The forum provides background information on and discusses matters such as equality and non-discrimination, planning and changes pertaining to employees on a broad basis.

LA7

Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by company and function

Finnair Technical Services' had 2 suspected case of occupational disease in 2014. There were no fatalities in 2014 (the most recent fatality was in 2005).

Work-related accidents are divided into workplace accidents and business trip accidents.

Sickness days due to work-related accidents. This figure includes days of sickness absence caused by accidents that occurred in 2013, where the duration of the incapacity to work was at least one day in addition to the day of the accident. The day of the accident is not included in the calculation.

Workplace accident frequency = number of workplace accidents per one million working hours. Workplace accidents include all accidents that incurred treatment expenses and occurred at the workplace or during work.

Airline's ground personnel = Group management, HR, support services, ground crew and operative ground personnel

	Number of work-related accidents	Number of workplace accidents	Workplace accident frequency (number of accidents per one million working hours)	Number of business trip accidents	Sickness days due to work-related accidents
Airline's flight personnel	59	51	27	12	362
Airline's ground personnel	39	30	28	7	72
Finnair Technical Services Oy	19	16	10	3	61
Finnair Cargo Oy	5				21
Finnair Flight Academy Oy					
Aurinkomatkat Oy					
Finland Travel Bureau Ltd					
Amadeus Oy					
Total	122	97	13	22	516

The figures do not include Finnair's leased employees or subcontractors.

LA8

Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

Occupational health services and wellbeing-at-work activities

At Finnair, the company's own Finnair Health Services unit is responsible for occupational health services. Finnair Health Services, Finnair Aeromedical Centre FAeMC (subsequently referred to as Health Services) coordinates and is responsible for the implementation of occupational health care in the entire Finnair group.

Finnair Health Services is also one of Finland's leading expert organisations in the field of aviation medicine, and as an authorised aviation medicine centre, Finnair Health Services provides aviation medical examinations for the company's pilots, cabin crew and external aviators. In 2014, the services were actively marketed to recreational pilots. A total of 56 recreational pilots used Finnair Health Services for medical examinations related to pilot certification. The operations, services and methods of

Employee health and safety issues are also discussed by Finnair's Trust Forum.

Finnair Health Services are based on industry best practices, customer-focused work, leading expertise and the active production and application of research evidence as well as effective processes Finnair Health Services' main research cooperation partners are the Finnish Institute of Occupational Health and the National Institute for Health and Welfare

The operational and service quality of Finnair Health Services is based on the European Foundation for Quality Management's EFQM Excellence Model The quality system is used to ensure that the requirements for good occupational health care practice in both aviation healthcare and aviation medicine services are met The quality manual covering occupational health care and aviation medicine was updated in 2014

Occupational health activities
Preventive occupational health care activities include influencing employees' health-related habits, identifying risk factors to health, providing advice and guidance for health-promoting choices and protecting oneself from health problems, diseases and reduced work capacity before symptoms or problems arise Occupational health care engages in proactive cooperation with the occupational health and safety organisation

In its activities, Finnair Health Services has focused in particular on developing screening and care practices for illnesses that compromise and affect working capacity Workplaces and occupational health care have cooperated in many ways to improve operating practices that help employees to continue to work and remain in working life despite individual health restrictions and ageing These practices include referral to rehabilitation, trial work placements, the lightening of workloads, job modification, flexible working hours and the use of part-time sick leave supported by part-time sick leave allowance from the Social Insurance Institution of Finland Finnair uses an early intervention operating model for the management of risks related to working capacity The operating model is included in group-level operating guidelines

Finnair s substance abuse program sets out operating principles intended to contribute to an intoxicant-free workplace and work community Identifying substance abuse problems, early intervention, treatment and rehabilitation help reduce the negative health effects of substance abuse and influence service quality, productivity, occupational safety and working atmosphere This also contributes to flight safety

Occupational health matters are actively communicated using the Group s internal communication channels and by arranging information sessions on occupational health, as well as theme days on health and wellbeing at work

Promoting employee health and working capacity through various career stages
Employees are invited to medical check-ups every three to five years, depending on their work-related exposure to risk factors, their duties and their age, in order to promote their health and working capacity Medical examinations were carried out for a total of 845 employees in 2014 The examinations have a broad focus on various health risks (including diabetes and cardiovascular diseases) as well as musculoskeletal disorders, psychological disorders and other serious illnesses that may compromise working capacity, operating capacity and the connection between work and health Preplacement medical examinations are conducted for new recruits and employees whose jobs, working conditions or work-related medical requirements change Returning examinations are also conducted for employees returning to work after extended periods of incapacity to work

Medical examinations pertaining to exposure at work include examinations concentrating on the effects of cosmic radiation, carcinogenic substances, solvents and other chemicals, noise, vibration and working night shifts In minimising exposure to such work-related health hazards, the primary focus is on implementing working methods and procedures that involve minimal exposure to hazards Cosmic radiation assessments were conducted for a total of 14 pregnant members of flight personnel in 2014 All flight personnel can check their cumulative radiation exposure by accessing a browser-based system that provides information on actual hours of flight duty performed and a mathematical calculation of accumulated cosmic radiation exposure Finnair Health Services has monitored the radiation exposure of all flight personnel on a quarterly basis Radiation exposure levels have not exceeded the annual maximum level

The cooperation between occupational health care services and the workplace is based on a workplace survey Workplace surveys determine the content of occupational health care services to a significant extent Workplace surveys are aimed at surveying work and working conditions and assessing their significance to health In 2014, occupational health nurses and physicians conducted workplace surveys in cooperation with occupational health and safety experts and an occupational physiother-

Finnair Health Services is one of Finland's leading expert organisations in the field of aviation medicine.

apist. Workplace surveys were conducted in conjunction with commissioning new premises, carrying out internal relocations and repairs of business premises, problems identified in the work environment, and in relation to changes to work or operations. The majority of the workplace visits carried out by the occupational physiotherapist were related to ergonomics surveys and investigating problems associated with occupational ergonomics. The visits included guidance and counselling related to working methods, working positions and exercise to support recovery from work. The services of an occupational optometrist were used for separate surveys on visual ergonomics.

Finnair Health Services offers employees inoculations against work-related infectious diseases and influenza. The Health Services unit actively monitors the epidemiological situation of various infectious diseases and issues instructions to employees as necessary. In addition, Health Services continuously monitors the epidemiological situation and other risks in Finnair's destination countries. In 2014, the spread of the Ebola virus was monitored and operating procedures were prepared for all personnel for contingencies such as a suspected case of Ebola infection among passengers. A Group-level Ebola contingency plan was drafted in cooperation with the safety organisation.

Finnair Health Services, the occupational safety organisation and employee delegates produced an ergonomics guide for use by cabin personnel. The guide includes information on the physical load factors associated with work and how to prevent related symptoms. The aim of the guide is to promote the musculoskeletal health of personnel and to reduce musculoskeletal symptoms and illnesses.

Representatives of Finnair Health Services participate in the development of workplace meals and crew meals for flight personnel. Occupational health care services have been supplemented by the services of a nutritional therapist, and in special cases employees have the opportunity to obtain a referral from occupational health services for personal counselling visits by a nutritional therapist.

As in previous years, rehabilitation to maintain working capacity was carried out in cooperation with workplaces, the Social Insurance Institution of Finland and Avire Oy. In 2014, a total of five rehabilitation courses customised to the requirements of specific jobs began, with 10 participants selected by occupational health care in each. The courses targeted customer service personnel, experts and supervisors, Technical Services employees, as well as pilots and cabin service personnel. In 2014, Finnair also launched separately funded vocational rehabilitation (Finnairin Ammatillinen kuntoutus, FiAK) aimed at supporting professional reorientation while the process of applying for vocational rehabilitation through the employment insurance provider is still ongoing or has not yet begun.

Finnair Health Services has supported employees, work communities and supervisors in coping with changes. Support has been actively offered to individual laid-off employees to help them find a new direction in life, and to work communities to help them cope with changes. Occupational health nurses have been responsible for group- and individual-level support measures related to the structural changes in their respective areas of responsibility, and for ensuring the adequacy and availability of occupational health care services.

In addition to lectures on change support, occupational health services provided individual and group guidance and counselling on matters related to work, working conditions, the work community, working capacity and rehabilitation. In 2014, occupational health services also participated in training, including "Tekniikan uusi arki" workshops for supervisors.

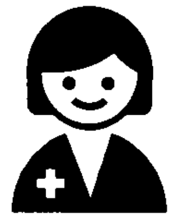
Finnair Health Services also continued student cooperation with Metropolia University of Applied Sciences, with optometry students organising five screening days under the arrangement in 2014.

Wellbeing-at-work program

The principles of Finnair's wellbeing-at-work program for the period 2011–2015 apply to all business units and employees. The aim of the program is to promote the effectiveness and functionality of the work community and to ensure the wellbeing of personnel through all career stages. The program also contributes to employee productivity, the company's competitiveness and attractiveness as an employer as well as the implementation of the social component of corporate responsibility.

The members of the wellbeing-at-work steering group in 2014 were the Director of Finnair Health Services, Finnair's Head of Occupational Safety, Finnair Cargo's HR manager and the group's director in charge of human resource development. The steering group met 10 times in 2014.

Three wellbeing-at-work program projects were launched in 2014. An extensive study of wellbeing at work among pilots and a development



Finnair Health Services supports employees, work communities and supervisors in coping with changes.

project focused on the ergonomics of shift work at Helsinki-Vantaa Airport were both launched in cooperation with the Finnish Institute of Occupational Health Occupational health nurses from Finnair Health Services also completed training on conducting heart rate variability analysis, interpreting the results and providing feedback on them In 2014, a total of 64 wellbeing surveys based on heart rate variability analysis were carried out. The use of the method for purposes such as assessing the physical and mental load of work will be developed further in 2015

Exercise program in 2014

In 2014, exercise among work communities and teams was supported by discretionary TEAM exercise allowances Finnair's HOTT office building has a modern fitness centre available to all employees From the beginning of 2014, the fitness centre has offered approximately 10 hours per week of instructor-led group exercise sessions

Three START fitness groups were launched in 2014, one with a focus on exercise, one focused on weight management, and one for people with neck symptoms The programs were implemented in cooperation with Finnair's partner Avire Oy and with support from the Social Insurance Institution of Finland A total of 48 Finnair employees participated in the fitness groups

Finnair has two different forms of support for group exercise The discretionary CREW/TEAM allowances remained in place in 2014 FINNAIR TEAM exercise allowance is intended for the promotion of work community development, wellbeing and communality

Both allowances are granted in part or in full based on separate applications and are available to all employees The TEAM allowance is used to fund exercise activities–for example, in conjunction with team development days–while the CREW allowance is used to fund various events, such as marathons and other mass sporting events In 2014, Finnair employees used the CREW allowance to participate in events including Yritysmaraton 2014 (Company Marathon 2014) and Midnight Run

LA9

Health and safety topics covered in formal agreements with trade unions

Finnair's primary occupational safety forums are the joint occupational health and safety committees of personnel and the employer

The development of occupational health and safety is based on the occupational health and safety action plan, the focus areas of which are updated annually

The focus areas in 2014 were

- Assessing the current status of occupational safety and presenting a plan and action proposals for the development of operations
- Establishing specific operating methods
    - An operating model for preventing inappropriate conduct and harassment
    - Early intervention operating model
    - Providing training on, and specifying in greater detail, the responsibilities of supervisors in the line organisation
- Developing the reporting of work-related accidents to meet actual needs fast, reliable and goal-oriented
- Reassessing reporting systems and carrying out a competitive bidding process
- Harmonising processes used in hazard identification and risk assessment procedures as well as workplace risk assessments
- Developing shared occupational safety practices for workplaces, taking the occupational safety perspectives of subcontracting chains and supplier networks into account in guidelines and agreements
- Including occupational safety as part of normal supervisory and managerial work (materials, competence)
- Developing occupational safety training, induction training and communications

The current state of occupational safety was evaluated at the unit level in 2013 This was done by risk assessment surveys using 3T Development efforts continued for the identified development areas, including harmonising occupational health and safety activities between units and the development of consistent statistical practices and reporting The unit-specific development areas were related to, among other things, the need to revise and update risk assessments, developing supervisors' occupational safety expertise and improving communication with personnel. Some of the actions were implemented according to the 2013 action plan, and some according to the 2014 action plan Increasing supervisors' awareness of occupational safety and responsibilities related to occupational safety was one of the main themes in 2014 High-quality managerial work plays a key role in successful occupational safety efforts The goal is to strengthen the role of supervisors in occupational safety, and particularly in proac-

Finnair's HOTT office building includes a modern fitness centre available to all employees.

tive safety work. As part of the process, each supervisor was made aware of their responsibilities related to occupational health and safety.

The development of shared occupational safety rules for workplaces continued in 2014 through cooperation between the various actors at the airport and by assessing and supporting the safety efforts of subcontractors and updating the relevant rules and procedures. The key cooperation partner was Finavia and the cooperation took place via a forum that Finnair's representatives also participated in.

As an aviation industry employer, Finnair actively develops the occupational safety of its employees in cooperation with representatives of labour market organisations in a transport and logistics group coordinated by the Centre of Occupational Safety. The working group promotes occupational safety, occupational health and safety cooperation and the development of working life in aviation industry workplaces.

http://ttk.fi/toimialat/kuljetus_ja_logistiikka/ilmailuala

LA10

Average hours of training per year per employee by employee cate

In 2014, Finnair provided training for its employees via the Finnair Aviation Academy amounting to 114,345 student hours in total. Relative to company's total number of personnel, this corresponds to 25.6 per employee. The figures do not include courses arranged within departments nor training provided by parties outside the company.

Year 2014	employees	office staff	flight personnel	management	total
Student hours	13 005	17,996	82,620	724	114,345
Persons per personnel group	659	1,400	2,308	98	4,465
Average hours per person	19.7	12.9	35.8	7.4	25.6

	2014	2013	2012	2011
Student hours	114,345	160,853	145,753	203,899
Average student hours per person	25.6	31	22.9	27.3

LA11

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

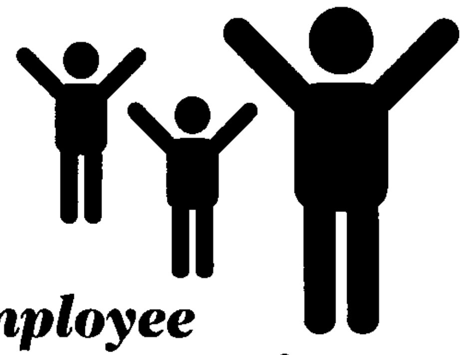
Employee competence is a cornerstone of the implementation of our strategy. Training and development needs are surveyed in the company's various business units and subsidiaries and in conjunction with performance and development reviews. This helps us ensure the continued development of aviation competencies that are in short supply in Finland.

Strategic personnel development requires cooperation between several different parties. Solutions are sought for development needs not only on a Group-wide basis, but also at the unit, team and individual levels. In addition to traditional classroom training, e-learning, workshops, learning on the job, coaching and mentoring are also used as development methods.

Development solutions for professional training in the areas of flight, safety and service training are produced in cooperation with Finnair Flight Academy Oy. Finnair Technical Services manages its own professional training operations. The personnel development team produces solutions primarily for strategy-oriented competence development. The main focal areas in 2014 were:

A. Development of managerial and supervisory work
- Manager Induction continued for all new supervisors
- Management Team Development
- Project competence: project manager certification, round 2
- Process competence: online course on process training for all new employees and supervisors continued
- Airline business competence online course for all Finnair Plc employees
- Partnership management training continued for specific key personnel
- "Tekniikan uusi arki" supervisor training continued
- Termination training for supervisors

B. Customised personnel development solutions and projects
- Change management and personnel competence development under the SJB (Siberian Joint Business) project
- "Tekniikan uusi arki" workshops for all technical services personnel continued
- The Sales Induction project was completed and the pilot phase began



Employee competence is a cornerstone of the implementation of our strategy.

- Sales training continued and was extended to Asian destinations in autumn 2014
- Change support programs for turning points related to organisational changes
- The Cargo "Must Win Battle" project carried out a competence survey pilot in the international sales organisation and facilitated development workshops in the Cargo Terminal Operations unit
- Finnair on the Customer's Path, an eLearning program for customer service personnel
- Coordination support for the A350 Readiness "Must Win Battle" project as various units prepare to take delivery of the new type of aircraft

C Team development and coaching
- Individual coaching programs for key individuals continued
- Group coaching program launched for leaders of the Chinese sales unit
- The Network project continued with the aim of providing tools for supervisors and teams to implement changes in the spirit of responsibility and to discuss rules and procedures when working methods are revised

D Professional competence development and induction training
- WeWin induction training for new recruits
- SAP-HR system training for new users
- Finnair Training Portal induction training for supervisors

The permanent themes include making the airport a safe workplace, developing occupational safety training in the aviation industry, occupational health awareness for supervisors, and occupational safety card training Other professional training organised in 2014 included outstation training, first aid and emergency training, basic and recurrent training, systems training and cooperation with Helmi Business College

The Finnair Aviation Academy, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998) Its task is to arrange further vocational training leading to a vocational or special vocational qualification as well as other further vocational training required for the practice of Finnair Plc's and its subsidiaries' operations (Further Vocational Training Arrangement Permit 551/530/2006, 13 December 2006) As a privately-owned educational establishment, the Aviation Academy funds its operations in accordance with government aid practices and it is a member of Business Education Establishments ELO (Elinkeinoelämän oppilaitokset Elo ry)

LA13

Composition of governance bodies and breakdown of employees per category by gender, age group, minority group membership and other indicators of diversity

At the end of 2014, 57 per cent of Finnair's personnel were women and 43 per cent were men Three of the seven members of Finnair's Board of Directors are women

The average age of Finnair's personnel in 2014 was 45 years Of the personnel, 28 per cent were over 50 years of age, while four per cent were under 30 years of age The employees' average number of years in service was 17 Employees who have worked for Finnair for over 20 years account for 40 per cent of personnel, while 10 per cent have worked for Finnair for over 30 years Finnair does not maintain statistics on ethnic minorities

All personnel

Gender structure	%
Women	57
Men	43
Age structure	**%**
Under 30 years old	4
30-50-year-olds	67
Over 50 years old	28

Senior management (assistant directors, department directors, Executive Board)

Gender structure	%
Women	26
Men	74
Age structure	**%**
Under 30 years old	0
30-50-year-olds	74
Over 50 years old	26

FINANCE

We target 6% operational EBIT.

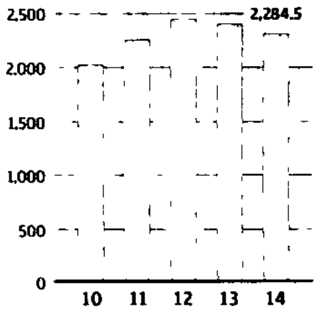
GRI:
EC1, EC2, EC3, EC4, EC6, EC9

Key figures

* Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls.
Formulas for calculating key ratios are presented on page 59

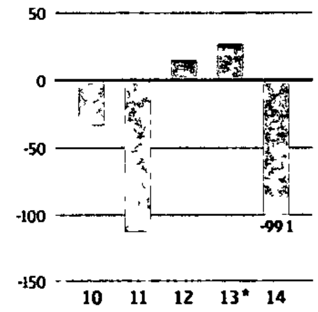
Turnover

€ million



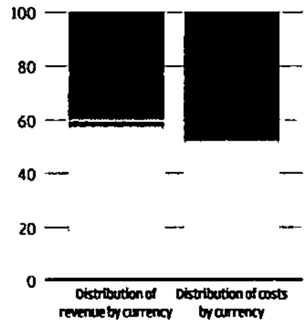
Result before taxes

€ million



Distribution of revenue and costs by currency in 2014

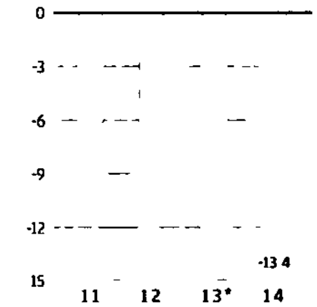
%



EUR ■ JPY ■ SEK
■ USD ■ CNY ■ Other

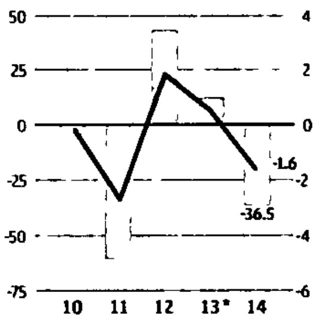
CASK ex. fuel development since 2010

%



Operational result**

€ million %

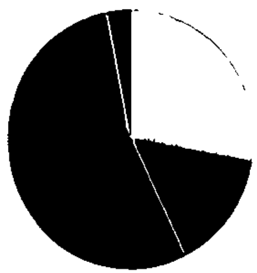


■ % of turnover

** 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.

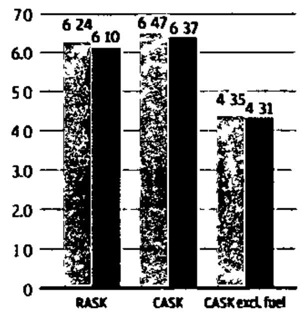
Distribution of operating expenses €2,339.2 million

%



Fuel 28%
■ Personnel 15%
■ Ground handling and catering 11%
■ Traffic charges 10%
■ Other costs 9%
■ Other rental payments 7%
■ Depreciation 6%
■ Maintenance 5%
■ Aircraft leasing 3%
■ Tour operations 3%
■ Sales and marketing 3%

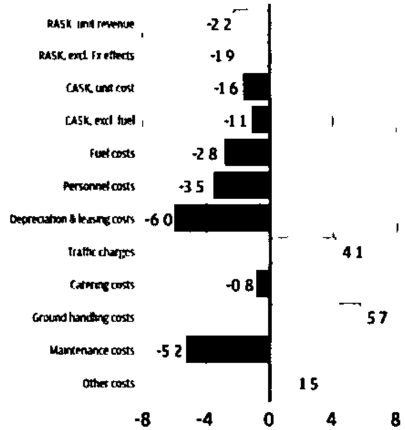
Airline Business: unit revenue (RASK) and unit cost (CASK)
cents/Available Seat Kilometre
cents



☐ 2013*
■ 2014

Airline business: RASK & CASK development in 2014

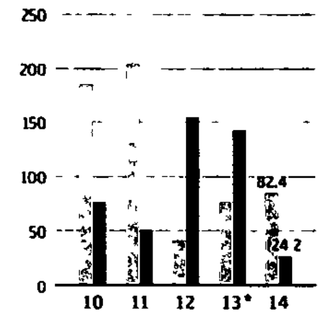
change 2014 vs. 2013, %



* Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls
Formulas for calculating key ratios are presented on page 59

Capital expenditure and net cash flow from operations

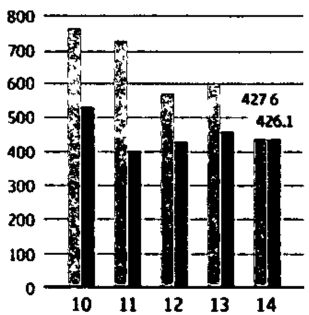
€ million



Gross investments
Net cash flow from operations

Interest bearing liabilities and liquid funds

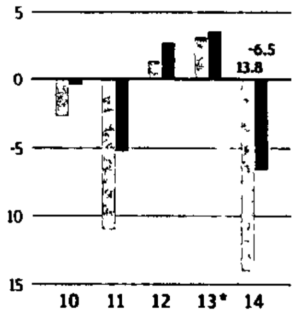
€ million



Interest bearing debt
Liquid funds

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

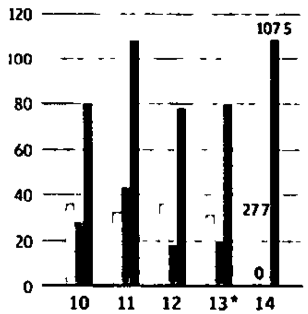
%



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

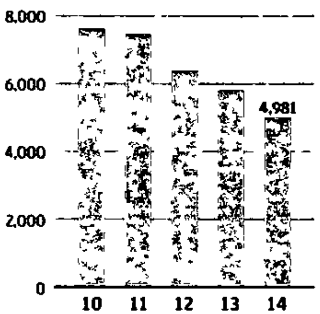
Equity ratio, gearing and adjusted gearing

%



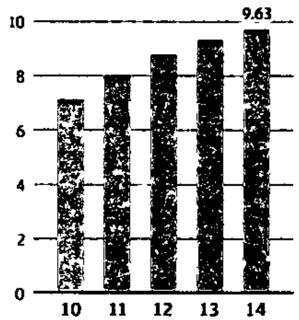
Equity ratio
Gearing
Adjusted gearing

Number of persons employed by Finnair at year-end

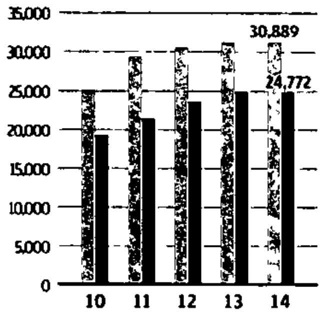


Number of passengers

million

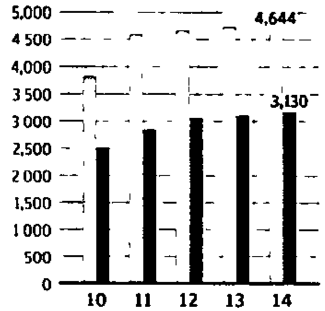


Available seat kilometres (ASK) and revenue passenger kilometres (RPK)



Available Seat Kilometres (ASK)
Revenue Passenger Kilometres (RPK)

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



Available tonne kilometres (ATK)
Revenue tonne kilometres (RTK)

The Report of the Board of Directors 2014

Business Environment

Growth in Finnair's main markets was conservative despite substantial changes in business environment. Measured in Available Seat Kilometers the market capacity between Helsinki and Finnair's European destinations grew by 6.7 per cent in 2014, and the market capacity between Finnair's Asian and European destinations increased by 1.7 per cent. Finnair increased its market share in European traffic (point-to-point) clearly to 54.4 per cent (51.1), whereas in Asian traffic Finnair's market share decreased slightly to 5.0 per cent (5.4).*

The weakness of the Finnish economy was reflected in the home market demand for passenger traffic throughout the year. *Cargo traffic volumes in Finnair's main markets grew despite the negative* impact the weak economic situation in the eurozone had on European cargo demand.

Changes in exchange rates had a negative effect on Finnair's revenue development throughout the year, which was reflected in the weaker revenue development of both passenger and cargo traffic. In terms of average exchange rates, the euro appreciated substantially against the yen in 2014 compared to 2013. The euro also appreciated against the Swedish crown and Chinese yuan, while the Korean won appreciated against the euro. The average dollar-euro exchange rate did not change significantly compared to 2013. The appreciation of the dollar against the euro, which began in the second half of the year, nevertheless dilutes the advantage gained by airlines from the substantial decrease in the price of jet fuel that began in autumn 2014. The US dollar is a significant expense currency in Finnair's operations, while the Japanese yen is a significant income currency.

Strategy implementation and partnerships

In May, Finnair's Board of Directors approved the company's strategic targets as part of Finnair's annual strategy work. Finnair's strategic objectives are to double Asian revenues by 2020 from the 2010 level, grow traffic via Helsinki by fully exploiting Finland's geographic location, and create shareholder value and be an attractive investment. The long-term return objective set for the company by Finnair's Board of Directors is an operating profit margin of six per cent, which would enable investments in growth and business development.

Joint businesses

On 1 April 2014 Finnair entered the joint business established in 2012 by fellow **one**world alliance partners Japan Airlines and British Airways for traffic between Europe and Japan. Finnair had previously, in July 2013, joined the transatlantic joint business founded by fellow **one**world alliance members American Airlines, British Airways and Iberia. These joint businesses have started well and their performance so far has been in line with expectations.

* Figures are Finnair's estimates. The estimates are based on MIDT data collected on the sales volumes of travel agencies and Finnair's estimates of airlines' sales through their own sales channels, such as websites. Numbers reflect destination cities rather than airports and exclude seasonal routes.

Regional flying

In November 2014, Finnair and Flybe UK Ltd announced that the Flybe Nordic AB shares owned by Flybe UK Ltd will be sold to a new majority shareholder or to Finnair. Flybe Nordic owns fully the Finnish subsidiary Flybe Finland Ltd, which is in charge of Finnair's regional airline operations. Flybe Finland operates approximately one third of Finnair's narrow-body fleet on a contract flying basis.

The Finnish Competition and Consumer Authority approved the sale of Flybe UK Ltd's 60 per cent ownership of Flybe Nordic to StaffPoint Holding Ltd and G.W. Sohlberg Ltd in January 2015. The transaction price was one euro. Following completion of the sale, Staffpoint's ownership in the joint venture is 45 per cent, GWS's 15 per cent and Finnair's 40 per cent. Flybe Finland and its Board of Directors will now jointly develop the company's business model and improve the efficiency and profitability of regional flying.

In its 2014 financial statements, Finnair recognised a write-down of a subordinated loan issued to Flybe Finland and interest on the loan, amounting to 10.8 million euros combined, and a total of 11.3 million euros in advance payments and other operational receivables from Flybe Finland. The write-down of the subordinated loan and its interest is recognised in financial expenses and the write-down of advance payments and other operational receivables in non-recurring items. After the write-downs, Finnair still has running advance payments and other operational receivables from Flybe Finland, and Finnair continuously monitors the accuracy of the valuation of items related to the Flybe Finland cooperation.

Progress of the structural change and cost reduction program

Sales of business operations

At the end of February, Finnair sold its subsidiary Finncatering Oy to LSG Lufthansa Service Europa/Afrika GmbH (LSG). The transaction did not have a significant impact on Finnair's operating result for 2014.

At the beginning of October, Finnair completed the sale of its subsidiary Finnair Travel Retail's shops at Helsinki Airport to World Duty Free Helsinki Oy, the Finnish subsidiary of World Duty Free Group. The transaction does not concern inflight sales. The transaction had a positive impact of 12.7 million euros on Finnair's operating result in 2014.

Both of the arrangements were part of Finnair's restructuring program, in which Finnair aims to focus on its core airline business.

200 million euro cost reduction program

By the end of 2014, Finnair had achieved a total permanent annual cost reduction of approximately 217 million euros compared to the unit cost level in 2010. The cost reduction target was 200 million euros. The cost reductions will be reflected in full in Finnair's result in 2015, and their positive impact on the result for 2014 was approximately 180 million euros. The achieved cost reductions of 217 million euros include approximately 15 million euros in savings negotiated with various employee groups in 2014 based on collective labour agreements.

Unit costs excluding fuel have declined by 13.4 per cent from the 2010 level by the end of 2014. At the same time, Finnair has been able to move a substantial share of fixed costs to volume-based variable costs. Going forward, Finnair will continue to maintain tight control over costs in all of its cost categories.

Cost reduction negotiations with personnel

In May 2014, Finnair signed a company-specific cost reduction agreement pertaining to Finnair Technical Services, which is within the scope of the Finnish Aviation Union (IAU). The agreement achieved the direct cost reduction targets set for the Technical Services' IAU collective labour agreement and it also includes commitments to future-oriented measures to improve productivity. As part of the agreement, Finnair committed to protection against unilateral termination until 31 December 2015 in the area within the scope of the collective labour agreement in question. Finnair also signed a cost savings agreement with the Helsinki Airport employees within the scope of the IAU.

Finnair and its senior salaried employees and engineers (FYT) reached an agreement in May on collective wage settlement. Finnair will achieve approximately six per cent greater efficiency and related savings through this agreement within the scope of FYT. Extending working hours was a key element in the savings achieved.

Finnair and the Finnish Air Line Pilots' Association (SLL) reached an agreement in early September on permanent annual cost reductions of 17 million euros. Approximately 11 million euros will materialise gradually over the two-year Collective Labour Agreement (CLA) period, approximately three million euros in the coming few years through growth, and the remaining three million euros in the future through changes to pensions and the employment terms of new pilots. In return, Finnair gave pilots protection against redundancies for the next two years and a one-time compensation plan, which was approved by Finnair's Board of Directors in October.

Finnair and the Finnish Cabin Crew Union (SLSY) reached a savings agreement in October. The agreement brings Finnair 18 million euros in permanent annual savings. Approximately 75 per cent of the savings will materialise during this agreement period ending on 15 November 2016 and approximately 25 per cent in the future through changes to the employment terms of new cabin attendants. In return, Finnair offered cabin personnel protection from redundancies for the next two years, protection from outsourcing and a fixed-term pension incentive.

The savings agreement concluded with SLSY includes the estimated savings impact and non-contesting of the outsourcing contracts already signed concerning the Hong Kong and Singapore routes. Finnair and the Norwegian crew management company OSM Aviation signed an agreement in September on the outsourcing of cabin services on these routes. The cabin crew for these routes will be recruited to OSM Aviation's bases in Asia. The outsourcing is estimated to start in March 2015, provided that OSM can obtain the required work permits for its personnel by then.

A savings agreement negotiated in December with technical services personnel belonging to Trade Union Pro was confirmed after the end of the financial year in January. In return, Finnair gave technical services personnel protection from redundancies until 30 June 2016. When implemented, the agreement will produce in savings of approximately one million euros through the elimination of allowances and the extension of working hours.

A significant proportion of the savings agreed on in 2014 will be gradually reflected in the company's result starting from the first quarter of 2015. The materialisation of some of the savings depends on the extent to which Finnair can utilise the extended working hours in its operations.

Financial performance in 2014

Finnair's revenue in 2014 declined by 4.8 per cent from 2013 and totalled 2,284.5 million euros (2,400.3). Capacity decreased by 0.9 per cent. The main factors contributing to the decrease in revenue were a substantial decline in unit revenue, particularly in Asian traffic, the contraction of Aurinkomatkat Suntours' revenue, the loss of external revenue resulting from the restructuring of aviation services, the declining purchases by tour operators outside the Group, and the weak development of cargo. Operational costs excluding fuel decreased by 2.2 per cent year-on-year, amounting to 1,678.8 million euros (1,717.3). Fuel costs, including hedging and costs incurred from emissions trading, decreased by 4.3 per cent year-on-year to 660.4 million euros (689.9) due to a decline in the market price of fuel and a decrease in capacity. Personnel costs declined by 9.6 per cent to 344.5 million euros (381.3) due to the personnel reductions implemented in 2014. Euro-denominated operational costs declined by 2.8 per cent to 2,339.2 million euros (2,407.2). The company's operational result, which refers to the operating result excluding non-recurring items, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves, was -36.5 million euros (11.9).

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 amounted to -43.7 million euros (21.7). The non-recurring items for the period included items related to the sale of Finncatering Oy, the sale of Finnair Travel Retail's shops, fleet sale and lease-back agreements, write-down of advance payments and other operational receivables associated with Flybe Finland, and items related to the company's restructuring amounting in total to 7.7 million euros (-25.7). The operating result was -72.5 million euros (7.9). Finnair's result in 2014 before taxes was -99.1 million euros (26.8) and the result after taxes was -82.5 million euros (22.9).

Unit revenue per available seat kilometre (RASK) declined by 2.2 per cent compared to 2013 and amounted to 6.10 euro cents (6.24). Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 1.9 per cent from the comparison period. Unit cost per available seat kilometre (CASK) decreased by 1.6 per cent and amounted to 6.37 euro cents (6.47). Unit cost excluding fuel (CASK excl. fuel) decreased by 1.1 per cent due to the cost reduction program and totalled 4.31 euro cents (4.35).

Balance sheet on 31 December 2014

The Group's balance sheet totalled 1,885.1 million euros at the end of the period under review (2,117.6 million euros on 31 December 2013). Shareholders' equity decreased to 514.3 million euros (678.0), or 4.02 euros per share (5.30). Shareholders' equity declined during the financial year due to the result and comprehensive income showing a loss.

Shareholders equity includes a fair value reserve that is affected by changes in the fair values of oil and currency derivatives used for hedging as well as actuarial gains and losses related to pilots' defined benefit plans according to IAS 19 The value of the item at the end of 2014 was -87 4 million euros (-15 0) after deferred taxes, and it was affected particularly by changes in the fair value of hedging instruments

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments In 2014, net cash flow from operating activities amounted to 24 2 million euros (142 4) The change is primarily due to the company's loss-making result Net cash flow from investments totalled 14 4 million euros (-19 3)

The equity ratio was 27 7 per cent (32 6) and gearing was 0 3 per cent (19 9) The adjusted gearing was 107 5 per cent (79 2) At the end of the year, interest-bearing debt amounted to 427 6 million euros (593 0) and interest-bearing net debt stood at 1 4 million euros (134 2) In the first quarter, the company repaid an aircraft financing loan of 107 million euros, which was used to finance four A330 aircraft Sale and leaseback agreements for these aircraft were implemented during the first half of the year

The company's liquidity remained strong in the review period The Group's cash funds amounted to 426 1 million euros (458 8) at the end of the year In addition to the cash funds on the balance sheet, the Group has the option of re-borrowing employment pension fund reserves worth approximately 430 million euros from its employment pension insurance company Drawing these reserves requires a bank guarantee Finnair has an entirely unused 180 million euro syndicated credit agreement, which was intended as reserve funding and matures at the end of July 2016

Advance payments related to fixed-asset investments were 66 4 million euros (66 0)

Finnair has a 200-million-euro short-term commercial paper program, of which 28 million euros were in use at the end of December Net cash flow from financing amounted to -180 3 million euros (-47 4) Financial expenses were 26 9 million euros (19 7), and they include the write-downs of a subordinated loan issued to Flybe Finland and interest on the loan Financial income stood at 3 5 million euros (42 6) The financial income for 2013 includes profit from the sale of shares in Norwegian Air Shuttle ASA

Capital expenditure

In 2014, capital expenditure excluding advance payments totalled 82 4 million euros (77 3) and was related to the Business Class seat renewal of the long-haul fleet and engine performance restorations Capital expenditure for the full year 2015, including advance payments, is estimated at approximately 480 million euros, with investments in the fleet representing a majority of this total

The current state of the credit market and Finnair's good debt capacity enables the financing of future fixed-asset investments on competitive terms The company has 35 unencumbered aircraft, the balance sheet value of which corresponds to approximately 62 per cent of the value of the entire fleet of 0 8 billion euros The balance sheet value includes three finance lease aircraft

Aircraft sale and leaseback agreements

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

In the first half of 2014, the company concluded sale and leaseback agreements for four A330 aircraft as per memoranda of understanding signed in December 2013 In December 2014, Finnair signed a memorandum of understanding with GOAL German Operating Aircraft Leasing GmbH & Co for the sale and leaseback of three Embraer 190 aircraft and a memorandum of understanding with Doric Asset Finance GmbH & Co KG for the sale and leaseback of six ATR 72 aircraft The aircraft included in the arrangements are operated by Flybe Finland Sale and leaseback agreements for all nine aircraft are expected to be concluded by the end of March 2015, after which Finnair will continue to sublease the aircraft to Flybe Finland

Finnair has also signed an agreement for the sale and leaseback of its first two Airbus A350 XWB aircraft The agreement is expected to be concluded in conjunction with the delivery of the first Airbus A350 XWB aircraft in autumn 2015

Fleet

Finnair's fleet is managed by Finnair Aircraft Finance Ltd, a wholly-owned subsidiary of Finnair Plc At the end of December 2014, Finnair itself operated 45 aircraft, of which 15 are wide-body and 30 narrow-body aircraft There were no changes to the composition of the fleet in the fourth quarter In the first half of the year, two B757 aircraft were removed from Finnair's fleet according to plan as their leases expired, and two new A321 Sharklet aircraft were added to the fleet As of March 2014, the company operates an all-Airbus fleet

In addition to the aircraft operated by Finnair, its balance sheet includes 22 other aircraft owned by the company These aircraft are operated by Flybe Finland In December, Finnair sold three Embraer 170 aircraft to Infinity Aviation Capital LLC, a US-based aircraft leasing company, in accordance with the memorandum of understanding signed in May 2014 Finnair also has eight leased aircraft that it has subleased to be operated by other airlines

The average age of the fleet operated by Finnair was 10 2 years at the end of 2014, and that of the Finnair fleet operated by Flybe Finland was 6 2 years

Fleet operated by Finnair on 31 Dec 2014

	Seats	#	Own	Leased: Operational leasing	Leased: Finance leasing	Average age	Change from 31 Dec 2013	Ordered	Add options
Narrow-body fleet									
Airbus A319	138	9	7	2		13 4			
Airbus A320	165	10	6	4		12 4			
Airbus A321	209/196	11	4	7		8 1	+2		
Boeing B757	227	0	0	0			-2		
Wide-body fleet									
Airbus A330	297/271/263	8	0	5	3	5 2			
Airbus A340	270/269	7	5	2		12 0			
Airbus A350	297							19	
Total		**45**	**22**	**20**	**3**	**10 2**	**0**	**19**	**0**

Fleet owned by Finnair and operated by Flybe Finland on 31 Dec 2014

	Seats	#	Own	Leased: Operational leasing	Leased: Finance leasing	Average age	Change from 31 Dec 2013	Ordered	Add options
ATR 72	68-72	12	12			5 4			
Embraer 170	76	2	2			8 8	3		
Embraer 190	100	8	8			6 0			
Total		**22**	**22**			**6 2**	**-3**	**0**	**0**

Airbus A350 XWB aircraft and phasing out A340 aircraft

In December 2014, Finnair firmed up the eight Airbus A350 XWB aircraft options in its A350 order originally placed with Airbus in 2006 and subsequently amended At Airbus list prices, the value of the additional eight A350 aircraft would be approximately 1 9 billion euros The firm-up of the options increases the total number of Finnair's A350 XWB orders to 19

Airbus received type certification for the A350 XWB from the European Aviation Safety Agency (EASA) in September 2014 and from the United States Federal Aviation Administration (FAA) in November 2014 The aircraft type had a successful commercial launch in January 2015 in scheduled traffic by Finnair's **oneworld** alliance partner Qatar Airways Based on the current delivery schedule, Finnair will receive the first four A350 XWB aircraft in the second half of 2015, seven between 2016 and 2017, and eight more between 2018 and 2023 Finnair plans to phase out its A340 aircraft by the end of 2017, following the successful delivery and entry into service of the A350 XWB aircraft

Airbus has agreed to acquire four A340-300 aircraft currently owned by Finnair in 2016 and 2017 The agreement between Finnair and Airbus ensures a smooth transition from A340s to A350s, mitigating potential business continuity risks related to fleet renewals and residual value risk related to A340s Finnair also has the possibility to adjust the size of its fleet flexibly according to demand and outlook due to its lease agreements of different durations

Business area development in 2014

The segment reporting of Finnair Group's financial statements is based on business areas The reporting business areas are Airline Business and Travel Services From the first quarter of 2014 onward, the Aviation Services segment is not reported separately Instead, the operations it included are reported as part of the Airline Business segment The segment information for the 2013 financial year has been restated accordingly

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 and Resources Management functions as well as the subsidiaries Finnair Cargo Ltd, Finnair Flight Academy Ltd and Finnair Aircraft Finance Ltd From the first quarter of 2014 onward, the Aviation Services segment also includes aircraft maintenance, Finnair Travel Retail Ltd and Finnair's property holdings, office services and the management and maintenance of properties related to the company's operational activities

Key figures	2014	2013	Change %
Revenue and result			
Revenue EUR million	2 167 7	2 271 9	4 6
Operational result EUR million	43 5	8 8	<-200
Operating result EBIT EUR million	-78 4	6 3	< 200
Operating result % of revenue	-3 6	0 3	3 9% p
Personnel			
Average number of employees	4 232	4 834	12 5

Traffic performance	2014	2013	2012	2011	2010
Passengers thousands	9 630	9 269	8 774	8 013	7 139
Available Seat Kilometres millions	30 889	31 162	30 366	29 345	25 127
Revenue Passenger Kilometres millions	24 772	24 776	23 563	21 498	19 222
Passenger Load Factor %	80 2	79 5	77 6	73 3	76 5
Cargo tonnes 1 000 kg	149 141	146 654	148 132	145 883	123 154
Available Tonne Kilometres millions	4 644	4 709	4 647	4 571	3 808
Revenue Tonne Kilometres millions	3 130	3 107	3 029	2 824	2 471
Overall Load Factor* %	67 4	66 0	65 2	61 8	64 9

* Cargo ATKs for the year 2013 are restated due to more accurate metrics implemented in calculation

In 2014, the revenue of Airline Business declined by 4 6 per cent to 2,167 7 million euros (2,271 9) Revenue from passenger traffic constitutes approximately 75 per cent of the segment's revenue and cargo revenue approximately 11 per cent The segment's operational result was -43 5 million euros (8 8)

Finnair changed traffic reporting practices from the beginning of the winter season 2014/2015 and discontinued the reporting of leisure traffic as a separate traffic area This change reflects changes in operating model, in which previously operated leisure flights were changed to scheduled service This change offers passengers better opportunities to tailor their travel and opens up more sales channels for popular leisure destinations From October 2014, the traffic areas reported by Finnair are passenger traffic, with Asian, European, North Atlantic and domestic traffic reported separately, and cargo traffic The traffic data for 2013 has been revised to correspond to the new reporting practices

In 2014, Finnair's overall capacity fell by 0 9 per cent compared to the previous year, while traffic measured in revenue passenger kilometres remained unchanged year-on-year The overall passenger load factor increased by 0 7 percentage points to 80 2 per cent In Asian traffic, capacity fell by 2 0 per cent and traffic measured in revenue passenger kilometres declined by 0 3 per cent year-on-year The passenger load factor in Asian traffic rose by 1 4 percentage points to 81 9 per cent In European traffic, capacity increased by 0 9 per cent and traffic measured in revenue passenger kilometres grew by 1 0 per cent The passenger load factor in European traffic rose by 0 1 percentage points to 78 8 per cent In North Atlantic traffic, capacity declined by 6 2 per cent and traffic measured in revenue passenger kilometres fell by 7.5 per cent. The passenger load factor in North Atlantic traffic decreased by 1.2 percentage points to 85.1 per cent. In domestic traffic, capacity increased by 4.1 per cent and traffic measured in revenue passenger kilometres grew by 6.6 per cent year-on-year. The passenger load factor in domestic traffic rose by 1.6 percentage points to 66.4 per cent.

Cargo transported on scheduled flights (belly cargo) constitutes a significant proportion of the revenue from long-haul traffic. In 2014, belly cargo accounted for approximately 17 per cent of total long-haul revenue. The amount of cargo and mail carried by Finnair in scheduled traffic grew by 1.7 per cent year-on-year. Finnair's overall load factor increased by 1.4 percentage points year-on-year, to 67.4 per cent. The available tonne kilometres declined by 1.4 per cent and the revenue tonne kilometres increased by 0.7 per cent. Finnair Cargo also operated wet-leased freighter flights in 2014 to Hanoi, Hong Kong and Brussels, as well as to Tokyo as part of capacity cooperation with JAL Cargo. Wet-leased freighter flights accounted for approximately 23 per cent of total cargo traffic.

Unit revenue per available seat kilometre (RASK) fell by 2.2 per cent compared to 2013.

The arrival punctuality of Finnair's flights was good in 2014, with 88.3 per cent (89.0) of scheduled flights arriving on schedule.

Air traffic services and products

Route network and alliances

Finnair offers connections between Asia and Europe with over 200 route pairs and also operates more than 800 flights weekly from Helsinki to other Finnish and European destinations. In the summer season 2014, Finnair operated at most 78 flights to Asia per week. The number of flights to Asia per week is also at most 78 in the winter season 2014/2015.

The **oneworld** alliance, of which Finnair is a member, expanded considerably in 2014. The leading airline in Brazil, TAM Airlines, and US Airways, the US-based merger partner of American Airlines, joined the alliance in March, followed by SriLankan Airlines in May. For Finnair's customers, new airlines joining **oneworld** and the joint businesses formed by its members enable better connections to destinations outside the Finnair network. Finnair began codesharing with these airlines as well as the Russia-based S7 Airlines in 2014, and also expanded its codesharing with Flybe to cover ten destinations in the UK.

US Airways also joined the transatlantic joint business with American Airlines, British Airways, Iberia and Finnair. Japan Airlines, British Airways and Finnair started a joint business for traffic between Europe and Japan at the beginning of April 2014.

In the summer, Finnair opened new routes to Nizhny Novgorod, Samara and Kazan in Russia, but the operation of these routes has been suspended for the period from 1 February to 22 April 2015 for commercial reasons. In the winter season 2014–2015, Finnair launched scheduled traffic to Miami, Phuket and Krabi.

Finnair also announced new scheduled summer destinations for 2015 (Dublin, Malta, Athens, Split, Chicago and Madeira) and new scheduled destinations for the winter season 2015/2016 (Ho Chi Minh City, Eilat, Lanzarote, Fuerteventura and Madeira).

Other renewals and services

Finnair installed new full-flat seats in most of its long-haul fleet in 2014. The new Business Class seats have been used on flights to Tokyo and New York from the beginning of April, on flights to Beijing and Seoul from the beginning of May, and from the beginning of June, they have also been used on flights to Hanoi, Hong Kong, Nagoya, Osaka and Shanghai.

In May, Finnair and Finavia introduced self-service bag drop units at Helsinki Airport, giving Finnair customers the option of dropping their checked baggage at a self-service bag drop unit immediately after check-in. Self-service bag drop units were also introduced at Oulu and Turku airports in 2014.

In August, Finnair opened a new Premium Lounge at Helsinki Airport. The facilities are available to Platinum and Gold Finnair Plus members and other **oneworld** top-tier customers.

In August, Finnair revealed the cabin design for its new A350 aircraft and announced a number of product upgrades for long-haul flights and European routes. The product upgrades are based on customer feedback collected by Finnair. During the autumn, the inflight entertainment system on all long-haul aircraft was upgraded and a new mobile application was launched to make the various stages of the travel experience smoother. The complimentary cold snack service on European flights was replaced with a versatile buy-on-board Sky Bistro service at the beginning of November, and the new Economy Comfort product on long-haul flights was introduced in mid-December.

In the beginning of December, the **oneworld** alliance introduced new benefits to the most loyal customers of its member airlines, giving Finnair Platinum and Gold tier members additional benefits concerning baggage when they fly oneworld member airlines.

Finnair also announced the start of cooperation with leading restaurants in Finland. Signature Menus designed for Finnair will be available on a rotating basis in Business class on long-haul flights from Helsinki from the end of January 2015. As part of the cooperation, Finnair will also offer special menus next year to celebrate the arrival of the new Airbus A350 aircraft as well as Christmas 2015.

The design collaboration between Finnair and Marimekko took a new step in December when Finnair's second Airbus 330 aircraft in livery inspired by Marimekko's classic Unikko print took to the skies.

Awards

In May, Finnair was the only Nordic airline to receive a four-star Skytrax rating. The World Airline Star Rating program is the most extensive and respected commercial airline rating in the industry, and it is based on impartial assessments of all of the services offered by the airline.

In July, Finnair was named Northern Europe's Best Airline at the World Airline Awards, repeating the honour for the fifth straight year. The award is based on an independent Skytrax survey of some 18 million travellers from more than 160 countries. Also at the World Airline Awards, the oneworld alliance, to which Finnair belongs, was named the World's Best Airline Alliance for the second year running. Finnair is the only airline in the Nordic countries with a four-star Skytrax rating.

In early October, Finnair was named Best European Airline for the second year running at the annual Asia-Pacific TTG Travel Awards.

Travel Services (Tour Operators and Travel Agencies)

This business area consists of the tour operator Aurinkomatkat (Suntours), its subsidiary operating in Estonia, business travel agent SMT and its subsidiary Estravel, which operates in the Baltic countries, as well as Amadeus Finland, which produces travel sector information systems and solutions Aurinkomatkat Suntours 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	2014	2013	Change %
Revenue and result			
Revenue EUR million	216 7	251 7	-13 9
Operational result EUR million	7 0	3 1	129 7
Operating result EBIT EUR million	5 9	1 6	> 200
Operating result % of revenue	2 7	0 6	2 1% p
Personnel			
Average number of employees	645	751	-14 1

The revenue of Travel Services in 2014 decreased by 13 9 per cent year-on-year, primarily due to a contraction in Aurinkomatkat Suntours' revenue, and amounted to 216 7 million euros (251 7) The operational result of Travel Services improved substantially, mainly due to cost reduction measures and operational restructuring implemented in 2014 both in Aurinkomatkat Suntours and business travel agency SMT and amounted to 7 0 million euros (3 1) The integration of Finland Travel Bureau and Area into FTB was successfully concluded in 2014, and the synergies sought through the merger of the two business travel agencies were achieved in full

Group structure

The companies that are part of the Finnair Group are presented in the notes to the financial statements in note 1 3 Subsidiaries

Finnair sold its subsidiary Finncatering Oy to LSG Lufthansa Service Europa/Afrika GmbH (LSG) on 28 February 2014 In addition, Finnair subsidiaries Finnair Cargo Oy and Finnair Cargo Terminal Operations Oy were merged and the merger between Finnair subsidiaries Finland Travel Bureau and Area was finalised in 2014

Governance

Resolutions of the Annual General Meeting

Finnair Plc's Annual General Meeting, held on 27 March 2014, confirmed the financial statements for 2013 and discharged the members of the Board of Directors and the CEO from liability The Annual General Meeting adopted the Board's proposal to pay no dividend for 2013

Board of Directors

Finnair Plc's Annual General Meeting held on 27 March 2014 re-elected Klaus W Heinemann as the Chairman of the Board of Directors and Maija-Liisa Friman, Jussi Itavuori, Harri Kerminen and Gunvor Kronman as members, with Jaana Tuominen and Nigel Turner elected as new members The Board of Directors elected Harri Kerminen from among its members as the Vice Chairman

Auditors

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

The Board's authorisations

The Annual General Meeting of 2014 authorised the Board of Directors to decide on the repurchase of the company's own shares and/or use of shares as collateral The authorisation applies to a maximum of 5,000,000 shares and is valid for a period of 18 months from the decision The Annual General Meeting also authorised the Board of Directors to decide on the disposal of a maximum of 5,000,000 of the company's own shares The authorisation is valid for a period of 18 months from the decision

Shareholders' Nomination Board

On 17 October 2014, the company's largest shareholders, each entitled to appoint one member to the Shareholders' Nomination Board, appointed Eero Heliovaara, Director General of the Government Ownership Steering Department, Prime Minister's Office (Chairman), Robin Backman, Portfolio Manager, KEVA, and Per Wennberg, Director, Skagen funds, to Finnair's Shareholders' Nomination Board Per Wennberg resigned from the Nomination Board in early December Ilmarinen, the fourth largest shareholder of Finnair as of 1 September 2014, appointed thereafter its Managing Director Harri Sailas to the Nomination Board as of 15 December 2014 The fourth member of the Nomination Board is the Chairman of Finnair's Board of Directors Klaus Heinemann

The proposals of Finnair Shareholders' Nomination Board to the 2015 Annual General Meeting of Finnair Plc and concerning the composition of the Board of Directors and the remuneration of the members of the Board were published as a stock exchange release on 29 January 2015

Insider administration

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

Corporate Governance Statement

Finnair Plc's Corporate Governance Statement was published on 11 February 2015 as a document separate from the Report of the Board of Directors, and it is also available on the company's website

Changes in senior management

Tuomo Meretniemi stepped down from his position as Managing Director of Aurinkomatkat Suntours on 24 April 2014 Aurinkomatkat Suntours is a tour operator that is a subsidiary of Finnair Group Timo Kousa, Managing Director of Finnair Travel Retail, was appointed the Managing

Director of Aurinkomatkat Suntours on 14 August 2014. He had previously served as the Managing Director of Aurinkomatkat Suntours since the end of April 2014 on an interim basis while also continuing in his role for Finnair Travel Retail.

Riku Aho was appointed Managing Director of Finnair Aircraft Finance Ltd and its subsidiary Finnair ATR Finance Ltd from 1 July 2014. Aho previously served as Assistant Vice President at Finnair Aircraft Finance Ltd. Finnair Aircraft Finance Ltd is a wholly-owned subsidiary of Finnair Plc. It is responsible for aircraft procurement and fleet asset management.

At the beginning of July, Eija Hakakari, 53, was appointed Finnair's new Senior Vice President, Human Resources, and a member of Finnair's Executive Board. Hakakari moved to Finnair from her previous position of SVP Human Resources at Stora Enso's Printing and Living division, taking up her new post at Finnair on 1 October 2014. Her predecessor, Manne Tiensuu, left Finnair on 31 August 2014.

In September, Finnair appointed Juha Jarvinen, 38, Chief Commercial Officer and a member of Finnair's Executive Board as of 1 November 2014. Jarvinen transferred to the new position from his post of Managing Director of Finnair Cargo. Jarvinen's predecessor, Allister Paterson, left Finnair on 31 December 2014.

Gregory Kaldahl, SVP Resource Management and a member of Finnair's Executive Board, left Finnair at the end of 2014 at the end of his four-year contract. Jukka Lahtinen has been appointed the interim head of Resource of Management until Kaldahl's successor has been selected. Lahtinen reports to CEO Pekka Vauramo.

Personnel

The number of Finnair employees decreased in 2014 due to the structural changes in the company. The Group employed an average of 5,172 (5,859) people, which is 11.7 per cent fewer than in the previous year. The Airline Business segment employed an average of 4,232 (4,834) people during the year. Travel Services employed an average of 645 (751) people and other functions 295 (274) people. The number of employees in an employment relationship was 4,981 (5,803) on 31 December 2014. A total of 4,656 of these were in an active employment relationship.

Of the employees, 676 people worked outside Finland. Of these, 198 were employed in sales and customer service duties in Finnair's passenger and cargo traffic. A total of 195 people worked for travel agencies and tour operators based in the Baltic countries. The figures for employees outside Finland do not include the 86 people working as guides at Aurinkomatkat Suntours' holiday destinations.

Full-time staff accounted for 98 per cent of employees, and 97 per cent of staff were employed on a permanent basis. The average age of employees was 45 years. Of the personnel, 28 per cent are over 50 years of age, while four per cent are under 30 years of age. The employees' average number of years in service was 17.4. Employees having worked for Finnair for over 20 years account for 41 per cent of personnel, while 12 per cent have worked for Finnair for over 30 years. Of Finnair Group's personnel, 57 per cent are women and 43 per cent are men.

Employee consultations conducted in 2014

In 2014, Finnair conducted extensive employee consultations with cabin personnel as well as in administrative and support functions, Aurinkomatkat Suntours and Finnair Cargo. The employee consultations with administration and support personnel concerned operations, commercial functions, financial administration, human resources administration and the corporate communications, corporate responsibility and public affairs function. The consultations concerned over 2,000 employees. The majority of the employee consultations were related to projects associated with the implementation of Finnair's cost reduction and restructuring program.

The estimated maximum need for reductions totalled over 700 jobs. The employee consultations and resulting savings agreements ultimately led to personnel reductions of fewer than 120 employees in support functions and lay-offs in cabin services. Finnair offered the employees to be dismissed a support package that included not only a notice period with no work obligation, but also re-employment coaching and training support through Finnair's Career Gate service in cooperation with the labour authorities.

Personnel incentive schemes

Incentive bonuses for 2014, based mainly on financial performance and quality indicators, are estimated to be paid to personnel to an amount of approximately five million euros, including social security costs. The criteria based on the Group's result for the personnel profit bonus were not met in 2014.

The remuneration of personnel and management is discussed in more detail in the Remuneration Statement 2014, published on 11 February 2015.

Shares and shareholders

Shares and share capital

On 31 December 2014, 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 Nasdaq Helsinki. Each share confers one vote at the General Meeting.

Government ownership

At the end of 2014, the Finnish Government owned 55.8 per cent of Finnair's shares and votes. According to the decision made by the Finnish Parliament on 20 June 1994, the Government must own more than half of Finnair Plc's shares, and decreasing ownership below this level is subject to a Parliament decision.

Share ownership by management

On 31 December 2014, members of the company's Board of Directors did not own any Finnair shares, and the CEO owned 52,173 shares. Members of the Executive Board, including the CEO, owned a total of 236,098 shares, representing 0.18 per cent of all shares and votes.

Own shares

Finnair did not acquire its own shares in 2014. In the first quarter, the number of shares held by Finnair increased by 27,092 shares, and in the third quarter, by 6,772 shares, that in both instances were returned to Finnair pursuant to the rules of the company's performance share plan for 2010–2012. In the fourth quarter, the company transferred 940 of its own shares as incentive bonuses to members of the FlyShare employee share savings plan. On 31 December 2014, Finnair held a total of 312,092 of its own shares (279,168), representing 0.24 per cent of the total share capital.

Acquisition and delivery of own shares and returns of shares

Period	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 00
2008	235 526	1 538 956 35	6 53
2009	0	0 00	0 00
2010	22 758	114 719 52	5 04
2011	0	0 00	0 00
2012	0	0 00	0 00
2013	600 000	1 684 650 10	2 81
2013	731 019	4 055 744 86	5 55
2014	33 864	85 804 22	2 53
2014	940	2 334 40	2 48
31 12 2014	**312,092**	**891,708.00**	**2 86**

Finnair plc largest shareholders as at 31 December 2014

		Number of shares	%	Changes 2014
1	State of Finland Office Counsil Of State	71 515 426	55 8	0
2	KEVA	6 150 875	4 8	865 233
3	Ilmarinen Mutual Pension Insurance Company	3 675 564	2 9	1 000,000
4	Nordea Funds	3 144 917	2 5	504 107
5	Tiiviste Group Oy	2 450 000	1 9	950 000
6	Varma Mutual Pension Insurance Company	2 419 002	1 9	1 819 002
7	State Pension Fund	2 100 000	1 6	0
8	Kyöstilä Heikki	1 330 000	1 0	1 330 000
9	Veritas Pension Insurance Company	1 250 000	1 0	280 000
10	OP Funds	1 226 969	1 0	377 200
11	Etra Invest Oy	1 000 000	0 8	0
12	Danske Funds	992 710	0 8	992 710
13	Finnair Plc Staff Fund	910 000	0 7	208 065
14	Taaleritehdas Funds	900 000	0 7	-100 000
15	SEB Funds	637 000	0 5	595 000
	Nominee registered	9 423 437	7 4	592 435
	Others	19 010 215	14 8	
	Total	**128,136,115**	**100 0**	**0**

Breakdown of shares at 31 December 2013	Number of shares	%	Number of shareholders	%
1-200	621 589	0 5	6 714	44 5
201-1 000	3 007 886	2 3	5 628	37 3
1 001-10 000	6 767 696	5 3	2 483	16 5
10 001-100 000	5 322 461	4 2	214	1 4
100 001-1 000 000	9 933 416	7 8	26	0 2
1 000 001-	93 040 867	72 6	9	0 1
Registered in the name of nominee	9 423 437	7 4	10	0 1
Not converted into the book entry system	18 763	0 0		
Total	**128,136,115**	**100 0**	**15,084**	**100 0**

Shareholders by type at 31 December 2014	Number of shares	%	Number of shareholders	%
Public bodies	87 925 194	68 6	16	0 1
Households	14 421 884	11 3	14 459	95 9
Financial institutions	8 274 076	6 5	38	0 3
Private companies	6 509 337	5 1	472	3 1
Associations	1 279 295	1 0	41	0 3
Finnish shareholders total	118 409 786	92 4	15 026	99 6
Registered in the name of a nominee	9 423 437	7 4	10	0 1
Outside Finland	284 129	0 2	48	0 3
Nominee registered and foreign shareholders total	9 707 566	7 6	58	0 4
Not converted into the book entry system	18 763	0 0		
Total	**128,136,115**	**100**	**15,084**	**100 0**

Flagging notifications

Two flagging notifications were issued in 2014 The combined holdings of funds managed by Skagen AS increased to 7,419,573 shares, equivalent to 5 79 per cent of all shares and votes (more than 5 per cent), as a result of sales of shares completed on 5 March 2014 Funds managed by Skagen AS issued a second flagging notification on 26 November 2014 after their combined share of Finnair Plc shares and votes had fallen to zero (less than 5 per cent) following the sale of their shares

Shareholder agreements

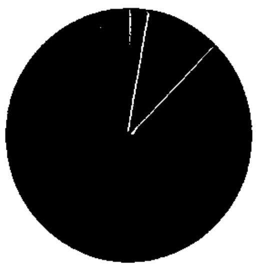
Finnair is not aware of any shareholder agreements pertaining to share ownership or the use of voting rights

Change of control provisions in material agreements

Some of Finnair's financing agreements include a change of control clause under which the financier shall be entitled to request prepayment of the existing loan or to cancel the availability of a loan

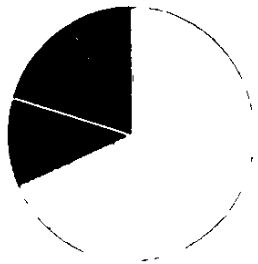
Shareholding by number of shares owned

%



Shareholding by type

%



facility in the event that a person other than the State of Finland acquires control of Finnair either through a majority of the voting rights or otherwise

Share-based incentive schemes

Employee share savings plan FlyShare

In March, Finnair's Board of Directors decided to launch a new 12-month savings period under the FlyShare Employee Share Plan The objective of the plan established in 2013 is to encourage the employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long term Approximately 700 Finnair employees, or 15 per cent of those invited, participated in the second phase of the plan in 2014 The share savings plan is described in more detail in Finnair's Remuneration Statement and on the company's website.

Share-based incentive plan for pilots

In October, Finnair's Board of Directors approved a one-off long-term incentive plan for Finnair pilots The plan is a part of the savings agreement between Finnair and the Finnish Air Line Pilots' Association (SLL) that brings Finnair 17 million euros in permanent annual savings The share savings plan covers the period 2015–2018 and it is described in more detail in Finnair's Remuneration Statement and on the company's website

Key personnel's performance share plan

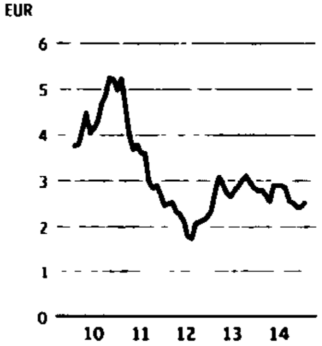
In February 2014, Finnair's Board of Directors approved a performance share plan, covering the years 2014–2016, for Finnair's key personnel, and in December 2014, the Board of Directors approved a performance share plan, covering the years 2015–2017, for Finnair's key personnel Both performance share plans are part of Finnair's long-term share-based incentive arrangement that Finnair's Board of Directors approved in 2013, and which consists of annually commencing individual plans The share plans are described in more detail in stock exchange releases published on 11 February and 17 December 2014

Share price development and trading

At the end of December 2014, Finnair's market value stood at 317 8 million euros (354 9), and the closing price of the share was 2 48 euros (2 77) During 2014, the highest price for the Finnair share on the NASDAQ OMX Helsinki Stock Exchange was 3 01 euros (3 25), the lowest price 2 30 euros (2 40) and the average price 2 68 euros (2 86) Some 21 4 million (26 0) of the company's shares, with a total value of 54 1 million euros (74 2), were traded

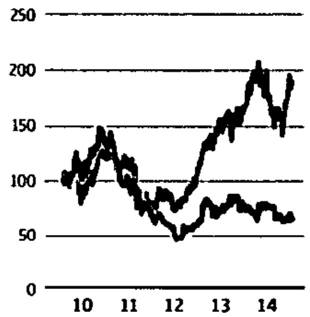
Number of shares and share prices		2014	2013	2012	2011	2010
Average number of shares adjusted for share issue	pcs	128 136 115	128 136 115	128 136 115	128 136 115	128 136 115
Average number of shares adjusted for share issue (with diluted effect)	pcs	128 136 115	128 136 115	128 136 115	128 136 115	128 136 115
The number of shares adjusted for share issue at the end of financial year	pcs	128 136 115	128 136 115	128 136 115	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	128 136 115	128 136 115
Number of shares end of the financial year	pcs	128 136 115	128 136 115	128 136 115	128 136 115	128 136 115
Trading price highest	EUR	3 01	3 25	2 64	5 37	5 72
Trading price lowest	EUR	2 30	2 40	1 67	2 30	3 61
Market value of share capital Dec 31	EUR mill	318	355	305	295	646
Number of shares traded	pcs	21 417047	26 024 070	19 668 495	21 422 076	27 299 521
Number of shares traded as % of average number of shares	%	16 71	20 31	15 35	16 72	21 31

Finnair share 2010–2014



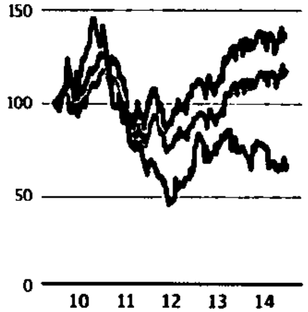
■ Average price

Comparison European Airlines



■ Finnair
■ European Airlines

Comparison NASDAQ OMX Helsinki



■ Finnair
■ OMX Helsinki
■ OMX Helsinki benchmark

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

The aim of Finnair's dividend policy is to pay, on average, at least one-third of the earnings per share as a dividend during an economic cycle In 2014, earnings per share from the result of the period (before hybrid bond interest) was -0 65 (0 18) euros, and earnings per share was -0 71 (0 11) euros In paying dividends, the aim is to also take into account the company's earnings trend and outlook, financial situation and capital needs for any given period

Finnair Plc's distributable equity amounted to 149,223,743 79 euros on 31 December 2014 The Board of Directors proposes to the Annual General Meeting that, taking into account the future investment needs of the company, no dividend is paid for 2014

Corporate responsibility

In 2014

- Finnair's overall customer satisfaction was close to the level seen in recent years and the target set for it The weighted overall score given by customers for the flight experience was 8 1/10
- The wellbeing-at-work index increased slightly from the previous year, amounting to 3 9/5 0 (3 8/5 0) (Scale 1=very poor – 5=excellent) The four areas covered by the wellbeing-at-work survey are My Immediate Supervisor, My Work Community, My Perspective, and My Health and Safety The general wellbeing-at-work of Finnair's personnel is measured twice per year
- Finnair's fuel consumption and CO_2 emissions decreased by 0 91 per cent from 2013 Consumption and emissions per available seat kilometre also decreased very slightly, by 0 03 per cent year-on-year

Reducing environmental impacts

Finnair is cooperating with industry operators and the authorities to reduce the climate impacts of aviation and to achieve goals such as developing biofuel supply chains and reducing costs to allow for the broader use of biofuels in the industry Finnair's target is to reduce its CO_2 emissions by 20 per cent per one hundred tonne kilometres flown from the 2009 level by 2017

As part of this effort, Finnair operated a flight from Helsinki to New York on 23 September 2014, in conjunction with the UN Climate Summit, using biofuel mixture that was partly manufactured from cooking oil The price of biofuel being nearly triple that of conventional fuel and its poor availability stand as obstacles in the way of its more extensive commercial use During this year, Finnair also participated in a Ministry of Transport and Communications' study on the more extensive adoption of biofuel at Helsinki Airport

In October, Finnair became the only airline to be awarded a position on the A List of the Carbon Disclosure Project's Climate Performance Leadership Index (CPLI) for actions to reduce carbon dioxide emissions and mitigate the business risks of climate change The index presents 187 listed companies identified as demonstrating a superior approach to climate change mitigation

As part of the implementation of its IEnvA environmental system, Finnair published an updated Environmental Policy in October

Other sustainability efforts

In September, the International Air Transport Association (IATA) announced that Finnair Cargo will be among the first airlines to receive a PHARMA certificate in early 2015 Pharmaceuticals, such as vaccines and biotech medicines, are among the most delicate products transported as air cargo, and

Finnair Cargo is one of the first two airlines in the world to participate in IATA's PHARMA certification program

Starting in October 2014, cooperation between Finnair, the UN Children's Fund UNICEF and the travel industry information systems provider Amadeus has allowed Finnair passengers to make a donation to UNICEF when purchasing tickets on Finnair's website The donations are directed to the UNICEF Schools for Asia initiative, which aims to change the lives of children in 11 Asian countries through education

Reporting

Finnair has reported on environmental sustainability since 1997, and in 2008 became one of the first airlines to report according to GRI guidelines The GRI, formed with the support of the United Nations Environment Program, is the most widely recognised international authority on sustainability reporting

The Annual Report for 2014 will be published at the end of February 2015, and will report the financial, economic, social and environmental performance of the Finnair Group in accordance with the GRI guidelines, and identify and explain the strategic business ramifications of this performance Finnair will also report on its UN Global Compact targets as part of the report The Annual Report for 2013 was published in March 2014

Significant near-term risks and uncertainties

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

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

Exceptional variation in fuel price and the potential of the recent decrease in fuel price to be passed on to flight ticket prices or lead to an increase in capacity in Finnair's main markets constitute a risk for Finnair's revenue development, as does the reduction in the demand for passenger or cargo flights due to slowing or non-existent economic growth in Finnair's main markets

The significance of joint operations involving closer cooperation than airline alliances, such as joint businesses, is expected to continue to grow Being left out of potential new joint projects may have a negative effect on Finnair's competitive position

The achievement of the strategic gains and cost reductions sought through Finnair's partnership projects and outsourcing projects involve risks For example, quality or availability issues and/or unexpected additional costs of partnerships and suppliers can have a negative effect on Finnair's product, reputation and profitability, or suppliers may obtain bargaining power in relation to Finnair

The entry into service of the next-generation Airbus A350 XWB aircraft involves risks associated with new technology and roll-out processes

The aviation industry is affected by a number of regulatory initiatives at the EU and international levels Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult Examples of such regulatory initiatives include international regulation related to emission trading, noise regulation and other environmental regulation, EU regulations on privacy protection and the decision made by the Court of Justice of the European Union in October 2012 regarding flight passengers' rights In addition, regulations on the reporting of non-financial information (responsibility) and other stakeholder requirements have increased substantially

The proposed change in the Finnish pension system concerning the statutory retirement age would increase Finnair's pension liabilities, if Finnair's supplementary pension plan cannot be amended in line with the Finnish national pension reform

Over the past year, Finnair has carried out more detailed assessments of the use of airspace in conflict areas and clarified its contingency plans for disruptions affecting flight operations and airspace restrictions Finnair's risk management and risks related to the company's operations are described in more detail on the company's website at www finnairgroup com

Seasonal variation and sensitivities in business operations

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

In addition to operational activities, fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant expense item A 10-per-cent change in the world market price of fuel has an effect of approximately 16 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis at the balance sheet date), taking hedging into account Without hedging, a 10-per-cent change would have an effect of approximately 43 million euros on Finnair's operating result at an annual level

Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, aircraft leasing payments and sales revenue denominated in foreign currencies Approximately 58 per cent of the Group's revenue was denominated in euros in 2014 The most important other foreign sales currencies were the Japanese yen (approximately 9 per cent of revenue), the Chinese yuan (approximately 7 per cent) and the Swedish crown (approximately 5 per cent) Approximately 48 per cent of the Group's operating costs were denominated in foreign currencies The most important purchasing currency was the US dollar, which accounted for approximately 41 per cent of all operating costs Significant dollar-denominated expense items are aircraft leasing payments and fuel costs as well as traffic charges The largest investments, namely the acquisition of aircraft and their spare parts, are mainly denominated in US dollars

A 10-per-cent change in the euro-dollar exchange rate has an effect of approximately 12 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis at the balance sheet date), taking hedging into account Without hedging, a 10-per-cent change would have an effect of approximately 66 million euros on Finnair's operating result at an annual level The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar A 10-per-cent change in the euro-yen exchange rate has an effect of approximately 6 million euros on Finnair's operating result at an annual level (for the following 12 months at the balance sheet date), taking hedging into account Without hedging, a 10-per-cent change would have an effect of approximately 17 million euros on Finnair's operating result at an annual level

The company protects itself against the risks of currency, interest rate and jet fuel positions by using different derivative instruments, such as forward contracts, swaps and options, according to the risk management policy verified by the Board of Directors Fuel purchases are hedged for 24 months forward on a rolling basis, and the degree of hedging decreases towards the end of the hedging period The higher and lower limits of the degree of hedging are 90 and 60 per cent for the following six months At the end of December, the hedging ratio for fuel purchases was 75 per cent for the first half of 2015 and 64 per cent for the whole year The hedging ratio for a dollar basket over the following 12 months was 82 per cent, and the hedging ratio for a yen basket was 73 per cent

Events after the review period

The Finnish Competition and Consumer Authority approved the sale of Flybe UK Ltd's 60 per cent ownership of Flybe Nordic AB to StaffPoint Holding Ltd and G W Sohlberg Ltd in January 2015 The transaction price was one euro Flybe Nordic owns fully the Finnish subsidiary Flybe Finland Ltd, which is in charge of Finnair's regional airline operations Flybe Finland operates approximately one third of Finnair's narrow-body fleet on a contract flying basis Following completion of the sale, Staffpoint's ownership in Flybe Nordic is 45 per cent, GWS's 15 per cent and Finnair's 40 per cent

The proposals of Finnair Shareholders' Nomination Board to the 2015 Annual General Meeting of Finnair Plc and concerning the composition of the Board of Directors and the remuneration of the members of the Board were published as a stock exchange release on 29 January 2015

In January, Finnair became the first airline in Europe to be certified as a Stage 2 operator in the IATA (International Air Transport Association) Environmental Assessment (IEnvA) program The system is designed to independently assess and improve an airline's environmental management Finnair is one of only two global carriers to be certified as an IEnvA Stage 2 operator As part of the program, Finnair has set the following environmental performance targets for its operations

- 40 per cent reduction of anti-icing fluid usage in 2006–2016
- 20 per cent reduction of CO_2 emissions in 2009–2017
- 10 per cent reduction of energy usage in corporate facilities in 2007–2016
- 10 per cent decrease of non-EU waste/passenger in 2014–2016
- 40 per cent noise reduction in 2005–2017

Finnair improved its Finnair Plus frequent flyer program in January by removing fuel surcharge fees from European Classic flight awards, as well as from Tel Aviv and Dubai Classic flight awards The passengers pay taxes and other government charges on their flights

In January 2015, Finnair was named 2014's most punctual major European carrier by travel data company FlightStats The **oneworld** alliance was also named the most on-time global alliance in the same survey

Outlook

The demand outlook for passenger and cargo traffic in Finnair's main markets still involves uncertainty Finnair estimates that in 2015 its capacity measured in Available Seat Kilometres will grow by approximately 3 per cent and that its revenue will remain at the 2014 level Finnair further estimates that, in 2015, its unit costs excluding fuel will decrease from 2014 level

The lower price of jet fuel and the full impact from the completed savings program are supporting the financial performance of Finnair in 2015

FINNAIR PLC
Board of Directors

Financial indicators 2010–2014

INCOME STATEMENT		2014	2013	2012	2011	2010
Revenue	EUR mill	2 284	2 400	2 449	2 258	2 023
change	%	4.8	2.0	8.5	11.6	10.1
Operational result	EUR mill	36	12	43	61	5
in relation to revenue	%	1.6	0.5	1.8	2.7	-0.2
Operating result	EUR mill	72	8	34	88	13
in relation to revenue	%	3.2	0.3	1.4	-3.9	-0.7
Net financial income (+)/expenses (-)	EUR mill	-23	23	18	22	20
in relation to revenue	%	-1.0	1.0	0.7	1.0	1.0
Net interest expenses	EUR mill	-9	-10	-13	14	16
in relation to revenue	%	0.4	-0.4	0.5	0.6	0.8
Result before taxes	EUR mill	-99	27	15	111	33
in relation to revenue	%	4.3	1.1	0.6	4.9	1.6

BALANCE SHEET		2014	2013	2012	2011	2010
Non current assets	EUR mill	964	1 341	1 501	1 621	1 514
Current assets	EUR mill	799	759	699	736	827
Assets held for sale	EUR mill	122	18	32	0	71
Assets total	EUR mill	1 885	2 118	2 231	2 357	2 412
Equity and non-controlling interests	EUR mill	514	678	775	747	853
Liabilities total	EUR mill	1 371	1 440	1 456	1 610	1 558
Equity and liabilities total	EUR mill	1 885	2 118	2 231	2 357	2 412
Gross capital expenditure	EUR mill	82	77	41	204	183
in relation to revenue	%	3.6	3.2	1.7	9.0	9.1
Average capital employed	EUR mill	1 106	1 295	1 413	1 550	1 636
Dividend for the financial year*	EUR mill	0	0	13	0	0
Interest bearing liabilities	EUR mill	428	593	569	729	765
Liquid funds	EUR mill	426	459	430	403	527
Interest bearing net debt	EUR mill	1	134	138	326	238
in relation to revenue	%	0.1	5.6	5.6	14.4	11.7

KEY FIGURES		2014	2013	2012	2011	2010
Undiluted and diluted earnings per share	EUR	0.71	0.11	0.01	0.75	0.24
Equity/share	EUR	4.02	5.30	6.06	5.89	6.67
Dividend/share*	EUR	0.00	0.00	0.10	0.00	0.00
Dividend/earnings*	%	0.0	0.0	121.2	0.0	0.0
Dividend yield	%	0.0	0.0	4.2	0.0	0.0
Cash flow from operating activities/ share	EUR	0.19	1.12	1.21	0.40	0.59
P/E ratio		3.47	25.02	174.96	3.07	21.09
Equity ratio	%	27.7	32.6	35.4	32.6	36.2
Net debt to equity (Gearing)	%	0.3	19.9	18.0	43.3	27.8
Adjusted gearing	%	107.5	79.2	77.8	108.4	79.6
Return on equity (ROE)	%	13.8	3.2	1.4	10.9	-2.7
Return on capital employed (ROCE)	%	6.5	3.6	2.8	5.2	0.4

CASH FLOW		2014	2013	2012	2011	2010
Operational cash flow	EUR mill	24	142	155	51	76
in relation to revenue	%	1.1	5.9	6.3	2.2	3.7

PERSONNEL	2014	2013	2012	2011	2010
Personnel on average	5 172	5 859	6 784	7 467	7 578

* The dividend for year 2014 is a proposal of the Board of Directors to the Annual General Meeting

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls. In addition, comparative figures in balance sheet have been effected by the netting of deferred taxes. See more information in notes 4.2 Tangible assets, 6.1 Income taxes and 6.5 Change in accounting principles

Financial statements 1 January–31 December 2014

How to read Finnair Financial Statements?

The notes of Finnair's financial statements have been combined to seven business related sections in order to give more relevant and less complex picture of the whole. Each section sets out the accounting principles applied in producing these notes together with any critical accounting estimates and sources of uncertainty.

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

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

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

Contents

Consolidated income statement

EUR mill	Note	2014	2013 Restated
Revenue	2 1 2 2 1	**2,284 5**	**2,400 3**
Other operating income	2 2 2	18 3	18 8
Operating expenses			
Staff costs	3 8	344 5	-381 3
Fuel costs		-660 4	689 9
Lease payments for aircraft	3 2	78 8	57 5
Other rents	3 2	159 7	-152 0
Aircraft materials and overhaul		119 4	125 8
Traffic charges		230 9	222 3
Ground handling and catering expenses		251 8	257 3
Expenses for tour operations		-76 7	89 4
Sales and marketing expenses		65 3	72 9
Depreciation and impairment	4 3	134 3	-140 7
Other expenses	3 3	217 4	-218 1
Operational result		**-36 5**	**11 9**
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	3 7	-43 7	21 7
Non recurring items	3 7	7 7	25 7
Operating result		**-72 5**	**7 9**
Financial income	5 1	3 5	42 6
Financial expenses	5 1	26 9	19 7
Share of results in associates and joint ventures	1 6	-3 2	4 0
Result before taxes		**-99 1**	**26 8**
Income taxes	6 1	16 5	3 9
Result for the financial year		**-82 5**	**22 9**

Attributable to			
Owners of the parent company		-82 7	22 6
Non controlling interests		0 2	0 3

Earnings per share from profit attributable to shareholders of the parent company			
Earnings per share, EUR (diluted and undiluted)		0 71	0 11
Result for the period per share EUR		0 65	0 18

Consolidated statement of comprehensive income

EUR mill	Note	2014	2013 Restated
Result for the financial year		**-82.5**	**22 9**
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of available for sale financial assets	5 9	0 0	13 8
Change in fair value of hedging instruments	5 9	87 0	5 3
Translation differences	5 9	0 4	0 0
Tax effect		17 4	4 4
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	3 8 2	4 1	0 4
Tax effect		0 8	-0 6
Other comprehensive income items total		**-72 4**	**-15 0**
Comprehensive income for the financial year		**-154 9**	**7 9**

Attributable to			
Owners of the parent company		155 1	7 7
Non controlling interests		0 2	0 3

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls See more information in notes 4 2 Tangible assets and 6 5 Change in accounting principles

Consolidated balance sheet

EUR mill	Note	31 Dec 2014	31 Dec 2013 Restated	1 Jan 2013 Restated
ASSETS				
Non-current assets				
Intangible assets	4 1	18 4	19 3	25 5
Tangible assets	4 2	897 8	1 292 6	1 328 7
Investments in associates and joint ventures	1 6	4 9	8 2	12 3
Loan and other receivables	5 2 1	9 2	20 5	22 7
Deferred tax assets	6 1	33 8	0 0	0 0
Non-current assets total		**964 1**	**1,340 6**	**1,389 2**
Current assets				
Inventories	3 5	14 7	19 9	17 1
Trade and other receivables	2 2 3	194 0	237 1	217 5
Derivative financial instruments	5 8	163 7	43 6	33 6
Other financial assets	5 2 2	332 8	335 9	363 5
Cash and cash equivalents	5 2 3	93 4	122 9	67 0
Current assets total		**798 6**	**759.4**	**698 7**
Assets held for sale	1 5	122 4	17 7	31 9
Assets total		**1,885 1**	**2,117 6**	**2,119 8**

EUR mill	Note	31 Dec 2014	31 Dec 2013 Restated	1 Jan 2013 Restated
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	5 9	75 4	75 4	75 4
Other equity	5 9	438 3	601 9	673 4
Total		**513 7**	**677 3**	**748 8**
Non controlling interests		0 6	0 7	0 9
Equity total		**514 3**	**678 0**	**749 7**
Non-current liabilities				
Deferred tax liabilities	6 1	0 0	3 4	5 7
Interest bearing liabilities	5 3	337 7	385 5	394 7
Pension obligations	3 8 2	25 3	10 6	3 6
Provisions	3 6	52 1	69 3	82 3
Other liabilities	5 3	22 1	25 4	18 8
Non-current liabilities total		**437 3**	**494 1**	**505 1**
Current liabilities				
Provisions	3 6	44 2	40 5	38 2
Interest bearing liabilities	5 3	89 9	207 5	174 2
Trade payables		56 2	61 6	70 3
Derivative financial instruments	5 8	198 5	29 1	18 5
Deferred income	2 2 4	327 9	340 8	288 0
Employee benefit related accruals	3 8	79 7	94 7	104 3
Other expenses related accruals	3 4	137 1	169 0	169 3
Current liabilities total		**933 4**	**943 2**	**862 8**
Liabilities related to assets held for sale	1 5	0 0	2 3	2 2
Liabilities total		**1,370 7**	**1,439 6**	**1,370 1**
Equity and liabilities total		**1,885 1**	**2,117 6**	**2,119 8**

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls In addition, comparative figures in balance sheet have been effected by the netting of deferred taxes See more information in notes 4 2 Tangible assets 6 1 Income taxes and 6 5 Change in accounting principles

Consolidated cash flow statement

EUR mill	2014	2013 Restated
Cash flow from operating activities		
Result for the financial year	82 5	22 9
Non cash transactions [1]	141 9	115 9
Other adjustments to result for the financial year		
Financial income	3 5	42 6
Financial expenses	26 9	19 7
Share of results in associates and joint ventures	3 2	4 0
Income taxes	16 5	3 9
Changes in working capital	33 2	35 8
Interest expenses paid	14 1	12 1
Other financial expenses paid	4 5	-3 8
Interest income received	6 7	1 4
Income taxes paid	0 2	2 7
Net cash flow from operating activities	**24 2**	**142 4**
Cash flow from investing activities		
Investments in intangible assets	4 3	2 3
Investments in tangible assets	142 1	96 4
Net change in financial interest bearing assets at fair value through profit or loss [2]	-109 5	14 6
Net change in shares classified as available for sale	0 0	53 7
Divestments of fixed assets and group shares	267 6	8 9
Dividends received	0 0	1 2
Change in non current receivables	2 6	1 0
Net cash flow from investing activities	**14 4**	**-19 3**
Cash flow from financing activities		
Proceeds from loans	0 0	150 0
Loan repayments and changes	169 4	-115 0
Hybrid bond repayments	0 0	52 4
Hybrid bond interest and expenses	10 7	-15 4
Purchase of own shares	0 0	1 7
Dividends paid	0 2	13 0
Net cash flow from financing activities	**-180 3**	**-47 4**
Change in cash flows	**-141 8**	**75 7**
Change in liquid funds		
Liquid funds at beginning	331 8	256 1
Change in cash flows	141 8	75 7
Liquid funds, at end [3]	**190 1**	**331 8**

Notes to consolidated cash flow statement

[1] Non-cash transactions

EUR mill	2014	2013
Depreciation	135 7	140 7
Employee benefits	11 4	7 3
Fair value changes in derivatives	34 9	21 7
Other adjustments	40 1	10 5
Total	**141 9**	**115 9**

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

[3] Liquid funds

EUR mill	2014	2013
Other financial assets	332 8	335 9
Cash and cash equivalents	93 4	122 9
Short-term cash and cash equivalents in balance sheet	**426 1**	**458 8**
Maturing after more than three months	236 0	126 5
Shares available for sale	0 0	0 4
Total	**190 1**	**331 8**

Cash and cash equivalents include cash and bank deposits as well as other highly liquid financial assets which mature within three months Such items are e g certificate of deposits and commercial papers Balance sheet items are presented in notes 5 2 2 Other current financial assets and 5 2 3 Cash and cash equivalents

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls See more information in notes 4 2 Tangible assets and 6 5 Change in accounting principles

Consolidated statement of changes in equity

EUR mill	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity attributable to owners of the parent	Non-controlling interests	Equity total
Equity 1 Jan 2014	**75.4**	**168.1**	**-15.0**	**247.3**	**82.5**	**118.9**	**677.3**	**0.7**	**678.0**
Result for the financial year					82.7		82.7	0.2	82.5
Change in fair value of hedging instruments			69.6				69.6		69.6
Actuarial gains and losses from defined benefit plans			3.3				3.3		3.3
Translation differences			0.4				0.4		0.4
Comprehensive income for the financial year	**0.0**	**0.0**	**-72.4**	**0.0**	**82.7**	**0.0**	**-155.1**	**0.2**	**-154.9**
Dividend							0.0	0.2	0.2
Share based payments				0.1			0.1		0.1
Hybrid bond interests and expenses					8.6		8.6		8.6
Equity 31 Dec 2014	**75.4**	**168.1**	**-87.4**	**247.4**	**-8.8**	**118.9**	**513.7**	**0.6**	**514.3**

EUR mill	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity attributable to owners of the parent	Non-controlling interests	Equity total
Equity 31 Dec 2012	**75.4**	**168.1**	**0.0**	**247.1**	**112.6**	**171.1**	**774.3**	**0.9**	**775.2**
Change in accounting principles					25.6		25.6		25.6
Equity 1 Jan 2013	**75.4**	**168.1**	**0.0**	**247.1**	**87.0**	**171.1**	**748.7**	**0.9**	**749.6**
Result for the financial year					22.6		22.6	0.3	22.9
Change in fair value of available for sale financial assets			10.4				10.4		10.4
Change in fair value of hedging instruments			4.2				4.2		4.2
Actuarial gains and losses from defined benefit plans			-0.2				0.2		-0.2
Comprehensive income for the financial year total	**0.0**	**0.0**	**-15.0**	**0.0**	**22.6**	**0.0**	**7.7**	**0.3**	**7.9**
Dividend					12.7		12.7	0.5	13.2
Purchase of own shares				1.7			1.7		1.7
Share based payments				1.9	-0.3		1.5		1.5
Hybrid bond repayment						52.1	52.1		52.1
Hybrid bond interests and expenses					14.1		14.1		14.1
Equity 31 Dec 2013	**75.4**	**168.1**	**-15.0**	**247.3**	**82.5**	**118.9**	**677.3**	**0.7**	**678.0**

Hybrid bond at the end of 2014 and 2013 includes the 120 million euro hybrid loan issued in 2012 which after deduction of transaction costs amounts to 118.9 million euros. There was no changes in hybrid loans during 2014. The decrease of 52.1 million euros in hybrid bond during 2013 relates to redemption of the outstanding share of the previous hybrid bond issued in 2009. More information on hybrid bond can be found in note 5.9 Equity related information.

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls. See more information in notes 4.2 Tangible assets and 6.5 Change in accounting principles.

Notes to the consolidated financial statements

1. Consolidation

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

1.1 Accounting principles

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

Accounting principle	Note	Nr	IFRS
Consolidation principles of subsidiaries	Subsidiaries	1 3	IFRS 10
Non-controlling interests and transactions with non-controlling interests	Subsidiaries	1 3	IFRS 10
Non-current assets and liabilities held for sale	Non-current assets and liabilities held for sale	1 5	IFRS 5
Associates and joint ventures	Investments in associates and joint ventures	1 6	IFRS 11
Segment reporting	Segment information	2 1	IFRS 8
Revenue recognition, other income and trade receivables	Operating income	2 2	IAS 18 IAS 39 IFRS 7
Inventories	Inventories	3 5	IAS 2
Provisions	Provisions	3 6	IAS 37
Employee benefits and share based payments	Employee benefits	3 8	IAS 19 IFRS 2
Pensions	Pensions	3 8 2	IAS 19
Intangible assets	Intangible assets	4 1	IAS 38
Tangible assets	Tangible assets	4 2	IAS 16
Depreciation and amortisation, Impairment testing	Intangible assets Tangible assets	4 1 4 2	IAS 16 IAS 36 IAS 38
Operating and finance lease arrangements	Leasing arrangements	4 4	IAS 17
Interest and dividend income	Financial income and expenses	5 1	IAS 18 IAS 39
Financial assets and impairment of financial assets, cash and cash equivalents	Financial assets	5 2	IAS 39 IFRS 7
Financial liabilities	Financial liabilities	5 3	IAS 39 IFRS 7
Contingent liabilities	Contingent liabilities	5 4	IAS 37
Derivative contracts and hedge accounting	Derivatives	5 8	IAS 39 IFRS 7
Equity, dividend and treasury shares	Equity-related information	5 9	IAS 32 IAS 33
Income and deferred taxes	Income taxes	6 1	IAS 12

Description of the company
The Finnair Group engages in worldwide air transport operations and supporting services The Group's operations are divided into the Airline Business and Travel Services business areas The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 9, Vantaa The parent company is listed on the NASDAQ OMX Helsinki Stock Exchange The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 10 February 2015 Under Finland s Limited Liability Companies Act, shareholders have the option to accept, change or reject the financial statements in the Annual General meeting of the shareholders, which will be held after the publication of the financial statements

Basis of preparation
Finnair Plc's consolidated financial statements for 2014 have been prepared according to the International Financial Reporting Standards (IFRS) and IFRIC interpretations in effect on 31 December 2014 and as adopted by the European Union The notes to the consolidated financial statements also comply with Finnish accounting and corporate law

The 2014 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognised through profit and loss at fair value, financial assets available-for-sale, and derivative contracts, which have been measured at fair value Financial statement data is presented in millions of euros, rounded to the nearest one hundred thousand euro This means that the sum of the individual figures may differ from the total shown

Presentation of Consolidated Income Statement and Balance Sheet
IAS 1 Presentation of Financial Statements standard does not define 'operating result The Group has defined it as net amount of operating income and expenses, including revenue and other operating income, less operating expenses, such as maintenance expenses and materials used, lease payments for aircraft and other lease fees, employee benefits, depreciation and possible impairment losses arising as well as other operating expenses Exchange rate differences and changes in fair values of derivatives are included in operating profit if they arise from items related to business operations, otherwise they are recognised in financial items Operating result excludes financial items, share of results from associates and joint ventures and income taxes

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

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

Use of estimates
The preparation of financial statements in accordance with IFRS standards requires Group management to make certain estimates and judgements in applying the accounting principles Information about the judgement exercised by management in applying the Group's accounting principles and the areas where estimates and judgements have biggest impact in the financial statements are presented in the note 1 2 Critical accounting estimates and sources of uncertainty

i = Content of the section

Change in accounting principles

In the beginning of 2014 group changed its accounting principle related to treatment of aircraft engines maintenance costs According to the changed principle, certain engine overhauls are capitalized and depreciated between maintenance events Previously these maintenance costs were expensed when occurred Comparative information has been restated to reflect the changed accounting principle More information related to changed accounting principles can be found in notes 4 2 Tangible assets and 6.5 Change in accounting principles

Application of new and amended IFRS standards and IFRIC interpretations

The following standards have been adopted by the group for the first time for the financial year beginning on 1 January 2014

- IFRS 10, Consolidated financial statements' identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company
- IFRS 11, 'Joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements joint operations and joint ventures Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses Joint ventures arise where the investors have rights to the net assets of the arrangement, joint ventures are accounted for using the equity method Due to new standard, IAS 28 was revised to be in consistent with new standard.
- IFRS 12 Disclosures of interests in other entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles

The new standards IFRS 10, 11 and 12 did not change the existing consolidation method for currently held subsidiaries, associated companies and joint ventures The company previously classified as joint venture will continue to be accounted for as joint venture by using equity method.

Other changes in IFRS-standards or interpretations did not have any effect on Finnair s financial statements

Regarding changes in standards affecting future periods, Finnair is currently evaluating the effects of IFRS 15 Revenue recognition and IFRS 9 Financial Instruments to its financial statements In case endorsed by FU, standard on Revenue recognition will be effective from 2017 and Financial instruments from 2018 onwards Other standards issued and affecting future financial periods are not expected to have any significant impact on Finnair s financial statement.

General consolidation principles

Consolidation

Consolidation, consolidation method and classification of ownership interests depends on whether group has power to control or jointly control the entity or have significant influence or other interests in the entity When group has power to control the entity, it is consolidated as subsidiary in the group according to principles described in the note 1.3 Subsidiaries When group has joint control or significant influence over an entity but does not have power to control, entity is accounted for by using equity method according to principles set in note 1 6 Investments in associates and joint ventures If group does not have power to control nor significant influence in the entity, its ownership interests are classified as financial assets available for sale and accounted for according to principles described in the note 5 2 Financial assets

Translation of foreign currency items

Items included in each subsidiary's financial statements are measured in the currency that is the main currency of operating environment of each subsidiary ("functional currency") The consolidated financial statements have been presented in euros, which is the parent company s functional and presentation currency Transactions denominated in foreign currencies in group companies are translated into functional currency by using the exchange rate at the date of the transaction Receivables and liabilities that are denominated in foreign currencies and are outstanding on the closing date are translated using the exchange rate of the closing date Exchange rate differences are recognised in the income statement.

Foreign subsidiaries whose functional currency is not euro are translated into euros by using average rate for the financial year Balance sheets are translated by using the closing rate for the financial period Translation differences arising from the elimination of acquisition costs of foreign subsidiaries are recognised in other comprehensive income When foreign subsidiary is sold, the differences are recognised as part of the sales gain or loss

1.2 Critical accounting estimates and sources of uncertainty

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcomes may differ from those estimates and assumptions made In addition, discretion has to be exercised in applying the accounting principles of the financial statements Changes in estimates and assumptions effect the financial statements in the period the changes occur, and in all the subsequent financial periods

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

Critical accounting estimates and sources of uncertainty	Note number	Note
Impairment testing	4 1 4 2	Intangible assets Tangible assets
Judgements of classifying lease arrangements	4 4	Leasing arrangements
Finnair Plus Customer Loyalty Program	2 2	Operating income
Deferred taxes	6 1	Income taxes
Pension obligations	3 8 2	Pensions

1.3 Subsidiaries

A Consolidation principles of subsidiaries

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

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

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

Non-controlling interest and transactions with non-controlling interest

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

E = Critical accounting estimates
A = Accounting principles

Subsidiaries

Name of the company	Group ownership %	Name of the company	Group ownership %
Airline Business		**Travel Services**	
Finnair Cargo Oy Finland	100 0	Amadeus Finland Oy Finland	95 0
Finnair Aircraft Finance Oy Finland	100 0	Oy Aurinkomatkat - Suntours Ltd Ab Finland	100 0
Finnair ATR Finance Oy Finland	100 0	Toivelomat Oy Finland	100.0
Northport Oy, Finland	100.0	Aurinko Oü, Estonia	100 0
Balticport Oü Estonia	100 0	OOO Aurinkomatkat, Russia	100 0
Finnair Technical Services Oy Finland	100 0	Matkayhtymä Oy Finland	100 0
Finnair Engine Services Oy Finland	100 0	OOO Aurinko Russia	100 0
Finnair Flight Academy Oy Finland	100 0	SMT Oy Finland	100.0
Finnair Travel Retail Oy Finland	100 0	A/S Estravel Ltd, Estonia	71 3
LSG Sky Chefs Finland Oy Finland*	100 0	Estravel Vilnius UAB Lithuania	71 3
Kiinteistö Oy Air Cargo Center 1 Finland	100 0	Norvista Travel Ltd, Canada	100 0
Kiinteistö Oy LEKO 8 Finland	100 0	**Other functions**	
IC Finnair Ltd, Great Britain**	100 0	FTS Financial Services Oy, Finland	100 0
A/S Aero Airlines, Estonia	100 0	Backoffice Services Estonia OÜ, Estonia	100 0

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

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

1.4 Acquisitions and disposals

During the financial year 2014 and 2013 Finnair didn t have any acquisitions

During 2014 Group sold Finnair Travel Retail's shops at Helsinki Airport to World Duty Free Group The sale had 12.7 million euros' positive effect to Finnair s results in non-recurring items In addition, Finnair sold its subsidiary Finncatering Oy to Lufthansa Service Europa/Afrika GmbH The transaction did not have significant effect to Finnair's financial statements

During 2013 Finnair Group didn t have any disposals

1.5 Non-current assets and liabilities held for sale

A Assets and liabilities held for sale

Non-current assets 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 and the sale is expected to realise during the following twelve months

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

Non-current assets held for sale mainly include E190 and ATR 72 aircraft and Technical Operations hangar that are expected to be sold in the beginning of 2015 Assets held for sale for 2013 and 2014 also include inventories and tangible assets related to Finnair Technics Previous year assets held for sale also included assets and liabilities related to subsidiary Finncatering Oy, that was sold in 2014

The book value of the assets held for sale

EUR mill	2014	2013
Tangible assets	119 8	9 8
Inventories	2 6	5 4
Trade and other receivables	0 0	2 5
Total	**122 4**	**17 7**

The book value of the liabilities held for sale

EUR mill.	2014	2013
Trade payables and other liabilities	0 0	2 3
Total	**0 0**	**2 3**

A = Accounting principles

1.6 Investments in associates and joint ventures

A Associates are companies in which the Group usually holds 20–50% of the voting right or in which the Group has significant influence but in which it does not exercise control. Companies where the Group has joint control with another entity are considered as joint ventures. The Group's interests in associated companies and jointly controlled entities are accounted for using the equity method. The Group does not own jointly controlled entities that would be classified as joint operations, meaning such entities where Group would have rights to entity's assets or obligations to entity's liabilities which it should consolidate in its balance sheet.

The investment in associates and joint ventures include goodwill recognised at the time of acquisition. The Group recognises its share of the post-acquisition results in associates and joint ventures in the income statement. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations on behalf of the associate or joint venture.

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

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

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

EUR mill.	2014	2013
At the beginning of the financial year	8.2	12.3
Shares of results	-3.2	-4.0
At the end of the financial year	**4.9**	**8.2**

Finnair has given on behalf of Flybe Finland Oy (part of Flybe Nordic Group) a guarantee of 2.0 million euros to Nordea Bank Finland Abp (2.0). The guarantee has ended at the beginning of 2015.

More information regarding transactions with associates and joint ventures can be found in note 6.2 Related party transactions.

Financial Statement information on the Group's principal associates and joint ventures 31.12.2014

EUR mill	Domicile	Assets	Liabilities	Revenue	Profit/ Loss	Holding %
Amadeus Estonia	Estonia	0.8	0.3	0.9	0.3	33.25
Nordic Global Airlines Oy	Finland	10.7	10.6	42.2	-2.9	40.00
Flybe Nordic Ab*	Sweden	40.2	52.6	293.8	-1.0	40.00
Kiinteistö Oyj Lentäjäntie 1	Finland	25.6	19.3	1.5	0.0	28.33
Total		**77.2**	**82.8**	**338.4**	**-3.5**	

* According to official financial statement of Flybe Finland Oy as per 31 March 2014 which is holding-company Flybe Nordic Ab's subsidiary and responsible of the operations in the Flybe Nordic group.

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

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

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

All the associated companies and joint ventures owned by Finnair are unlisted companies and none of them are considered as material compared to Finnair's operations. In 2014, Finnair has written down the value of its investment in joint venture Flybe Nordic Ab to zero based on the estimated losses from continuous operations for 2014. The share of losses recognised from Flybe Nordic Ab amounted to -2.1 million euros (-4.1). In case Finnair would recognise share of losses exceeding the value of its investment in the company, it would have had an additional effect in the share of results of approximately -1.5 million euros. The total loss from continuous operations of associated companies amounted to -2.5 million euros, of which Finnair's share of losses was -1.0 million euros.

Flybe Nordic is a regional airline company operating in the Nordic countries and in Baltics. Flybe operates both purchase traffic for Finnair and traffic at its own risk. In 2014 and 2015 Flybe Nordic has been a joint venture that has been jointly controlled by its owners Finnair Oyj and Flybe UK. At the end of 2014 Flybe UK announced that it will exit the arrangement and sell the shares of Flybe Nordic Ab to Finnair or to a new majority shareholder assigned by Finnair. At the balance sheet date Flybe Nordic Ab was still joint venture of Finnair and Flybe UK. At the beginning of 2015 Finnair signed a letter of intent with StaffPoint and Oy G.W. Sohlberg Ab (GWS), according to which Flybe UK Ltd's 60% ownership would be transferred to StaffPoint and GWS. Finnish Competition and consumer authority approved the transaction in January 2015. The change of majority shareholder in the joint venture does not have an effect in the nature of the arrangement, and the operations of Flybe Nordic Group continue under joint control of Finnair and the new partners.

Flybe Nordic's operations have been loss making and the value of investment in Finnair has been written down. Finnair aims to find solutions that would enable the development of regional flying in a financially sustainable way. As Flybe Finland's operations require further restructuring, Finnair has assessed the valuation of its receivables from Flybe Nordic Group. Based on the evaluation made Finnair has written down the subordinated loan receivable and related accrued interests from Flybe Nordic Group, amounting to 10.8 million euros. The effect is included in financial items in income statement. In addition Finnair has written down 11.3 million euros of operational receivables from Flybe Finland Oy, which is the entity responsible of running Flybe Nordic Group's operations. The effect is included in non-recurring items in income statement.

Finnair's associated companies include Nordic Global Airlines Oy, which is a freight airline co-owned by Finnair Cargo Oy, Ilmarinen and Neff Capital Management. Amadeus Finland's associated company Amadeus Estonia provides IT solutions to travel agencies in Estonia. Kiinteistö Oyj Lentäjäntie 1 is a property located in the airport area and co-owned by Finavia, Finnair Pension fund and Finnair Oyj.

A = Accounting principles

2 Segments and income

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

2.1 Segment information

A Segment reporting

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

Reporting segments are based on the Group's business area based internal organisational structure and financial reporting to management Due to previous years' restructurings the nature and extent of the business of Aviation Services has changed Therefore the Board of Directors decided that Aviation Services are no longer reported as separate segment but as part of Airline Business segment. The remaining reportable segments in Finnair are Airline Business and Travel Services Comparative information for 2013 has been restated according to new segment structure

Airline Business is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts flight operations and management, maintenance and financing of the fleet. In addition, the segment is responsible for managing real estate owned by Finnair Finncatering Oy, that was sold to LSG Lufthansa Service Europa/Afrika GmbH, is included in the Airline segment figures until 28 February 2014 and airport shops of Travel Retail, that were sold to World Duty Free Helsinki, until 1 October 2014

Travel Services consists of the Group's travel agency operations as well as tour operations and travel sector software business operations

The entities included in segments are specified in the note 1.3 Subsidiaries

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

Business segment data 2014

EUR mill	Airline Business	Travel Services	Elimi-nations	Other functions	Group total
External revenue	2 070 7	213 8			2 284 5
Internal revenue	97 0	3 0	-100 0		0 0
Revenue	**2,167 7**	**216 7**	**-100.0**		**2,284.5**
Operational result	**-43.5**	**7.0**			**-36 5**
Operating result	**-78.4**	**5 9**			**-72.5**
Share of results in associates and joint ventures					3 2
Financial income					3 5
Financial expenses					-26 9
Income taxes					16 5
Non-controlling interests					-0 2
Result for the financial year attributable to owners of the parent company					**-82 7**
Depreciation and impairment	132 9	1 4			134 3
Average number of employees	4 232	645		295	5 172
Employees at the end of year	4 050	600		331	4 981

Business segment data 2013, restated

EUR mill.	Airline Business	Travel Services	Elimi-nations	Other functions	Group total
External revenue	2 149 4	251 0			2,400 3
Internal revenue	122 5	0 7	123 2		0 0
Revenue	**2,271 9**	**251.7**	**-123.2**		**2,400 3**
Operational result	**8.8**	**3.1**			**11 9**
Operating result	**6 3**	**1.6**			**7 9**
Share of result in associates and joint ventures					4 0
Financial income					42 6
Financial expenses					19 7
Income taxes					-3 9
Non-controlling interests					0 3
Result for the financial year attributable to owners of the parent company					**22 6**
Depreciation	139 3	1 5			140 7
Average number of employees	4 834	751		274	5 859
Employees at the end of year	4 783	730		290	5 803

i = Content of the section
A = Accounting principles

2.2 Operating income

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

A Revenue recognition

Revenue is recognised when goods or services are delivered Revenue is measured at fair value of the consideration received or receivable net of discounts and indirect taxes.

Airline Business sales are recognised as revenue when the flight is flown in accordance with the flight traffic program. Unused tickets are recognised as revenue when the ticket expires and Finnair has no obligation to return the consideration to customer

Airline Business revenue is deducted with the costs resulting from Finnair Plus Customer Loyalty Program Finnair loyalty customers can earn Finnair Plus Points from tickets or services purchased, and use the earned points to buy services and products offered by Finnair or its partners in cooperation The points earned are fair valued according to IFRIC 13, and recognised as a decrease of revenue and debt at the time when the points-earning event (for example, flight is flown) is recognised as revenue. Fair value is measured by taking into account the fair value of those awards that can be purchased with the points and the customer selection between different awards based on historical customer behaviour In addition, the fair valuation takes into account the expiring of the points. The debt is derecognised when the points are used to buy a service or a good (awards)

Sale of goods in aircraft (Travel Retail) is recognised as revenue when the goods are delivered to the customer Aircraft maintenance services are after restructurings sold only in small extent to external customers. The related revenue is recognised when the service has been completely performed.

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

Public grants

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

Trade receivables

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

E Finnair Plus Customer Loyalty Program

Valuation and revenue recognition related to Finnair Plus -debt requires judgement of management especially related to fair valuation of points and timing of revenue recognition related to points expected to expire. The fair value of the point is defined by allocating the point to award selection based on historical behaviour of customers, after which fair value of each award is defined. The liability is calculated by taking the total amount of points earned by customers, decreased with the expected expiring of the points These points are then fair valued as described above and the result is recognised as liability at balance sheet **E**

I = Content of the section
A = Accounting principles
E = Critical accounting estimates

2.2 1 Revenue by currency

EUR mill	2014	2013
EUR	1 313 2	1 389 7
JPY	211 6	230 4
CNY	152 1	135 3
SEK	106 2	115 0
USD	64 1	83 4
Other currencies	437 3	446 6
Total	**2,284.5**	**2,400 3**

Currency hedging policies are described in the note 5 5 Management of financial risks

2.2.2 Other operating income

EUR mill	2014	2013
Rental income	11 7	10 6
Other income	6 6	8 2
Total	**18 3**	**18.8**

2.2.3 Trade and other receivables

EUR mill	2014	2013
Trade receivables	108 6	123 2
Prepaid expenses accrued income and other receivables total	85 4	113 9
Accrued income	33 0	12 0
Lease accruals	7 2	10 0
VAT receivables	6 1	0 5
Interest and other financial items	3 0	9 8
Other items	36 2	81 6
Total	**194 0**	**237 1**

The fair value of trade receivables do not materially differ from balance sheet value

Aging analysis of trade receivables	2014	2013
Not overdue	96 2	112 6
Overdue less than 60 days	3 5	5 1
Overdue more than 60 days	8 9	5 5
Total	**108.6**	**123 2**

At the end of 2014 Finnair wrote down 11.3 million euros of receivables related to restructuring need of Flybe Finland Oy. Flybe Finland Oy belongs to Flybe Nordic Group which is a joint venture of Finnair. More information about the issue can be found in notes 1.6 Investments in associates and joint ventures and 6.2 Related party transactions. In addition, the Group has recognised 1.1 million euros (0.8) of other credit losses from trade receivables during the financial year. Trade receivables do not contain significant credit risk because of diversity in customer basis. The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. The Group does not hold any collateral as security.

Trade receivables by currency

EUR mill.	2014	2013
EUR	72.1	60.6
USD	3.2	15.8
JPY	4.0	8.3
CNY	5.8	5.5
SEK	3.2	5.1
Other currencies	20.4	27.8
Total	**108.6**	**123.2**

2.2.4 Deferred income

EUR mill	2014	2013
Unflown air transport revenues	252.3	255.6
Advances received for tour operations	27.1	32.7
Loyalty program Finnair Plus	29.6	32.2
Other deferred income	18.9	20.3
Total	**327.9**	**340.8**

Deferred income includes prepaid, yet unflown flight tickets and package tours, whose departure date is in the future. Finnair Plus liability is related to Finnair's customer loyalty program, and equals to the fair value of the earned unused Finnair Plus points.

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

3 Operating expenses

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

3.1 Operational expenses by currency

EUR mill	2014	2013
EUR	1,219.2	1,283.2
USD	954.7	983.9
JPY	29.6	31.6
SEK	19.9	13.2
CNY	17.8	15.9
Other currencies	98.0	79.5
Total	**2,339.2**	**2,407.2**

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

3.2 Leasing expenses

EUR mill	2014	2013
Lease payments for aircraft	78.8	57.5
Rental of cargo capacity	25.2	18.7
Other rental of flight capacity	96.7	93.2
Office and other rents	37.8	40.1
Total	**238.4**	**209.5**

Lease payments for aircraft have increased mainly because of the sale and leaseback of previously owned A330 aircraft and new lease agreements related to Airbus A321 Sharklet aircraft. On the other hand, increase has been netted by the termination of the last Boeing 757 aircraft leases at the beginning of financial year 2014.

3.3 Other expenses

EUR mill.	2014	2013
IT expenses and booking fees	82.1	82.3
Other items	135.3	135.8
Total	**217.4**	**218.1**

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

Audit fees in other expenses

EUR mill	2014	2013
PricewaterhouseCoopers Oy		
Auditor's fees	0.2	0.2
Tax advising	0.1	0.1
Other fees	0.2	0.1
Total	**0.4**	**0.4**

3.4 Other expenses related accruals

EUR mill	2014	2013
Jet fuels and traffic charges	79.1	78.3
Aircraft materials and overhaul	6.8	11.9
Expenses for tour operations	6.6	10.3
Other items	44.6	68.6
Total	**137.1**	**169.0**

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

3.5 Inventories

A Inventories

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

EUR mill.	2013	2013
Materials and supplies	14.7	19.8
Work in progress	0.1	0.1
Total	**14.7**	**19.9**

In 2014, the cost of inventories recognised as aircraft materials expenses was 12.9 million euros (33.6) including write-down of inventories 2.2 million euros (0.1). Inventories transferred to assets held for sale were 0.8 million euros (1.3)

3.6 Provisions

A Provisions

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

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

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

EUR mill	Aircraft maintenance provision	Other provisions	2014	Aircraft maintenance provision	Other provisions	2013
Provision at the beginning of period	92.4	17.4	**109.8**	109.7	10.8	**120.5**
Provision for the period	25.5	20.3	**45.8**	20.2	17.4	**37.6**
Provision used	-44.2	-23.9	**-68.1**	33.1	-10.8	**-43.9**
Exchange rate differences	8.8		**8.8**	-4.5		**-4.5**
Total	**82.5**	**13.8**	**96.3**	**92.4**	**17.4**	**109.8**
Of which non-current	52.1		**52.1**	69.3		**69.3**
Of which current	30.4	13.8	**44.2**	23.1	17.4	**40.5**
Total	**82.5**	**13.8**	**96.3**	**92.4**	**17.4**	**109.8**

Non-current aircraft maintenance provisions are expected to be used by 2020
Other provisions include items related to group's restructurings

3.7 Items excluded from operational result

Operational result does not include non-recurring items and other items affecting comparability. Non-recurring items include sales gains and losses of fixed assets, businesses and subsidiaries and personnel related and other restructuring expenses. Fair value changes of derivatives recognised through income statement and fair value changes of foreign currency denominated fleet maintenance reserves are considered as items affecting comparability in Finnair

EUR mill	2014	2013
Fair value changes of derivatives	-34.9	17.2
Fair value changes of foreign currency denominated fleet maintenance reserves	-8.8	4.5
Non-recurring items	7.7	-25.7
Total	**-36.0**	**-4.0**

A = Accounting principles

3.8 Employee benefits

3.8.1 Employee benefit expenses and share-based payments

A Share-based payments

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

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

Termination benefits

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

For accounting principles related to **Pensions** see note 3.8.2 for more information A

Staff costs

EUR mill	2014	2013
Wages and salaries	275 3	304 4
Pension expenses	54 6	58 6
Defined contribution plans	44 3	51 1
Defined benefit plans	10.3	7 5
Other social expenses	14 6	20 9
Production for own use salaries capitalized as tangible assets	0 0	-2.5
Total	**344.5**	**381.3**
Staff costs included in non-recurring items	7.0	17 9
Total staff costs in income statement	**351.5**	**399.3**

In Finnair, the total salary of personnel consists of fixed pay, short- and long-term incentives, fringe benefits and other personnel benefits The total amount of short-term incentives recognised for 2014 were 4 6 million euros (5 1) In addition to staff costs, non-recurring items include personnel related restructuring costs of 7 0 million euros (17 9) as agreed in the Group's statutory employer-employee negotiations Including non-recurring items, total staff costs amounted to 351.5 million euros (399.3)

Transfer to Personnel Fund

Finnair has a Personnel Fund that is owned and controlled by personnel A share of Finnair s profits is allocated to the fund The share of profit allocated to the fund is determined on the basis of the targets set by the Board of Directors The CFO and other members of the Executive Board are not members of the Personnel Fund Personnel Fund is obliged to invest part of the bonus in Finnair Plc's shares In 2013 and 2014 profits were not allocated to the fund, because the set performance criteria were not met

Employee benefit related accruals

EUR mill	2014	2013
Holiday payments	61 5	66 4
Other employee related accrued expenses	18 2	28 3
Employee benefit related accruals total	**79 7**	**94.7**

Other employee related accrued expenses mainly include withholding tax and accrued expenses related to social security costs In addition, restructuring provisions included in the current provisions amounted to 8 7 million euros (15 7)

Management remuneration

The President and CEO and Executive Board remuneration

Thousand euros	President and CEO Pekka Vauramo	Executive Board	Total 2014	President and CEO Pekka Vauramo	Deputy CEO Ville Iho	President and CEO Mika Vehviläinen***	Executive Board****	Total 2013
Fixed pay	639	1 614	**2,253**	361	225	178	1 620	**2,384**
Short-term incentives*	194	260	**454**	64	30	0	180	**274**
Fringe benefits	4	66	**70**	0	13	7	60	**80**
Termination benefits	0	392	**392**	0	0	0	502	**502**
Share-based payments	46	120	**166**	0	33	4	206	**242**
Pensions (statutory)**	134	322	**456**	62	49	48	340	**499**
Pensions (voluntary defined benefit)	0	0	**0**	0	0	0	53	**53**
Pensions (voluntary defined contribution)	0	122	**122**	0	22	-245	95	**-128**
Total	**1,016**	**2,897**	**3,913**	**487**	**371**	**-9**	**3,057**	**3,907**

* Short-term incentives for the financial year 2014 are estimates as at the balance sheet date the final review of targets has not been done Short term incentives for 2013 realized 10 thousand euros bigger than expected in 2013 financial statements The difference has been reported according to accrual basis, in 2014

** Statutory pensions include Finnair's share of the payment to Finnish statutory "Tyel" pension plan

*** Due to resignment of CEO Vehviläinen in 2013 his voluntary defined contribution pension plan was cancelled and payments of 245 thousand euros were returned to Finnair in 2014 This has been reported as decrease in compensation for 2013

**** Deputy CEO Ville Iho's remuneration for 2013 is not included in Executive Board 2013 figures His salary and remuneration is presented separately for the whole year of 2013

A = Accounting principles

Management remuneration is presented on an accrual basis. Share-based payments in 2014 and 2013 include compensations related to Finnair Plc's share-based bonus scheme 2010-2012. The shares earned were delivered and cash-based compensation paid during 2013, but the income statement effect is accrued to vesting period for 2010-2016 up to ending of lock-up period, according to IFRS 2. In addition 2014 share-based payments include accrued expenses related to 2013-2015 and 2014-2016 LTI plans. Management has not been provided any other long-term incentives in addition to share-based payments.

The retirement age of the CFO is determined by the statutory retirement age prevailing at the time of retirement. Currently this is 63 years of age. The voluntary pension benefits of Executive Board members have been arranged through Finnish pension insurance company, and the retirement age is 63. All voluntary pension plans provided for Executive Board members are defined contribution plans, and new executive service contracts do not include any voluntary pension benefits. Defined benefit plans for previous members of Executive Board ceased during 2014.

More information on share-based payment plans can be found below in this note and in a separate Remuneration statement, which also provides additional information on management cash-based remuneration.

The Board of Directors remuneration

Compensation paid for board service, EUR	Total 2014	Fixed remuneration	Meeting compensation	Fringe benefits	Total 2013
Board of Directors total	358,227	243,600	92 400	22 227	382 410
Friman Maija-Liisa	47 266	30 000	7 800	9 466	
Heinemann Klaus	72 000	61 200	10 800	0	
Itävuori Jussi	60 361	30 000	24 000	6 361	
Kerminen Harri	43,466	32 400	9 600	1 466	
Kronman Gunvor	40,138	30,000	6 600	3 538	
Tuominen Jaana, from 27 March 2014 onwards	27 300	22 500	4 800	0	
Turner Nigel from 27 March 2014 onwards	50 295	22 500	26 400	1 395	
Karhapää Merja until 27 March 2014	9,300	7 500	1 800	0	
Kuosmanen Antti, until 27 March 2014	8,100	7 500	600	0	

The compensation paid to the members of the Board of Directors include annual remuneration and meeting compensation. 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 and their spouses have a limited right to use staff tickets in accordance with Finnair's staff ticket rules. Under the rules, the Directors and their spouses are entitled to four return or eight one-way tickets on Finnair flights per calendar year in Economy or Business Class. The fare of these tickets is zero, exclusive of any airport taxes, fees and charges, which are payable by the Directors and their spouses. These tickets constitute taxable income in Finland and are reported as fringe benefits in the table above.

Share-based payments

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

Performance share plan for key personnel (LTI) from 2013 onwards

Finnair's share based incentive plan is a performance-based, annually commencing long-term incentive (LTI) arrangement. Each share based incentive arrangement is divided into four-six-year share plan, and the commencement of each new plan is subject to a separate decision by Finnair's Board of Directors. The first plan commenced in 2013, and at the end of 2014 there are two plans ongoing (2013–2015 and 2014–2016). The purpose of the LTI plan is to encourage the management to work to increase long-term shareholder value. The plan is in line with the statement by the Finnish Cabinet Committee on Economic Policy regarding the remuneration of executive management and key individuals.

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

The potential reward will be delivered in Finnair shares. The share delivery is split into three share tranches (50–30–20%) that will be delivered to the Executive Board members during the three years following the performance period. For other participants the shares are delivered at 50% tranches during the two following years after performance period. As Finnair has adopted a program consisting of annually commencing individual plans, in which the shares are paid in three tranches, the program also includes a bridge element to supplement payments in 2016 and 2017. This takes into consideration the fact that the share savings plan will not be in full effect until 2018. During 2013 and 2014 no shares will be delivered to key personnel.

If the performance criteria set are met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board will be 30% of his/her annual base salary and if criteria are met at the maximum level, the incentive paid in Finnair shares will be 60% of the participant's annual base salary. The target level for incentives for other key personnel is 20–25% and maximum level 40–50% of the person's average annual base salary according to the job grade.

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

The performance criteria applied to the plan for 2013–2015 are the Group's relative operating EBIT margin growth and decrease in unit costs in European traffic. These two criteria are assigned weights of 60% and 40%, respectively. The performance criterion for the share plan's bridge element is the operating EBIT margin. The performance criteria applied in 2014–2016 plan are Finnair's return on capital employed (ROCE, weight 50%) and total shareholder return (TSR). The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors. Performance against the criteria is monitored quarterly.

The total expense for the LTI is recognised over the vesting period (4–6 years). The compensation is measured during performance period in cash, and only after performance period at grant date translated into shares. Therefore the whole cost effect is recognised as debt until the end of performance period (grant date), and the debt is divided into equity settled and cash settled part only at grant date, and the equity settled part is recognised in equity. The expense recognised for 2014 amounted to 0.4 million euros. In 2013 LTI's did not cause any financial effects as the performance criteria were not met.

	2013-2015	2014-2016	Total
Maximum earning, million euros	3.9	2.7	6.6
Maximum earning, million shares (with 30 Dec 2014 share price)	1.6	1.1	2.7
Target earning, million euros	1.9	1.4	3.3
Target earning, million shares (with 30 Dec 2014 share price)	0.8	0.6	1.3
Expenses recognised for the financial year, LTI's total (million euros)	0.3	0.0	0.4
of which equity settled (recognised as debt until grant date)	0.2	0.0	0.2
of which cash settled	0.2	0.0	0.2
Liability related to LTI's at the closing date	0.3	0.0	0.4
Shares granted	0.0	0.0	0.0

FlyShare employee share savings plan from 2013 onwards

Finnair offers an annually commencing share savings plan for its employees. Commencing of each plan is subject to decision of Finnair's Board of Directors. First plan commenced in 2013, and for the time being there are two plans ongoing. The objective of the plan is to encourage employees to become shareholders in the company, and to thereby strengthen the employees' interest in the development of Finnair's shareholder value and reward them in the long term.

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

Finnair awards each participating employee with one share for each two shares purchased and held at the end of two-year period. The awarded additional shares are taxable income for the recipient. The award shares from first savings period of 2013–2014 are delivered in February 2016 and from second savings period 2014–2015 in February 2017. The cost related to awarded shares delivered is recognised as expense during vesting period. In addition, Finnair awards 20 bonus shares to each employee that participates in the plan for the first time, and continues savings at least the first three months of the plan. The bonus shares are delivered in October each year, and the effect is recognised as expense for that period.

Total savings for all the plans ongoing cannot exceed 4.0 million euros, which calculated with the closing share price of 30.12.2014 (2.48 euros per share) would correspond approximately 1.6 million shares.

Effect of FlyShare share savings plan on Group's results and financial position, thousand euros	2014	2013
Total income statement effect of FlyShare	370	76
Share-based payments, share settled	191	69
Liability related to share based payments at the closing date	179	7

Share-based performance plan for pilots

The Finnair Board of Directors approved in 2014 a long-term incentive plan for Finnair pilots as part of the savings agreement between Finnair and the Finnish Air Line Pilots' Association (SLL). The plan period is 2015–2018 and the prerequisite for rewarding pilots based on this plan is the materialisation of the agreed cost savings over this time period. In addition the company share price must at least be 4 euros at the end of the incentive plan. If these conditions are met, the pilots are entitled to a cash payment based on the Finnair share price. The total reward to pilots amounts to 12 million euros if the share price is 4 euros or a maximum of 24 million euros, if the share price reaches at least 8 euros. Finnair has hedged the additional cost effects above the 4 euro share price with a market-based call option.

The plan is considered as cash-settled share-based arrangement. The cost effects are accrued over the vesting period from grant date onwards (2014–2018), and the corresponding liability is fair valued at each reporting date. The 2014 closing rate of Finnair's share (2.48 euros) was below minimum requirement level (4 euros) and therefore the plan did not have any effects to Finnair's income statement nor balance sheet.

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

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

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

Incentive bonus based on the purchase of shares

If key individuals belonging to the share bonus scheme purchased Finnair Plc shares during 2010–2012, they were paid a cash incentive bonus in the spring of the year following the acquisitions. The incentive bonus was paid on the corresponding relation to the value of the shares acquired by the key individual as he/she had fulfilled the set targets. This bonus was supplemented by a cash sum, which in most cases corresponded 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 acquired shares, taken into account that it could be at most half of the key individual's share bonus allocation, i.e. the number of shares that the key individual could at most receive as a share bonus for the year in question. The size of the cash bonus was determined as follows: number of shares acquired by key individual x the company's share price at the time of payment x the target realisation percentage x 2.5.

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

Shares were earned annually in the period 2010–2012. The long term incentive for the three year period was achieved at an average level of 43%. This share based incentive for the full three year period was paid in spring 2013, and total amount of 708,679 shares were delivered. At the same time, a cash bonus intended for payment of taxes was paid, amounting to 1.5 times the value of the shares at the time of payment. After the payment of shares, there is a three-year embargo on their sale and shares are held in lock-up. A total amount of 5,297,346 euros was paid related to the plan, of which 1,795,580 euros was delivered as shares, 2,693,370 euros paid as cash to cover tax payments and 808,396 euros paid as incentive bonus based on the purchase of shares. In 2014, approximately 34,000 of these previously delivered shares were returned back to Finnair and their value amounted to approximately 86,000 euros.

The income statement effect related to the plan has been accrued to vesting period 2010–2015 based on the applied IFRS 2 standard. The effect on 2014 results totalled 0.2 million euros (0.9).

3.8.2 Pensions

A Defined benefit and defined contribution plans

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

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

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

Description of pension plans in Finnair

The statutory pension plan of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company The statutory pension plan is a defined contribution plan. The Group's foreign sales offices and subsidiaries have various defined contribution plans that comply with local rules and practices The voluntary defined contribution pension plans of five Executive Board members in 2014 are arranged in a pension insurance company and the retirement age under these agreements is 63 years The defined benefit plan for two former Executive Board members have been terminated in 2014 Other (voluntary) pension plans of the Group s domestic companies have been arranged in Finnair Plc s Pension Fund, in which the pension plans are defined benefit plans These pension plans cover old age pensions, disability and survivors' pensions The benefits are mainly provided for pilots and cabin crew and the pension fund is closed for other personnel than pilots The pension fund is fully funded in accordance with the provisions of Finnish law

Exposure to most significant risks

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

Changes in bond yield. A decrease in corporate bond yields increases plan obligations due to the fact that the pension obligation is discounted to net present value with a rate that is based on corporate bond rates This increase in plan obligations is partially mitigated by a corresponding increase in the value of corporate bonds in plan assets

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

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

A = Accounting principles
E = Critical accounting estimates

Defined benefit pension plans

EUR mill	2014	2013
Items recognised in the income statement		
Current service costs	8 8	8 0
Past service cost	1 7	-0 4
Settlements and curtailments	-0 2	0 0
Service cost total	**10 3**	**7 6**
Net interest expenses	0 3	-0 1
Included in personnel expenses total	**10.7**	**7 5**
Amounts recognised through other comprehensive income		
Experience adjustment on plan obligation	-24 4	16 5
Changes in financial actuarial assumptions	50 5	0 2
Changes in demographical actuarial assumptions	0 0	0 8
Net return on plan assets	-22 0	-16 3
Amounts recognised through other comprehensive income total	**4 1**	**-0.4**
Number of persons involved, pension fund	4 502	5 048
Management pension (defined benefit) persons involved	0	2

Items recognised in the balance sheet

EUR mill	2014	2013
Present value of funded obligations	436 0	406 9
Fair value of plan assets	-410 7	-396 3
Net defined benefit liability	**25 3**	**10.6**

The net defined benefit liability in 2014 includes 25.3 million euros (10 5) related to defined benefit plans insured through pension fund and 0 0 million euros (0 1) related to defined benefit plans of management The pension liability increased in 2014 due to a decrease in discount rate from 3 25 % to 2 1% This increase was partially mitigated by a decrease in the annual rate of future salary increases from 3 % to 2.1%, changes in the pool of pension eligibility and investment returns

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0 3 million euros (0 4) and buildings used by the Group with a fair value of 3 3 million euros (36 2)

Changes in pension obligations

EUR mill	2014	2013
Net present value of pension obligations at 1 January	406 9	392 5
Current service cost	8 8	8 0
Past service cost	1 7	0 4
Settlements and curtailments	0 3	0 0
Interest expense	12 9	12 4
Expenses recognised in income statement	**23 7**	**19 9**
Changes in actuarial assumptions	50 5	0 6
Experience adjustment on plan obligation	-24 4	16 5
Remeasurements recognised through OCI	**26 1**	**15 9**
Benefits paid	20 7	21 5
Net present value of pension obligations	**436 0**	**406 9**

Changes in plan assets

EUR mill	2014	2013
Fair value of plan assets at 1 January	396 3	388 8
Interest income	12 6	12 5
Settlements and curtailments	0 5	0 0
Items recognised through profit and loss	**13 1**	**12 5**
Actuarial gain (loss) on plan assets	22 0	16 3
Items recognised through OCI	**22 0**	**16 3**
Contributions paid	0 0	0 2
Benefits paid	20 7	-21 5
Fair value of plan assets at 31 December	**410 7**	**396 3**

Plan assets are comprised as follows

%	2014	2013
Listed shares	19 5	22 0
Debt instruments	53 4	50 0
Property	18 8	17 0
Other	8 3	11 0
Total	**100 0**	**100 0**

Defined benefit plans principal actuarial assumptions

	2014	2013
Discount rate	2 10%	3 25%
Inflation	2 00%	2 00%
Annual rate of future salary increases	2 10%	3 00%
Future pension increases	2 10%	2 10%
Estimated remaining years of service	11	13

Sensitivity analysis

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

Defined benefit plans principal actuarial assumptions

Actuarial assumption	Change in assumption	Impact when increase in assumption, EUR mill	%	Impact when decrease in assumption, EUR mill	%
Discount rate	0 25%	15 3	3 51	16 2	3 72
Annual rate of future salary increases	0 25%	4 5	1 03	4 5	1 02
Future pension increases	0 25%	11 5	2 64	11 2	2 58
Life expectancy at birth	1 year	13 3	3 05	12 9	2 96

According to Finnish legislation, pension fund needs to be fully funded Expected contribution payments for the next five years are approximately 37 million euros The amount of payments depends on future returns on plan assets

The duration of defined benefit obligation is 14 89 years The duration is calculated with discount rate 2 10%

4 Aircraft and other intangible and tangible assets and leasing arrangements

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

4.1 Intangible assets

A Intangible assets are stated at historical cost less accumulated amortisation and impairment loss if applicable. Depreciation and impairment of intangible assets are based on the following expected economic lifetimes.
- Goodwill: impairment testing
- Computer software: 3-8 years
- Other intangible assets: 3-10 years

Goodwill
Goodwill is recognised, when Finnair acquires subsidiary and the acquisition cost exceeds the Group's share of identified fair value of net assets, is recognised as goodwill. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and allocated to cash-generating units for the purpose of impairment testing. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed

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

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

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

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

Intangible assets 2014

EUR mill.	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2014	1 2	94 2	95 5
Additions		4 3	4 3
Disposals		-3 3	-3 3
Reclassifications		0 7	0 7
Transfer to assets held for sale		-0 2	-0 2
Acquisition cost 31 Dec 2014	**1.2**	**95.8**	**97 0**
Accumulated depreciation and impairment 1 Jan 2014	0 0	-76 2	76 2
Disposals		3 3	3 3
Depreciation for the financial year		5 7	5 7
Accumulated depreciation and impairment 31 Dec 2014	**0 0**	**-78 6**	**-78 6**
Book value 31 Dec 2014	**1 2**	**17 1**	**18 4**

Intangible assets 2013

EUR mill.	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2013	1 2	97 6	98 8
Additions		1 5	1 5
Disposals		-5 3	5 3
Reclassifications		0 5	0.5
Acquisition cost 31 Dec 2013	**1 2**	**94.2**	**95 5**
Accumulated depreciation and impairment 1 Jan 2013	0 0	73 4	-73 4
Disposals		5 3	5 3
Depreciation for the financial year		8 1	8 1
Accumulated depreciation and impairment 31 Dec 2013	**0 0**	**-76 2**	**-76 2**
Book value 31 Dec 2013	**1 2**	**18 0**	**19 3**

0.5 million euros of the goodwill is included in Airline Business segment and 0 7 million euros in Travel Services segment. The recoverable cash flows used in the impairment test are determined based on value-in use calculations in both segments The cash-flow projections for the next year are based on forecasts approved by management and after that period the cash flows are extrapolated by using 2% growth factor Based on testing there are no indications of need for impairment

i = Content of the section
A = Accounting principles

4 2 Tangible assets

[A] Tangible assets are stated at historical cost less accumulated depreciation and impairment loss if applicable Tangible assets include mainly aircraft. The acquisition cost of aircraft is allocated to the aircraft frame engines and maintenance components as separate assets Maintenance components include heavy maintenance of aircraft frame and performance restoration and maintenance of life-limited parts of aircraft engines and they are depreciated during the maintenance cycle Aircraft frame and engine are depreciated over useful life of the aircraft Significant modifications of own or leased aircraft are capitalized as separate items and depreciated over the expected useful life which in the case of leased aircraft cannot exceed the lease period Replaced components are de-recognised from the balance sheet. Rotable items are capitalised and depreciated during their expected useful life

Advance payments for aircraft are recognised as tangible assets. Interest costs related to advance payments are capitalised as acquisition cost for the period at which Finnair is financing the manufacturing of the aircraft Advance payments and capitalised interests are recognised as part of the aircraft acquisition cost once the aircraft is delivered and taken into commercial use.

Depreciation of tangible assets is based on the following expected economic lifetimes

- Aircraft and engines (aircraft) as well as flight simulators (other equipment) on a straight-line basis as follows
  - Airbus A320 and Embraer fleet, over 20 years to a residual value of 10%
  - Airbus A330 fleet, over 18 years to a residual value of 10%
  - Airbus A340 fleet over 15 years to a residual value of 10%
  - Used jet aircraft more than six years old, over 10 years to a residual value of 10%
  - Turboprop aircraft, over 12 years to a residual value of 10%
  - Aircraft to be withdrawn, fully on a straight-line basis during the useful life outlined in the fleet modernization plan

  Heavy maintenance of aircraft frame and performance maintenance and life limited parts of the engines, on a straight-line basis during the maintenance period
- Rotable items, over 15-20 years to a residual value of 10%
- Buildings, over 50 years from the time of acquisition to a residual value of 10% or 3-7% of the diminishing balances
- Other tangible assets, 23% of the diminishing balances

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

Gains and losses on disposal of tangible assets is included in the non-recurring items.

Accounting principles regarding the aircraft overhauls have **changed** from the beginning of the financial period 2014 According to changed principle, the engine performance restoration and maintenance of life-limited parts are considered as fixed assets and capitalised at maintenance event. Previously only heavy maintenance of aircraft frame was capitalised and other overhauls were expensed as they occurred. Financial data from the comparison year has been restated to correspond to the current accounting practices

Impairment

On every closing date the Group reviews individual tangible asset items for any indication of impairment losses. An asset's carrying amount is written down immediately to its recoverable amount if carrying amount is greater than the recoverable amount.

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

[E] Impairment testing

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

[A] = Accounting principles
[E] = Critical accounting estimates

Tangible assets 2014

EUR mill	Land	Buildings	Aircraft	Other equipment	Advances paid	Total
Acquisition cost 1 Jan 2014	0 7	148 1	2052 2	75 7	66 0	2342 7
Additions			56 2	1 0	86 3	143 4
Disposals			361 3	5 5		366 8
Currency hedging of aircraft acquisitions					64 1	-64 1
Reclassifications			19 7	1 2	21 8	0 9
Transfer to assets held for sale		-10 3	146 6			-156 9
Acquisition cost 31 Dec 2014	**0.7**	**137.8**	**1,620 2**	**72.4**	**66.4**	**1,897 5**
Accumulated depreciation and impairment 1 Jan 2014		112 3	-888 0	-49 8		-1 050 1
Disposals			132 9	5 4		138 3
Depreciation for the financial year		-1 2	-123 2	4 1		-128 6
Depreciation in non-recurring items			-1 2	-0 2		-1 4
Transfer to assets held for sale		5 2	37 0			42 1
Accumulated depreciation and impairment 31 Dec 2014		**-108.4**	**-842.6**	**-48.8**		**-999 7**
Book value 31 Dec 2014	**0.7**	**29 4**	**777 6**	**23.6**	**66 4**	**897 8**

Tangible assets 2013

EUR mill	Land	Buildings	Aircraft	Other equipment	Advances paid	Total
Acquisition cost 1 Jan 2013	0 7	148 0	1 987 3	84 3	32 7	2 253 0
Change in accounting principles			35 3			35 3
Additions		0 1	33 5	2 2	26 7	62 5
Disposals			-1 8	12 7		14 5
Currency hedging of aircraft acquisitions					11 2	11 2
Reclassifications			3 4	1 9	-4 7	0 6
Transfer to assets held for sale			-5 6			5 6
Acquisition cost 31 Dec 2013	**0 7**	**148.1**	**2,052.2**	**75.7**	**66.0**	**2,342 7**
Accumulated depreciation and impairment 1 Jan 2013		110 5	-729 7	-50 2		-890 4
Change in accounting principles			-33 9			33 9
Disposals			1 7	6 3		8 0
Depreciation for the financial year		-1 8	126 1	-4 7		132 6
Depreciation in non-recurring items				1 2		1 2
Accumulated depreciation and impairment 31 Dec 2013		**-112.3**	**-888.0**	**-49 8**		**-1050.1**
Book value 31 Dec 2013	**0.7**	**35.8**	**1,164.2**	**25 9**	**66.0**	**1,292 6**

Due to the change in accounting principles, the acquisition cost of aircraft in 2013 has been restated to include 35.3 million euros of capitalised engine maintenance costs Correspondingly, accumulated depreciation has increased by 33 9 million euros and depreciation for the financial year by 18 6 million euros More information in note 6 5 Change in accounting principles In 2014, the carrying amount of aircraft have decreased due to the sale and leaseback of A330 aircraft as well as E190 and ATR72 aircraft transferred to assets held for sale E190 and ATR72 aircraft are expected to be sold in the beginning of 2015

The value of aircraft that have been pledged as a security for external loans amounts to 314 8 million euros (599 7)

Capitalised borrowing costs

In 2014, borrowing costs of 1 9 million euros were capitalised as advances paid in tangible assets related to the Airbus A350 investment program. The interest rate used was 5 0%, which represents the costs of the loan used to finance the investment.

Impairment test

The impairment test for aircraft has been prepared based on the fair value and value-in-use at 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 management's best estimate of financial profit and financial budgets covering year 2015 The forecast for the years 2016–2020 is based on the main assumptions and fleet forecast used as the basis for the best estimate The residual value used in the calculation represents the estimated value of aircraft in 2020 The fair values of aircraft are based on bulletins of two independent aircraft valuators

The key assumptions used for value-in-use calculations are as follows WACC pretax 8.0%, EUR/USD 1 24 and inflation 1 0%

	2015	2016	2017
Fuel USD/ton	720	720	720
RASK change %	1 0%	1 0%	1 0%

The value-in-use calculation is sensitive to all key assumptions The most sensitive are RASK (revenue per available seat kilometer), the fuel price and exchange rate EUR/USD The decrease of RASK by 2 per cent or fuel price increase by 6 per cent during the period under review will decrease the recoverable amount to equal the carrying amount for the asset Strengthening of the USD by 4 per cent would increase the euro equivalent of the current market values of the aircraft above the carrying value The decrease of yen by 23 per cent in the whole period under review will decrease the recoverable amount so that is equal to carrying amount for the asset.

Investment commitments

At the end of financial year investment commitments totalled 1 950 million euros (974) including firm aircraft orders The total commitment fluctuates between the order and the delivery of the aircraft mainly due to exchange rate EUR/USD and the escalation clauses included in airline purchase agreements The final amount of the commitment in relation to each aircraft is only known at the time of the delivery

4.3 Depreciation and Impairment

EUR mill	2014	2013
Buildings	1 2	1 8
Aircraft	123 2	126 1
Other equipment	4 1	4 7
Depreciation of tangible assets	**128.6**	**132.6**
Depreciation of intangible assets	5 7	8 1
Total	**134.3**	**140.7**

Non-recurring items include depreciation of aircraft 1.2 million euros (0 0) and other equipment 0.2 million euros (1 2) The depreciation for the financial year 2013 has increased by 18.6 million euros due to a change in accounting principles related to engine maintenance

4.4 Leasing arrangements

A The Group as the lessee

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

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

The Group as the lessor

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

Sale and leaseback

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

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

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

A = Accounting principles
E = Critical accounting estimates

Finance lease arrangements

EUR mill	Buildings	Aircraft	Other equipment	Total
Acquisition cost	4.2	197.2	8.4	209.8
Accumulated depreciation	0.4	57.9	4.1	62.5
Book value 31 Dec 2014	**3.7**	**139.3**	**4.3**	**147.3**
Acquisition cost	6.5	197.2	22.8	226.6
Accumulated depreciation	2.4	45.8	18.3	66.5
Book value 31 Dec 2013	**4.0**	**151.4**	**4.6**	**160.0**

Assets acquired under finance leases are included in tangible assets. Accumulated depreciation has increased by 5.7 million euros during the financial period 2013, due to a change in accounting principles related to engine maintenance. More information can be found in notes 4.2 Tangible assets and 6.5 Change in accounting principles.

Finance lease liabilities

	Minimum lease payments		Future financial expenses		Present value of minimum lease payment	
EUR mill	2014	2013	2014	2013	2014	2013
less than a year	17.5	19.8	2.1	2.9	15.4	16.9
1-5 years	70.3	79.8	6.0	9.0	64.3	70.8
more than 5 years	49.5	75.1	8.3	10.8	41.2	64.3
Total	**137.4**	**174.8**	**16.4**	**22.8**	**121.0**	**152.0**

Other lease arrangements

Minimum lease payments for irrevocable lease agreements, the Group as the lessee

	Aircraft		Premises		Other equipment	
EUR mill	2014	2013	2014	2013	2014	2013
less than a year	89.5	53.6	20.2	19.1	6.3	6.8
1-2 years	75.9	45.9	19.4	18.3	1.7	5.7
2-3 years	64.6	35.1	19.1	17.8	0.8	1.2
3-4 years	57.4	24.9	18.7	17.8	0.2	0.4
4-5 years	55.7	19.2	18.2	17.6	0.0	0.0
more than 5 years	292.7	80.5	141.8	140.0	0.0	0.0
Total	**635.8**	**259.2**	**237.5**	**230.7**	**8.9**	**14.1**

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have different renewal and other index linked terms and conditions. The Group has leased 28 aircraft on leases of different lengths. Rental payments of aircraft have increased mainly because of the new Airbus A321 Sharklet aircraft and the sales and leaseback of A330 aircraft.

Minimum lease payments for irrevocable lease agreements, the Group as lessor

	Aircraft		Premises	
EUR mill	2014	2013	2014	2013
less than a year	52.5	57.8	5.2	3.5
1-2 years	41.9	56.7	5.4	3.4
2-3 years	33.1	46.1	5.5	3.3
3-4 years	8.6	37.3	5.5	3.3
4-5 years	3.7	12.8	5.5	3.3
more than 5 years	0.2	8.4	43.6	36.4
Total	**140.0**	**219.1**	**70.8**	**53.2**

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 30 aircraft on leases of different lengths. Irrevocable aircraft lease agreements have decreased due to terminating lease agreements of aircraft sold during 2014.

5 Capital structure and financing costs

5.1 Financial income and expenses

I The notes related to financial assets and liabilities and equity have been gathered into capital structure and financing costs section to give a better overall view of the Group's financial position. Earnings per share note has been added into equity section. **I**

A Interest income and expenses

Interest income and expenses are recognised on a time-proportion basis using the effective interest method. Interest expenses that relate to financing significant investments are capitalised as part of assets acquisition cost and depreciated over the useful life of the asset.

More detailed information about financial assets in note 5 2 and about interest bearing liabilities in note 5.3.

Dividend income

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

EUR mill.	2014	2013
Interest income from financial assets classified as held for trading	2 6	2.6
Other interest income	0 0	1 7
Dividend income	0 0	0 1
Other financial income	0 9	36 7
Financial income total	**3.5**	**41.1**
Interest expenses for financial liabilities measured at amortised acquisition cost	-9 0	-11 7
Interest on finance leases	2 5	-2 5
Exchange gains and losses	-0 6	-1 2
Other financial expenses	-14 8	-2 8
Interest rate swaps fair value hedges	5 8	1 2
Fair value adjustment to bond book value attributable to interest rate risk	5 8	-1 2
Financial expenses total	**-26.9**	**-18.2**
Financial expenses, net	**-23.4**	**22.9**

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 2013, no inefficiency is included in financial items for 2014 Financial income includes an identical amount of profits and losses for fair value hedging instruments and for hedging items resulting from the hedged risk

During year 2014 1 9 million euros (0 0) of interest have been capitalised regarding the A350 investment program Other financial expenses in 2014 include a write down of 10 8 million euros subordinated loan (including interests) given to Flybe Nordic Group Other financial income include capital gain on the sale of Norwegian Air Shuttle ASA's shares 34 million euros in year 2013 More information about Flybe Nordic can be found in notes 1 6 Investments in associates and joint ventures and 6.2 Related party transactions and about capitalised interest in note 4 2 Tangible assets

I = Content of the section
A = Accounting principles

5.2 Financial assets

A Financial assets

In the Group, financial assets have been classified according to the IAS 39 standard "Financial Instruments Recognition and Measurement" into the following categories. financial assets at fair value through profit and loss (assets held for trading) held to-maturity investments, loans and other receivables, as well as available-for-sale financial assets. The classification is made 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 and loss includes assets held for trading purposes and assets measured at fair value through profit and loss on initial recognition Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short-term changes in market prices. All those derivatives that do not fulfil the conditions for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are measured 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 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.

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

Investments which do not have a maturity date and which date of sales has not been decided are classified as available-for sale financial assets. Available-for-sale financial assets are presented in the balance sheet in short term financial assets A change in the fair value of available for-sale financial assets is recognised in the fair value reserve of other comprehensive income from which it is transferred to the income statement in connection with a sale

Unquoted shares are measured 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

Impairment of financial assets

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

When a receivable is impaired the group reduces the carrying amount to its recoverable amount Recoverable amount is the estimated future cash flow discounted at the original effective interest of the instrument. The recoverable amount continues unwinding the discount as interest income from there on Interest income on impaired loans is recognised using the original effective interest rate

Cash and cash equivalents

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

5 2 1 Non-current loan and other receivables

EUR mill.	2014	2013
Loan receivables	0 3	10 2
Other receivables	8 9	10 3
Total	**9.2**	**20.5**

Loan receivables have decreased by 9 9 million euros due to write-down of subordinated loan receivable from Finnair's joint venture Flybe Nordic Group For more information, see notes 1 6 Investments in associates and joint ventures and 6 2 Related party transactions

Other receivables are mainly lease collateral for the operational lease agreements of aircraft. 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 5 6 Classification of financial assets and liabilities

5 2.2 Other current financial assets

EUR mill.	2014	2013
Commercial papers and certificates and bonds	287 9	255 4
Money market funds	35 5	35 0
Deposits maturing in more than 3 months	9 4	45 1
Unlisted shares	0 0	0 4
Total	**332.8**	**335.9**
Ratings of counterparties		
Better than A	26 6	89 7
A	134 0	81 3
BBB	49 0	63 7
BB	10 0	10 0
Unrated	113 3	91 3
Total	**332.8**	**335.9**

Investing of the Group's financial assets and risk management policy are described in more detail in note 5.5 Management of financial risks IFRS classification and fair values of financial assets are presented in note 5 6 Classification of financial assets and liabilities Unlisted shares were transferred during financial year 2014 into group non-current loan and other receivables (note 5 2.1)

5.2.3 Cash and cash equivalents

EUR mill	2014	2013
Cash and bank deposits	63 1	57 8
Deposits maturing in less than 3 months	30 2	65 1
Total	**93.4**	**122.9**

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

5.3 Financial liabilities

A Financial liabilities

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

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method Derecognition of financial liabilities takes place when Group has filled the contractual obligations A

Non-current liabilities

EUR mill	2014	2013
Bank loans	76 8	114 1
Bonds	155 3	150 6
Finance lease liabilities	105 6	120 8
Interest-bearing liabilities total	**337 7**	**385 5**
Non-interest-bearing liabilities	22 1	25 4
Total	**359 8**	**410 9**

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

Current interest-bearing liabilities

EUR mill	2014	2013
Bank loans	39 7	139 6
Commercial papers	28 0	44 5
Finance lease liabilities	15 4	14 8
Other loans	6 8	8 6
Total	**89 9**	**207 5**

A = Accounting principles

Maturity dates of financial liabilities 31 Dec 2014	2015	2016	2017	2018	2019	Later	Total
Bank loans fixed interest	23.5	23.8	0.0	0.0	0.0	0.0	47.3
Bank loans variable interest	16.2	15.2	12.7	10.3	14.8	0.0	69.2
Bonds	0.0	0.0	0.0	150.0	0.0	0.0	150.0
Commercial papers	28.0	0.0	0.0	0.0	0.0	0.0	28.0
Finance lease liabilities	15.4	15.3	15.9	16.4	16.7	41.2	121.0
Other loans	6.8	0.0	0.0	0.0	0.0	0.0	6.8
Interest-bearing liabilities total	**89.9**	**54.3**	**28.6**	**176.7**	**31.5**	**41.2**	**422.2**
Payments from currency derivatives	914.9	291.5	214.4	0.0	0.0	0.0	1,420.8
Income from currency derivatives	1,010.4	323.2	247.1	0.0	0.0	0.0	1,580.7
Commodity derivatives	152.2	38.2	0.0	0.0	0.0	0.0	190.4
Interest rate derivatives	2.5	0.0	0.6	-5.8	0.0	0.0	2.7
Equity derivatives	0.0	0.0	0.0	0.0	-0.6	0.0	0.6
Trade payables and other liabilities	600.8	0.0	0.0	0.0	0.0	0.0	600.8
Interest payments	9.4	6.8	6.1	6.1	0.1	0.0	28.5
Total	**759.4**	**67.5**	**2.7**	**176.9**	**31.0**	**41.2**	**1,078.7**

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

Part of the loans are secured by bank guarantees which are due earlier than underlining bank loans. Bank loan repayments include these loans 18 million euros in year 2015 and 19.5 million euros in year 2016. Bank loans include one long-term currency and interest rate swap and one interest rate swap that hedge two loans. Interest rate re-fixing period in variable interest loans is 3 or 6 months. Fixed interest bond maturing in 2018 does not include the fair value adjustment of 5.8 million euros and the amortised cost of 0.5 million euros which was paid in 2013.

The minimum lease payments, discount values and present values of finance lease liabilities are presented in note 4.4 Leasing arrangements.

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

EUR mill	2014	2013
EUR	407.3	564.6
USD	20.2	29.0
Total	**427.6**	**593.6**

Weighted average effective interest rate on interest-bearing long-term liabilities was 3.3% (3.1%).

Interest rate re-fixing period of interest-bearing liabilities

	2014	2013
Up to 6 months	87.7%	64.2%
6-12 months	0.0%	0.0%
1-5 years	11.3%	35.0%
More than 5 years	1.0%	0.8%
Total	**100.0%**	**100.0%**

5.4 Contingent liabilities

EUR mill	2014	2013
Other pledges given on own behalf	181.1	503.7
Guarantees on behalf of group companies	72.8	67.6
Guarantees on behalf of others	2.2	2.3
Total	**256.1**	**573.5**

5.5 Management of financial risks

Principles of financial risk management

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

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

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

Fuel price risk in flight operations

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

Finnair hedges against jet fuel price fluctuations using jet fuel forward contracts and options. As the underlying asset of jet fuel derivatives, the Jet Fuel CIF Cargoes NWE index is used, because over 60 per cent of Finnair's fuel purchase contracts are based on the benchmark price index for North and West Europe jet fuel deliveries.

Finnair applies the principle of time-diversification in its fuel hedging for Scheduled Passanger traffic, which makes up 95 per cent of the risk. The hedging horizon according to the risk management policy is two years. Under the risk management policy, hedging must be increased in each quarter of the year so that the hedge ratio for Finnair's Scheduled Passenger Traffic for the first six months is more than 60 per cent and so that thereafter a lower hedge ratio applies for each period. By allocating the hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the fuel cost rises more slowly. Finnair hedges the fuel price risk of leisure traffic according to own policy, at least 60 per cent of the jet fuel consumption is hedged.

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

At the end of the financial year, Finnair had hedged 75 per cent of its fuel purchases for the first six months of 2015 and 54 per cent for the second half of the year. In the financial year 2014, fuel used in flight operations accounted for somewhat over one fourth compared to the Group's revenue. At the end of the financial year, the forecast for 2015 is the same, somewhat over one fourth compared to the Group's revenue. 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 – increases annual fuel costs by an estimated 43 million euros. On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 16 million euros. Situation as at 31 December represents well the mean of a calendar year.

Electricity price risk

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

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

Foreign exchange risk

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

Finnair Group's foreign exchange risk arises mainly from fuel and aircraft purchases, aircraft leasing payments and foreign currency incomes. Somewhat under 60 per cent of Group revenue is denominated in euros. The most important foreign sales currencies are the Japanese yen (9%, percentage of revenue), the Chinese yuan (7%), the Swedish crown (5%) and the US dollar (3%). Approximately half of the Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for somewhat over 40 per cent of all operating costs. Significant dollar-denominated expense items are fuel costs and aircraft leasing payments. The largest investments - aircraft and their spare parts - also take place mainly in US dollars.

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

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

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

At the end of the financial year, Finnair had a hedging ratio of 82 per cent in the USD basket and 73 per cent in JPY for the coming 12 months. On the closing date – without hedging – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the annual result of around 65.5 million euros and a 10 per cent weakening of the Japanese yen against the euro has a negative impact on the annual result of around 16.5 million euros. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 12 million euros and a 10 per cent weakening of the Japanese yen weakens the result by around 6 million euros. In the above numbers the USD basket risk includes also the Chinese yuan and the Hong Kong dollar whose historical correlation with the dollar is high. Situation as at 31 December represents well the mean of a calendar year.

Interest rate risk

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

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

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

Lease agreements that will start in future expose the group to interest rate risk. Interest rate is one component of the lease price. Interest rate is locked when the lease payments start. The group is hedging this exposure with cash flow hedges.

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. Group's maximum exposure to credit risk is other financial assets presented at note 5.2.2, cash and cash equivalent presented in 5.2.3 and trade receivables presented in note 2.2.3.

Liquidity risk

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

The Group's liquid assets were 426.1 million euros at the end of financial year 2014. Finnair Plc has a domestic commercial paper program of 200 million euros, of which 28 million euros was used on the closing date. In addition, Finnair has a 180 million euro committed credit facility unused. The credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175 per cent, while at the closing date the figure was 107.5 per cent. The maximum level set by the Board of Directors is 140 per cent.

Capital management

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

The development of the Group's capital structure is monitored continuously using adjusted gearing When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity The Group's adjusted gearing at the end of 2014 was 107 5 per cent (79 2)

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 26 7 million euros (40 5) higher Correspondingly a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 26 7 million euros (40 5) In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 53 2 million euros (42 6) and a 10 per cent stronger dollar would have had a positive impact of 53 2 million euros (42 6) If the underlying 10 year USD swaprate would be on 10 percent higher level the balance of the reserve would be 3 7 million (0 0) higher regarding the interest rate hedges of the leases that will start in future Correspondingly the reserve would be 3 7 million euros (0 0) weaker if the rate would be on 10 percent lower level Electricity price hedging was ineffective at the end of the year 2014, thus their valuation would have had no impact to the balance of the fair value reserve (0 0) The effect of change in interests to the fair value reserve in own equity is not essential The enclosed sensitivity figures do not take into account any change in deferred tax assets and liabilities

5 6 Classification of financial assets and liabilities

EUR mill	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Measured at amortised cost	Book value
31 Dec 2014						
Financial assets						
Receivables			0 4	8 7		9 2
Other financial assets		323 4		9 4		332 8
Trade receivables and other receivables				194 0		194 0
Derivatives	126 1	37 6				163 7
Cash and cash equivalents				93 4		93 4
Book value total	**126 1**	**361 0**	**0 4**	**305 6**		**793 0**
Fair value total	**126 1**	**361 0**	**0 4**	**305 6**		**793 0**
Financial liabilities						
Interest bearing liabilities					306 6	306 6
Finance lease liabilities					121 0	121 0
Derivatives	147 2	51 9				199 1
Trade payables and other liabilities				22 1	600 8	623 0
Book value total	**147 2**	**51 9**		**22 1**	**1,028 4**	**1,249 7**
Fair value total	**147 2**	**51 9**		**22 1**	**1,028 8**	**1,250 1**

EUR mill	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Measured at amortised cost	Book value
31 Dec 2013						
Financial assets						
Receivables				20 5		20 5
Other financial assets		290 4		45 0		335 5
Trade receivables and other receivables				236 2		236 2
Derivatives	18 2	26 8				45 0
Unlisted shares			0 4			0 4
Cash and cash equivalents				122 9		122 9
Fair value total	**18 2**	**317 2**	**0 4**	**424 6**		**760 4**
Book value total	**18.2**	**317 2**	**0 4**	**424.6**		**760 4**
Financial liabilities						
Interest bearing liabilities					457 4	457 4
Finance lease liabilities					135 6	135 6
Derivatives	21 6	7 9				29 5
Trade payables and other liabilities				36 0	774 9	810 9
Fair value total	**21 6**	**7 9**		**36 0**	**1,367 9**	**1,433 4**
Book value total	**21 6**	**7 9**		**36 0**	**1,372 7**	**1,438 2**

Deferred tax liabilities are not presented in this note Group has 0 0 million euros (3 4) of deferred 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

Derivatives are measured at fair value and more explained in fair value hierarchy Financial assets measured at fair value are money market funds (fair value hierarchy level 1) and bonds or commercial papers (fair value hierarchy level 2) Loans and receivables are current and the book value is equivalent to the fair value, because the discount effect is not significant The current portions of loans measured at amortised cost is 89 million euros and the book value is equivalent to the fair value, because the discount effect is not significant The most significant item included in the non-current loans measured at amortised cost is the issued bond The bond was quoted at 103 9 as per 31 Dec 2014 which explains the difference between book value and fair value (fair value hierarchy level 1) The valuation principles of financial assets and liabilities are outlined in the accounting principles

Fair value hierarchy of financial assets and liabilities measured at fair value

Fair values at the end of the reporting period

EUR mill.	31 Dec 2014	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit and loss				
Securities held for trading	323.4	35.5	287.9	
Derivatives held for trading				
Interest rate swaps	8.2		8.2	
of which in fair value hedge accounting	5.9		5.9	
of which in cash flow hedge accounting	2.3		2.3	
Currency derivatives	154.6		154.6	
- of which in fair value hedge accounting	66.3		66.3	
of which in cash flow hedge accounting	50.9		50.9	
Commodity derivatives	0.2		0.2	
- of which in cash flow hedge accounting	0.0		0.0	
Equity derivatives	0.7		0.7	
- of which in fair value hedge accounting	0.7		0.7	
Total	**487.1**	**35.5**	**451.6**	**0.0**
Liabilities				
Financial liabilities recognised at fair value through profit and loss				
Derivatives held for trading				
Interest rate swaps	5.5		5.5	
- of which in fair value hedge accounting	0.1		0.1	
- of which in cash flow hedge accounting	4.8		4.8	
Currency derivatives	3.0		3.0	
of which in fair value hedge accounting	0.0		0.0	
- of which in cash flow hedge accounting	0.0		0.0	
Commodity derivatives	190.5		190.5	
- of which in cash flow hedge accounting	142.3		142.3	
Equity derivatives	0.1		0.1	
of which in fair value hedge accounting	0.1		0.1	
Total	**199.1**		**199.1**	

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 measured 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 measured at fair value.

Reconciliation of financial assets and liabilities measured at fair value according to Level 3

Fair value at the end of the reporting period

	Recognised at fair value through profit and loss			
EUR mill	Securities held for trading	Derivatives held for trading	Available-for-sale share investments	Total
Opening balance		2.3		2.3
Profits and losses in income statement, total		-0.3	-	-0.3
In comprehensive income				-
Purchases (and sales)			-	-
Settlements (and issues)		4.1	-	4.1
Transfers to and from Level 3		-6.1		-6.1
Closing balance	**0.0**	**0.0**	**0.0**	**0.0**
Total profits and losses recognised for the period for assets held at the end of the reporting period				
In other operating expenses		-0.3		0.3

During the reporting period all Level 3 financial assets and liabilities were transferred to Level 2. The transfer was a consequence of specified observable market data on derivatives valuation model.

5.7 Offsetting financial assets and liabilities

EUR mill.	2014	2013
Derivative assets gross amounts	163.7	46.1
Gross amounts of recognised financial liabilities set off in the balance sheet	0.0	0.0
Net amounts of financial assets presented in the balance sheet	**163.7**	**46.1**
Enforceable master netting agreement	-63.5	-30.7
Derivative assets net amount	**100.2**	**15.4**
Derivative liabilities gross amounts	199.1	30.7
Gross amounts of recognised financial assets set off in the balance sheet	0.0	0.0
Net amounts of financial liabilities presented in the balance sheet	**199.1**	**30.7**
Enforceable master netting agreement	-63.5	-30.7
Derivative liabilities net amount	**135.6**	**0.0**

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

5.8 Derivatives

A Derivative contracts and hedge accounting

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

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

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

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

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

Fair value hedging is implemented in respect of firm orders for new aircraft to hedge the fixed interest rate bond and to hedge the incentive plan negotiated with pilots. The binding purchase agreements for new aircraft 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

In relation to the incentive plan negotiated with pilots in October 2014 Finnair entered into an agreement where the market price of Finnair share has an effect at the end of the plan Finnair Group has hedged the amount exceeding 12 million euros of the possible cost effect of this plan with stock options. Fair value hedge is implemented to these hedges. The unrealised fair value changes are recognised in the balance sheet as liability or receivable and in income statement the realised and unrealised hedging results are recognised in the staff costs. Similarly the incentive plan is treated as a firm commitment under IFRS. The unrealised and realised fair value change of the incentive plan is recognised in staff costs in the income statement and the corresponding unrealised fair value as a liability or receivable in the balance sheet

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

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

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

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

A = Accounting principles

EUR mill	2014 Nominal value	2014 Positive fair values	2014 Negative fair values	2014 Fair net value	2013 Nominal value	2013 Positive fair values	2013 Negative fair values	2013 Fair net value
Currency derivatives								
Jet fuel currency hedging	385.4	35.9	0.0	35.9	370.5	0.0	17.1	-17.0
Fair value hedging of aircraft acquisitions	657.6	66.3	0.0	66.3	244.1	4.4	2.3	2.2
Hedging of lease payments	146.6	15.0	0.0	15.0	58.3	0.1	-1.7	1.6
Hedge accounting items total	**1,189.6**	**117.1**	**0.0**	**117.1**	**672.9**	**4.5**	**-21.0**	**-16.4**
Operational cash flow hedging, forward contracts	370.4	29.5	-0.1	29.5	407.9	7.3	-4.9	2.4
Operational cash flow hedging, call options	110.2	7.1	0.0	7.1	149.8	16.1	0.0	16.1
Operational cash flow hedging, put options	178.0	0.0	-3.0	3.0	169.5	0.0	-0.8	-0.8
Balance sheet hedging, forward contracts	13.7	0.9	0.0	0.9	20.4	0.0	-1.2	-1.2
Items outside hedge accounting total	**672.2**	**37.5**	**-3.0**	**34.5**	**747.5**	**23.4**	**-6.9**	**16.5**
Currency derivatives total	**1,861.8**	**154.6**	**-3.0**	**151.6**	**1,420.4**	**27.9**	**-27.8**	**0.1**
Commodity derivatives								
Jet fuel forward contracts, tonnes	534 700	0.0	-142.3	-142.3	563 550	12.5	-0.7	11.8
Electricity derivatives, MWh	30 220	0.0	-0.1	0.0	17 568	0.0	0.0	0.0
Hedge accounting items total		**0.0**	**-142.3**	**-142.3**		**12.5**	**-0.7**	**11.8**
Jet fuel forward contracts, tonnes	33 500	0.0	-8.6	-8.6	18 000	0.8	0.0	0.8
Jet fuel call options, tonnes	162 500	0.1	0.0	0.1	201,000	3.4	0.0	3.4
Jet fuel put options, tonnes	171 500	0.0	-39.3	-39.3	201 000	0.0	-1.1	-1.1
Electricity derivatives, MWh	46 904	0.0	-0.3	-0.3	71 100	0.1	-0.6	-0.5
Items outside hedge accounting total		**0.1**	**-48.2**	**-48.1**		**4.3**	**-1.6**	**2.6**
Commodity derivatives total		**0.2**	**-190.5**	**-190.4**		**16.8**	**-2.3**	**14.4**
Interest rate derivatives								
Interest rate swaps	150.0	5.9	-0.1	5.8	150.0	1.2	0.0	1.2
Interest rate call options	123.5	2.3	0.0	2.3	0.0	0.0	0.0	0.0
Interest rate put options	123.5	0.0	-4.8	-4.8	0.0	0.0	0.0	0.0
Hedge accounting items total	**397.1**	**8.2**	**-4.8**	**3.4**	**150.0**	**1.2**	**0.0**	**1.2**
Cross currency interest rate swaps	11.6	0.0	-0.6	-0.6	17.3	0.2	0.0	0.2
Interest rate swaps	25.0	0.0	-0.1	-0.1	25.0	0.0	-0.5	-0.5
Items outside hedge accounting total	**36.6**	**0.0**	**-0.7**	**-0.7**	**42.3**	**0.2**	**-0.5**	**-0.3**
Interest rate derivatives total	**433.7**	**8.2**	**-5.5**	**2.7**	**192.3**	**1.4**	**-0.5**	**0.9**
Equity derivatives								
Stock call options	3.0	0.7	0.0	0.7	0.0	0.0	0.0	0.0
Stock put options	3.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Hedge accounting items total	**6.0**	**0.7**	**-0.1**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**
Equity derivatives total	**6.0**	**0.7**	**-0.1**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**
Derivatives total*		**163.7**	**-199.1**	**-35.4**		**46.1**	**-30.7**	**15.4**

* The positive/negative fair value of derivatives 31 Dec 2014 are shown as balance sheet receivables and liabilities

Ratings of derivative counterparties

EUR mill	2014	2013
Better than A	34.4	11.6
A	53.1	2.9
BBB	-16.7	0.9
BB	-	-
Unrated	-	
Total	**-35.4**	**15.5**

Derivatives in operational expenses

EUR mill		2014	2013
Jet fuel hedging	Fuel costs	15.0	3.4
Hedging of lease payments	Lease payments for aircraft	-1.2	0.3
Electricity derivatives	Other expenses	0.0	0.2
Expenses of hedge accounting items total		**13.8**	**3.9**
Jet fuel hedging	Fuel costs	3.8	0.6
Operational cash flow hedging	Other expenses	15.4	18.8
Electricity derivatives	Other expenses	0.4	0.0
Expenses of items outside hedge accounting total		**-11.3**	**-18.2**
Total		**2.6**	**-14.3**

5.9 Equity-related information

A Shareholders' equity

The nominal value of shares has been recognised in the share capital before an amendment to the Articles of Association registered on 22 March 2007. Share issue profits and the gains on sale of own shares have been recognised in other restricted funds before the change in Limited Liability Companies Act in 2006.

The subscription proceeds from the 2007 share issue less transaction costs after taxes as well as share-based payments according to IFRS 2 have been recognised in the unrestricted equity funds.

Hedging reserve and other OCI items include changes in the fair value of derivative instruments used in cash flow hedging, in addition to actuarial gains and losses related to defined benefit pension plans, fair value gains and losses of available for sale financial assets and translation differences.

The acquisition cost of repurchased own shares less transaction costs after taxes is charged to equity until the shares are cancelled or reissued. The consideration received for sale or issue of own shares is included in equity.

The dividend proposed by the Board of the Directors is not deducted from distributable equity until decided at the Annual General Meeting.

The hybrid bond is recognised in equity. It is unsecured and subordinated to all senior debt. The hybrid bond does not confer shareholder's rights, nor does it dilute the holdings of shareholders. Interest expenses are debited to retained earnings on cash basis net of tax. In the calculation of earnings per share, interest expenses of the hybrid bond are included in the earnings for the financial year. A

A = Accounting principles

Number of shares	2014	2013
Number of outstanding shares at the beginning of financial year	127,856,947	127,725,928
Purchase of own shares	0	-600 000
Shares granted from share-based bonus scheme 2010-2012	0	708,679
Shares returned from share-based bonus scheme 2010-2012	-33,864	0
Shares granted from FlyShare employee share savings plans	940	22 340
Number of outstanding shares at the end of financial year	**127,824,023**	**127,856,947**
Own shares held by parent company	312,092	279 168
Total number of shares at the end of financial year	**128,136,115**	**128,136,115**

Finnair Plc's share capital, paid in its entirety and entered in the trade register, was 75,442,904.30 euros at the end of 2013 and 2014 The share has no nominal value. During 2014 Finnair recovered 33,864 shares from share-based bonus scheme 2010–2012 participants having terminated their employment.

Group's hedging reserve and other OCI items

EUR mill.	2014	2013
Jet fuel price hedging	-142 3	11 8
Jet fuel currency hedging	35 9	-17 0
Hedging of lease payments	15.0	-1 6
Hedging of interests related to future lease payments	-2 5	0 0
The actuarial gains and losses of defined benefit plan	-15 5	-11 5
Translation differences	0 1	-0 3
Tax effect	21 9	3 7
Total	**-87.4**	**-15.0**

Maturity dates of fair values recognised in the Group's hedging reserve

EUR mill	2015	2016	2017	2018	2019	Later	Total
Jet fuel price hedging	104 2	38 1					142 3
Jet fuel currency hedging	27 7	8.1					35 9
Hedging of lease payments	8.5	6 5					15 0
Hedging of interests related to future lease payments	-2 5						2 5
The actuarial gains and losses of defined benefit plan	15 5						-15 5
Translation differences						0 1	0 1
Tax effect	17 2	4 7					21 9
Total	**-68.8**	**-18.8**				**0.1**	**-87.4**

Hybrid bond

Shareholders equity includes a 120 million euro hybrid bond issued in 2012 The hybrid bond coupon is fixed 8.875 per cent per year for the first four years and thereafter at least 11 875 per cent per year Finnair can postpone interest payment, if it does not distribute dividends or any other equity to its shareholders The bond has no maturity date, but the company has the right to redeem it four years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes A holder of hybrid bond notes has no shareholder rights

Earnings per share

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

EUR mill.	2014	2013
Result for the financial year EUR mill	-82 7	22 6
Interest of hybrid bond EUR mill	8 5	8 5
Weighted average number of shares mill pcs	127 8	128 1
Undiluted and diluted earnings per share EUR	-0 71	0 11
Effect of own shares	0 00	0 00
Result for the financial year per share EUR*	-0 65	0 18

* excluding the effect of the interest expenses of hybrid bond after taxes

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2014 The Annual General Meeting on 27 March 2014 decided that no dividend was paid for 2013 The Annual General Meeting on 27 March 2013 decided to distribute a dividend of 0 10 euros per share The total dividend was 12 7 million euros, based on the number of shares registered on 3 April 2013 The dividend was paid on 10 April 2013

Finnair Plc's distributable equity

EUR mill	31 Dec 2014
Retained earnings at the end of financial year	37 7
Unrestricted equity funds	250 5
Hedging reserve	85 2
Result for the financial year	53 8
Total	**149 2**

6 Other notes

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

6.1 Income taxes

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

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

Deferred tax assets and liabilities are set off when they are levied by same taxing authority and Finnair has legally enforceable right to set off the balances. **A**

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

Income taxes

Eur mill	2014	2013
Taxes for the financial year		
Current tax	-0 2	-0 2
Adjustments recognised for current tax of prior periods	-0 5	-0 8
Deferred taxes	17 3	-2 9
Total	**16.5**	**-3.9**

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

The table below explains the difference between theoretical tax cost calculated with Finnish nominal tax rate 20 0% (24 5%) and tax expense in the consolidated income statement.

Eur mill	2014	2013
Result before taxes	99 1	26 8
Taxes calculated using the Finnish tax rate	19 8	6 6
Effect of the tax rate change	0 0	3 7
Share of result in associates and joint ventures	-0 6	1 0
Tax-exempt income	0 5	0 4
Non-deductible expenses	2 6	0 5
Adjustments recognised for taxes of prior periods	-0 5	0 1
Income taxes, total	**16.5**	**-3 9**
Effective tax rate	16 7%	14 5%

Effective tax rate was -16 7% (14.5%) The effective tax rate of 2014 was affected by the write-down of loan receivables 10 8 million euros from Flybe Nordic Group The tax effect of -2 1 million euros is included in non-deductible expenses More information of the transaction can be found in note 1 6 Investments in associates and joint ventures and 6 2 Related party transactions

Finnish Parliament decided in December 2013 to lower corporate income tax rate from 24 5% to 20%, which caused a one-time positive effect of 3 7 million euros in the income statement for 2013 Although the tax rate change is valid from 1 of January 2014 onwards, the change effected taxes in income statement already in 2013 due to revaluation of deferred taxes Taxes for the comparison period have been restated due to a change in accounting principles related to engine maintenance (see note 6 5)

Deferred tax assets and liabilities

The Group has evaluated the nature and classification of deferred tax assets Based on the evaluation, deferred tax assets and liabilities levied by the same taxing authority meet the requirements for offset eligibility in accordance with IAS12 The deferred tax assets and liabilities are shown net on the balance sheet and comparison periods are adjusted accordingly

Changes in deferred taxes during 2014

Eur Million	2013	Recognised in the income statement	Recognised in shareholders' equity	2014
Deferred tax assets				
Confirmed losses	58.6	1.6	2.1	62.3
Employee benefits	2.2	2.1	0.8	5.1
Finance leasing	0.6	-0.6		0.0
Capitalisation of overhead expenses	1.0	-1.0		0.0
Change in accounting principles in 2014 related to engine maintenance	3.4	-3.4		0.0
Other temporary differences	2.1	0.5		2.7
Valuation of derivatives at fair value	1.3		17.4	18.7
Total deferred tax assets	**69.2**	**-0.7**	**20.3**	**88.8**
Offset against deferred tax liabilities	-69.2			55.0
Net deferred tax assets	**0.0**			**33.8**
Deferred tax assets that can be used after 12 months or more	0.6			0.6

Eur Million	2013	Recognised in the income statement	Recognised in shareholders' equity	2014
Deferred tax liabilities				
Property plant and equipment	68.4	-16.6		51.8
Finance leasing	2.8	-0.6		2.2
Other temporary differences	1.3	-0.3		1.0
Total deferred tax liabilities	**72.6**	**-17.5**		**55.0**
Offset against deferred tax assets	-69.2			-55.0
Net deferred tax liabilities	**3.4**			**0.0**
Deferred tax liabilities that are expected to realise after 12 months or more	69.6			52.8

Confirmed tax losses expire in 5–10 years at the earliest.

Distributing retained earnings of foreign subsidiaries would cause a tax effect of 0.4 million euros (0.4)

Changes in deferred taxes during 2013

Eur Million	2012	Recognised in the income statement	Recognised in shareholders' equity	2013
Deferred tax assets				
Confirmed losses	69.6	-12.4	1.5	58.6
Employee benefits	0.0	-0.6	2.7	2.2
Finance leasing	0.9	-0.3		0.6
Capitalisation of overhead expenses	1.1	0.1		1.0
Change in accounting principles in 2014 related to engine maintenance	8.3	4.9		3.4
Change in accounting principles related to heavy maintenance and engine maintenance of leased aircraft 2009/2010	1.0	1.0		0.0
Finnair Plus change in accounting principle 2009	1.5	-1.5		0.0
Other temporary differences	3.4	1.3		2.1
Valuation of derivatives at fair value	0.1		1.2	1.3
Total deferred tax assets	**85.9**	**-22.2**	**5.4**	**69.2**
Offset against deferred tax liabilities	-85.9			69.2
Net deferred tax assets	**0.0**			**0.0**
Deferred tax assets that can be used after 12 months or more	8.5			0.6

Eur Million	2012	Recognised in the income statement	Recognised in shareholders' equity	2013
Deferred tax liabilities				
Property plant and equipment	83.9	-15.5		68.4
Employee benefits	0.9	-2.4	3.3	0.0
Other temporary differences	5.6	1.5		4.1
Valuation of derivatives at fair value	3.0		3.0	0.0
Total deferred tax liabilities	**91.6**	**-19.3**	**0.3**	**72.6**
Offset against deferred tax assets	-85.9			-69.2
Net deferred tax liabilities	**5.7**			**3.4**
Deferred tax liabilities that are expected to realise after 12 months or more	88.6			69.6

6.2 Related party transactions

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

Finnish government owns 55 8% (55.8%) of Finnair's shares. All the transactions with other government owned companies are with arms length basis

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

EUR mill.	2014	2013
Sales of goods and services		
Associates	1 4	4 7
Joint ventures	59 9	60 8
Pension fund	0 1	
Purchases of goods and services		
Associates	20 8	20 3
Joint ventures	228 3	85 5
Pension fund	4 6	
Financial expenses		
Joint ventures	10 8	
Receivables		
Non-current receivables from joint ventures		9 9
Current receivables from associates	1 5	3 1
Current receivables from joint ventures	7 3	32 9
Liabilities		
Non-current liabilities to joint ventures	8 2	9 7
Non-current liabilities to pension fund	25 3	10 5
Current liabilities to associates	4 7	3 5
Current liabilities to joint ventures	3 4	
Contingent liabilities		
Guarantees on behalf of joint ventures	2 0	2 0

Transactions with related parties are with arms length, and are with similar terms than transactions carried out with independent parties Management remuneration is presented in note 3 8 Management has not been granted any loans and there has not been any other transactions with management. For 2014, Finnair has recognised the write-downs of 10.8 million euros (subordinated loan and interest) and 11.3 million euros (advance payments and other operational receivables) regarding to joint venture Flybe Nordic Group

Finnair pension fund

The Finnair pension fund in Finland is a stand-alone legal entity which mainly provides additional pension coverage to Finnair's personnel in the form of defined benefit plan, and manages related pension assets The assets include Finnair's shares representing 0 1% (0 1%) of the company's outstanding shares Real estate and premises owned by the pension fund have been mainly leased to Finnair In 2014 and 2013 Finnair didn t pay any contributions to the fund. Pension obligation was 25.3 million euros (10.5) at the end of the financial year

6 3 Disputes and litigation

Finnair reports only cases of which the interest is 400,000 euros or more and that are not insured On 31 December 2014 there were no such disputes pending

6.4 Events after the closing date

At the beginning of 2015 Finnair signed a letter of intent with StaffPoint and Oy G W Sohlberg Ab (GWS), according to which Flybe UK Ltd's 60% ownership would be transferred to StaffPoint and GWS Finnish Competition and consumer authority approved the transaction in January 2015 See more information in note 1 6 Investments in associates and joint ventures

6.5 Change in accounting principles

Finnair has changed the accounting principle for its aircraft engine overhauls From the beginning of 2014, Finnair capitalises engine overhauls related to performance restoration and life limited parts to its balance sheet and depreciates related costs during the engines' maintenance periods Previously overhauls were expensed when they occured

The change reduces the volatility of engine overhaul costs, which improves the accuracy of forecasting future profitability and improves comparability over of periods It also improves comparability with other airlines, because, based on the study conducted by International Air Traffic Association IATA, the amended practice corresponds to the current industry practice The change in the accounting principle affects the Airline Business segment

In addition, the group has made an evaluation on the nature and classification of its deferred tax assets and liabilities, and concluded that they meet the criteria for netting according to IAS 12, up to the amount that they relate to income taxes levied by the same taxation authority The deferred tax assets and liabilities have been netted and comparative periods have been adjusted accordingly More information on netting of deferred taxes can be found in note 6 1 Income taxes

Effect of restatement on 2013 consolidated income statement

in mill EUR	Reported	Adjustment	Restated
Fleet materials and overhaul	-161 2	35 3	125 8
Depreciation	-122 1	18 6	140 7
Operational result	**-4.8**	**16 7**	**11.9**
Income taxes	1 0	-4 9	3 9
Result for the period	**11.0**	**11 9**	**22 9**

Effect of the restatement on the 2013 opening and closing date balance sheet

	1 1 2013			31 12 2013		
in mill EUR	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Tangible assets	1 362 6	33 9	1 328 7	1 309 8	-17 2	1 292 6
Deferred tax asset	77 6	77 6	0 0	65 8	65 8	0 0
Effect on assets		**-111.5**			**-83 0**	
Equity	775 3	25 6	749 7	691 8	13 8	678 0
Deferred tax liability	91 6	-85 9	5 7	72 6	69 2	3 4
Effect on equity and liabilities		**-111.5**			**-83 0**	

7 Parent company financial statements

Finnair Plc income statement

EUR mill	Note	2014	2013
Revenue	2	**1,972 7**	**2,012 7**
Other operating income	3	44 5	37 6
Operating income total		**2,017 1**	**2,050 3**
Materials and services	4	1 107 6	1 125 9
Staff costs	5	261 7	272 9
Depreciation	6	5 3	8 1
Other operating expenses	7	809 1	718 4
Operating expenses total		**2,183 7**	**2,125 3**
Operating result		**-166 6**	**-75 0**
Financial income and expenses	8	-32 1	30 2
Result before extraordinary items		**-198 7**	**-44 8**
Extraordinary items	9	136 0	103 6
Result before appropriations and taxes		**-62 7**	**58 8**
Appropriations	10	0 2	0 2
Income taxes	11	8 7	21 3
Result for the financial year		**-53 8**	**37 7**

Finnair Plc balance sheet

EUR mill	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets	12	12 7	12 0
Tangible assets	13	41 2	39 7
Investments	14		
Shares in group companies		449 1	449 1
Shares in associates and joint ventures		4 7	15 4
Other investments		0 4	0 4
Loan and other receivables	15	12 0	24 7
Deferred tax assets	16	73 2	44 2
Non-current assets total		**593.2**	**585 5**
Current assets			
Current receivables	17	741 7	915 0
Marketable securities	18	332 8	335 5
Cash and bank equivalents	19	88 7	118 2
Current assets total		**1,163 1**	**1,368 7**
Assets total		**1,756 3**	**1,954 1**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		75 4	75 4
Share premium account		24 7	24 7
Legal reserve		147 7	147 7
Hedging reserve		-85 2	4 2
Unrestricted equity funds		250 5	250 5
Retained earnings		37 7	0 0
Result for the financial year		53 8	37 7
Equity total		**397 1**	**531 9**
Accumulated appropriations	21	8 9	9 1
Provisions	22	87 2	94 0
Liabilities			
Non current liabilities	23	304 9	322 3
Current liabilities	24	958 3	996 8
Liabilities total		**1,263 2**	**1,319 1**
Equity and liabilities total		**1,756 3**	**1,954 1**

Finnair Plc cash flow statement

EUR mill	2014	2013
Cash flow from operating activities		
Result before extraordinary items	198 7	44 8
Depreciation	5 3	8 1
Other non cash transactions	42 2	39 7
Financial income and expenses	32 1	30 2
Changes in working capital	21 1	18 9
Interest and other financial expenses paid	23 5	-26 6
Received interest and other financial income	16 6	12 0
Cash flow from operating activities	**-147 2**	**-140 0**
Cash flow from investing activities		
Investments in intangible and tangible assets	7 5	3 6
Other investments	0 3	0 0
Proceeds from sales of other investments	0 0	54 1
Dividends received	0 0	5 1
Change in long term receivables	53 2	26 4
Cash flow from investing activities	**46 0**	**82 0**
Cash flow from financing activities		
Proceeds from loans	0 0	150 0
Loan repayments and changes	34 6	71 1
Hybrid bond repayments	0 0	52 4
Received group contributions	103 6	74 8
Purchase of own shares	0 0	1 7
Dividends paid	0 0	-12 7
Cash flow from financing activities	**69 0**	**87 0**
Change in cash flows	**-32 2**	**28 9**
Change in liquid funds		
Liquid funds at beginning	453 6	424 7
Change in cash flows	32 2	28 9
Liquid funds, at end	**421 5**	**453 6**

Notes to Finnair Plc financial statements

1 Accounting principles

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

Foreign currency items

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

Derivative contracts

According to its risk management policy, Finnair uses foreign exchange, interest rate and commodity derivatives to reduce the risks which arise from the company s currency denominated purchase contracts, forecasted purchases and sales as well as future jet fuel purchases Derivative contracts are valued using the rates on the balance sheet date according to Accounting Act 5 2 a § The accounting principles related to derivative contracts and hedge accounting are described more specifically in Group's accounting principles in the section 5 8 Derivatives

Financial assets and liabilities

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

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

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

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

Fixed assets and depreciation

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

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

Research and development costs

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

Leasing

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

Extraordinary items

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

Appropriations

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

Income taxes

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

Pension schemes

The mandatory pension cover of the company s domestic employees has primarily been arranged through a Finnish pension insurance company and other additional pension covers through the Finnair pension fund or a Finnish pension insurance company Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage The Finnair pension funds pension obligation is fully covered with respect to additional coverage Pension fund obligations are presented in the note 25 Collateral contingent liabilities and other commitments

Provisions

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

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

2 Revenue and operating profit by business area

EUR mill	2014	2013
Revenue by division		
Airline Business	1,972 7	2 012 7

Distribution of revenue by market areas based on flight routes % of revenue		
Finland	18%	17%
Europe	39%	38%
Other countries	43%	45%
Total	**100%**	**100%**

Operating profit by business area		
Airline Business	166 6	75 0

3 Other operating income

EUR mill	2014	2013
Rental income	35 7	28 5
Other income	8 8	9 1
Total	**44 5**	**37 6**

4 Materials and services

EUR mill	2014	2013
Ground handling and catering expenses	182 7	179 3
Fuel costs	643 0	667 4
Aircraft materials and overhaul	190 8	183 5
IT expenses	46 0	48 0
Other items	45 0	47 7
Total	**1,107 6**	**1,125 9**

5 Staff costs

EUR mill	2014	2013
Wages and salaries	213 7	220 0
Pension expenses	35 6	36 4
Other social expenses	12 5	16 5
Total	**261.7**	**272 9**

Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Executive Officer and his deputy	1 0	0 9
Board of Directors	0 4	0 4

Personnel on average		
Airline Business	3 396	3 436
Other functions	157	139
Total	**3,554**	**3,575**

6 Depreciation

EUR mill	2014	2013
On other long term expenditure	3 5	5 4
On buildings	0 9	0 8
On other equipment	0 9	1 8
Total	**5 3**	**8 1**

7 Other operating expenses

EUR mill	2014	2013
Lease payments for aircraft	240 0	238 9
Other rents for aircraft capacity	96 7	93 0
Office and other rents	33 6	30 3
Traffic charges	225 3	218 3
Sales and marketing expenses	54 5	59 5
Other expenses	159 0	78 4
Total	**809 1**	**718 4**

8 Financial income and expenses

EUR mill	2014	2013
Dividend income		
From group companies	0 0	4 0
From other companies	0 0	1 1
Total	**0 0**	**5 1**
Interest income		
From group companies	9 9	10 6
From associates and joint ventures	0 0	0 6
From other companies	2 0	2 0
Total	**12 0**	**13 3**
Other financial income		
From group companies	0 0	8 4
From other companies	0 0	1 1
Total	**0 0**	**9 4**
Gains on disposal of shares	0 00	35 2
Interest expenses		
To group companies	-1 3	1 6
To other companies	19 4	20 1
Total	**-20 7**	**-21 6**
Other financial expenses		
To group companies	0 0	6 1
To other companies	23 1	2 9
Total	**-23 1**	**-9 0**
Exchange gains and losses	0 2	2 2
Financial income and expenses total	**-32 1**	**30 2**

Other financial expenses to other companies include write down of subordinated loan receivables and interests (10 8) from and investment (10 7) in joint venture Flybe Nordic -Group

9 Extraordinary items

EUR mill	2014	2013
Received group contribution	136 0	103 6

10 Appropriations

EUR mill	2014	2013
Change in depreciation difference	0 2	0 2

11 Income taxes

EUR mill	2014	2013
Income taxes on regular business operations	16 9	-15 5
Income taxes on extraordinary items	27 2	25 4
Change in deferred taxes	19 0	11 5
Total	**-8 7**	**21 3**

12 Intangible assets

EUR mill	2014	2013
Other long-term expenditure		
Acquisition cost 1 January	42 6	39 1
Additions	4 1	0 4
Effect of the merger	0 0	5 0
Disposals	-0 3	1 8
Acquisition cost 31 December	**46 5**	**42 6**
Accumulated depreciation 1 January	30 6	25 9
Accumulated planned depreciation of disposals	0 2	1 8
Effect of the merger	0 0	1 1
Depreciation	3 5	5 4
Accumulated depreciation 31 December	**-33 9**	**-30 6**
Book value 31 December	**12 7**	**12 0**

13 Tangible assets

Tangible assets 2014

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 January 2014	0.7	51.0	8.3	4.1	64.1
Additions			1.0	2.3	3.3
Disposals			-1.0		1.0
Acquisition cost 31 December 2014	**0.7**	**51.0**	**8.3**	**6.5**	**66.5**
Accumulated depreciation 1 January 2014	0.0	19.3	5.2	0.0	24.5
Disposals			0.8		0.8
Depreciation for the financial year		-0.9	-0.8		-1.7
Accumulated depreciation 31 December 2014	**0.0**	**-20.2**	**-5.2**	**0.0**	**-25.3**
Book value 31 December 2014	**0.7**	**30.8**	**3.2**	**6.5**	**41.2**
The share of machines and equipment in the book value of tangible assets 31 December 2014			2.8		

Tangible assets 2013

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

14 Investments

EUR mill	2014	2013
Group companies		
Acquisition cost 1 January	449.1	489.7
Effect of the merger		-40.6
Book value 31 December	**449.1**	**449.1**
Associates and joint ventures		
Acquisition cost 1 January	15.4	13.1
Effect of the merger		2.2
Revaluation of shares	10.7	
Book value 31 December	**4.7**	**15.4**
Shares in other companies		
Acquisition cost 1 January	0.4	0.7
Disposals	0.0	0.4
Book value 31 December	**0.4**	**0.4**

Associates and joint ventures	Share of parent company %
Suomen Ilmailuopisto Oy Finland	49.5
Flybe Nordic, Sweden	40.0
Kiinteistö Oyj Lentäjäntie 1 Finland	28.3

Group companies	Share of parent company %		Share of parent company %
Finnair Cargo Oy Finland	100.0	Kiinteistö Oy LEKO 8 Finland	100.0
Finnair Aircraft Finance Oy Finland	100.0	IC Finnair Ltd Great Britain**	100.0
Northport Oy Finland	100.0	A/S Aero Airlines, Estonia	100.0
Finnair Technical Services Oy Finland	100.0	Amadeus Finland Oy Finland	95.0
Finnair Engine Services Oy Finland	100.0	Oy Aurinkomatkat - Suntours Ltd Ab Finland	100.0
Finnair Flight Academy Oy Finland	100.0	SMT Oy, Finland	100.0
Finnair Travel Retail Oy Finland	100.0	Norvista Travel Ltd, Canada	100.0
LSG Sky Chefs Finland Oy Finland*	100.0	FTS Financial Services Oy Finland	100.0
Kiinteistö Oy Air Cargo Center 1 Finland	100.0	Backoffice Services Estonia Oü Estonia	100.0

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

** IC Finnair Ltd is a fully owned captive insurance company in Guernsey whose earnings are subject to normal taxation in Finland

Finnair Cargo Terminal Operations Oy was merged to Finnair Cargo Oy on 31 March 2014

Finland Travel Bureau Oy was merged to SMT Oy on 30 September 2014

15 Non-current loan and other receivables

EUR mill	2014	2013
From group companies	11 6	14 5
From associates and joint ventures	0 0	9 9
From other companies	0 4	0 2
Total	**12.0**	**24.7**

16 Deferred tax assets

EUR mill	2014	2013
Deferred tax assets 1 January	44 2	66 2
From result for the financial year	-10 3	9 8
From temporary differences	19 0	-13 1
From valuation of derivatives at fair value	20 2	1 1
Deferred tax assets 31 December	**73 2**	**44.2**

17 Current receivables

EUR mill.	2014	2013
Short-term receivables from group companies		
Trade receivables	43 5	33 7
Accrued income and prepaid expenses	140 0	106 2
Other receivables	329 3	379 9
Total	**512.8**	**519.8**
Short-term receivables from associates and joint ventures		
Trade receivables	4 2	0 0
Accrued income and prepaid expenses	0 0	206 6
Total	**4.2**	**206.6**
Short-term receivables from others		
Trade receivables	91 4	109 1
Prepaid expenses	105 7	69 1
Other receivables	27 5	10 3
Total	**224.6**	**188.5**
Short-term receivables total	**741.7**	**915.0**

18 Investments

EUR mill	2014	2013
Short-term investments at fair value	332 8	335 5

19 Cash and bank equivalents

EUR mill	2014	2013
Funds in group bank accounts and deposits maturing in three months	88 7	118 2

20 Shareholders' equity

EUR mill	Share capital	Share premium account	Legal reserve	Hedging reserve	Unrestricted equity funds	Retained earnings	Equity total
Equity 1 Jan 2014	**75 4**	**24.7**	**147.7**	**-4 2**	**250 5**	**37 7**	**531.9**
Change in fair value of hedging instruments				-80 9			
Share based payments					-0 1		
Result for the financial year						-53 8	
Equity 31 Dec 2014	**75 4**	**24.7**	**147 7**	**-85 2**	**250.5**	**-16 1**	**397 1**

EUR mill	Share capital	Share premium account	Legal reserve	Hedging reserve	Unrestricted equity funds	Retained earnings	Equity total
Equity 1 Jan 2013	**75 4**	**24.7**	**147 7**	**9 3**	**250 4**	**12 7**	**520 3**
Change in fair value of hedging instruments				13 6			13 6
Purchase of own shares					-1 7		1 7
Share based payments					1 9		1 9
Dividend						-12 7	12 7
Result for the financial year						37 7	37 7
Equity 31 Dec 2013	**75 4**	**24.7**	**147 7**	**-4.2**	**250 5**	**37 7**	**531.9**

Distributable equity

EUR mill	2014	2013
Hedging reserve	-85 2	4 2
Unrestricted equity funds	250 5	250 5
Retained earnings	37 7	0 0
Result for the financial year	-53 8	37 7
Total	**149 2**	**284 0**

21 Accumulated appropriations

EUR mill	2014	2013
Accumulated depreciation difference 1 January	9 1	0 0
Effect of the merger	0 0	9 3
Change in depreciation difference	0 2	0 2
Accumulated depreciation difference 31 December	**8 9**	**9 1**

22 Provisions

EUR mill	2014	2013
Provisions 1 January	94 0	109 7
Provision for the period	31 4	21 9
Provision used	47 2	-33 1
Exchange rate differences	8 8	4 5
Provisions 31 December	**87 2**	**94 0**
Of which non current	53 2	69 3
Of which current	33 9	24 8
Total	**87 2**	**94 0**

Non current aircraft maintenance provisions are expected to be used by 2020

23 Non-current liabilities

EUR mill	2014	2013
Loans from group companies	1 0	1 0
Loans from financial institutions	23 8	48 2
Bonds	155 8	151 2
Hybrid loan	120 0	120 0
Other liabilities	4 3	1 8
Total	**304 9**	**322 3**
Maturity of interest bearing liabilities		
2015	24 5	
2016	23 8	
2017	0 0	
2018	150 0	
2019	0 0	
2020 and later	120 0	
Total	**318 3**	

24 Current liabilities

EUR mill	2014	2013
Current liabilities to group companies		
Trade payables	42 8	25 7
Accruals and deferred income	15 8	24 5
Other liabilities	133 1	138 9
Total	**191 7**	**189 1**
Current liabilities to associates and joint ventures		
Trade payables	0 3	0 0
Accruals and deferred income	3 1	164 3
Total	**3 4**	**164 3**
Current liabilities to others		
Loans from financial institutions	24 5	10 5
Commercial papers	28 0	44 5
Trade payables	49 1	52 8
Accruals and deferred income	648 2	514 2
Other liabilities	13 3	21 5
Total	**763 1**	**643 4**
Current liabilities total	**958 3**	**996 8**
Accruals and deferred income		
Unflown air transport revenues	252 3	255 6
Jet fuels and traffic charges	63 9	248 9
Holiday payments	50 7	52 3
Loyalty program Finnair Plus	29 6	32 2
Derivatives	193 7	23 9
Other items	76 8	90 1
Total	**667 1**	**703 0**

25 Collateral, contingent liabilities and other commitments

EUR mill	2014	2013
Guarantees and contingent liabilities		
On behalf of group companies	253 9	571 3
On behalf of associates	2 0	2 0
On others companies	0 2	0 3
Total	**256 1**	**573 5**
Aircraft lease payments		
Within one year	227 7	223 6
After one year and not later than 5 years	1 047 6	658 3
Later than 5 years	259 1	139 9
Total	**1,534 4**	**1,021 7**

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

EUR mill	2014	2013
Other lease payments		
Within one year	27 8	27 5
After one year and not later than 5 years	83 9	80 9
Later than 5 years	141 8	140 0
Total	**253 5**	**248 4**
Pension obligations		
Total obligation of pension fund	328 8	317 8
Mandatory portion covered		
Non mandatory benefit covered	328 8	317 8
Uncovered obligation of pension fund	0 0	0 0
Obligation for pensions paid directly by the company	0 0	0 0
Total	**0 0**	**0 0**

26 Derivatives

	31 Dec 2014		31 Dec 2013	
EUR mill	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Currency derivatives				
Jet fuel currency hedging	385 4	35 9	370 5	17 0
Hedge accounting items total	**385 4**	**35 9**	**370 5**	**-17 0**
Operational cash flow hedging forward contracts	370 4	29 5	407 9	2 4
Operational cash flow hedging call options	110 2	7 1	149 8	16 1
Operational cash flow hedging put options	178 0	-3 0	169 5	0 8
Items outside hedge accounting total	**658.5**	**33 6**	**727 2**	**17 7**
Currency derivatives total	**1,043 9**	**69 5**	**1,097 7**	**0 7**
Commodity derivatives				
Jet fuel forward contracts tonnes	534 700	142 3	563 550	11 8
Electricity derivatives MWh	30 220	0 0	17 568	0 0
Hedge accounting items total		**-142 3**		**11 8**
Jet fuel forward contracts tonnes	33 500	8 6	18 000	0 8
Jet fuel call options tonnes	162 500	0 1	201 000	3 4
Jet fuel put options tonnes	171 500	-39 3	201 000	1 1
Electricity derivatives MWh	46 904	0 3	71 100	-0 5
Items outside hedge accounting total		**-48 1**		**2 6**
Commodity derivatives total		**-190 4**		**14 4**
Interest rate derivatives				
Interest rate swaps	150 0	5 8	150 0	1 2
Hedge accounting items total	**150 0**	**5 8**	**150 0**	**1 2**
Interest rate swaps	25 0	-0 1	25 0	0 5
Items outside hedge accounting total	**25 0**	**-0 1**	**25 0**	**-0 5**
Interest rate derivatives total	**175 0**	**5 8**	**175 0**	**0 7**
Equity derivatives				
Stock call options	3 0	0 7		
Stock put options	3 0	0 1		
Hedge accounting items total	**6 0**	**0 6**	**0 0**	**0 0**
Equity derivatives total	**6 0**	**0 6**	**0 0**	**0 0**
Derivatives total		**-114 5**		**15 8**

Calculation of key indicators

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

Non-recurring items
Capital gains and losses as well as items related to the restructuring and other non-recurring items

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

Shareholders' equity:
Equity attributable to owners of the parent

Gross capital expenditure
Investments in intangible and tangible assets excluding advance payments

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

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

Earnings per share:

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

Equity/share

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

Dividend/earnings, %.

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

Dividend yield, %

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

Cash flow from operating activities/share.

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

Price/earnings ratio (P/E)

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

Equity ratio, %:

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

Gearing, %:

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

Adjusted gearing, %:

$$\frac{\text{Interest bearing net debt + 7 x lease payments for aircraft}}{\text{Shareholders equity + non-controlling interests}} \times 100$$

Return on equity (ROE), %:

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

Return on capital employed (ROCE), %:

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

Available seat kilometres (ASK)
Total number of seats available x kilometres flown

Revenue passenger kilometres (RPK)
Number of revenue passengers x kilometres flown

Passenger load factor, %:
Share of revenue passenger kilometres of available seat kilometres

Available tonne kilometres (ATK)
Number of tonnes of capacity for carriage of passengers, cargo and mail x kilometres flown

Revenue tonne kilometres (RTK).
Total revenue load consisting of passengers cargo and mail x kilometres flown

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

Revenue per available seat kilometre (RASK)

$$\frac{\text{Airline revenue + cargo space charge + operational result of belly cargo operations}}{\text{Available seat kilometres}}$$

Cost per available seat kilometre (CASK)

$$\frac{\text{Airline costs - other income of flight operations operational result of airline support services}}{\text{Available seat kilometres}}$$

Cost per available seat kilometre excluding fuel, CASK excl fuel

$$\frac{\text{Airline costs - other income of flight operations - operational result of airline support services - fuel costs}}{\text{Available seat kilometres}}$$

Board of Directors' proposal on the dividend

Finnair Plc's distributable equity according to the financial statements on 31 December 2014 amounts to 149,223,743.79 euros

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid and the result for the financial year be retained in the unrestricted equity

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

Helsinki, 10th February 2015

The Board of Directors of Finnair Plc

Klaus Heinemann	Harri Kerminen	
Maija-Liisa Friman	Jussi Itävuori	Gunvor Kronman
Jaana Tuominen	Nigel Turner	

Pekka Vauramo
President & CEO of Finnair Plc

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Finnair Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnair Oyj for the year ended 31 December, 2014. 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 and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 10 February, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

List of accounting books and voucher types

Balance sheet book	paper documents	
Journal and general ledger	electronic archive	
Accounts receivable and payable	electronic archive	
Bank receipts	paper documents and electronic archive	voucher types 42 43 68 69 70 and YI
Sales invoices	paper documents and electronic archive	voucher types 30 31 40 41 XV XW YJ and YW
Flight coupon vouchers	electronic archive	voucher types SC SE SF SH SI SJ SM SN SO SR SS and ST
Purchase invoices	paper documents and electronic archive	voucher types 63 64 66 67 YA YM YN YP YT YU and YX
Payroll receipts	paper documents and electronic archive	voucher types XQ and YV
Travel and expense invoices	electronic archive	voucher type YQ
Treasury vouchers	paper documents and electronic archive	voucher types XK and XM
Fixed assets vouchers	paper documents and electronic archive	voucher types AA and AF
Finnair Plus vouchers	electronic archive	voucher type XY
Memo vouchers	paper documents and electronic archive	voucher types 10 11 13 14 16 17 18 19 20 23 24 XX and YY
Clearing vouchers	electronic archive	voucher types 22 and SU

Financial indicators

EC1

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

EUR million	2014	2013	2012	2011
Direct economic value				
Consolidated turnover	2 284 5	2 400 3	2 449 4	2 257 7
Other operating income	18 3	18 8	20 8	13 9
Financial income*	3 5	42 6	7 9	9 0
Total	**2,306 3**	**2,461 7**	**2,478 1**	**2,280 6**
Distributed economic value				
Cash paid outside the company, materials and services other operating expenses	1 905 4	1 861 6	1 839 8	1 748 6
Payments to personnel**	344 3	408 0	420 3	447 9
Payments made to shareholders and loan providers				
Dividend***	0	12 8	0	0
Interest and other financial expenses****	26 9	19 7	25 5	30 6
Payments to government *****	7 6	10 8	7 7	8 5
Donations and other charitable payments	n/a	n/a	n/a	n/a
Distributed, total	**2,284 3**	**2,312 9**	**2,293 3**	**2,235 6**
Economic value retained for operational development	**22 0**	**148 8**	**184 8**	**45 0**
Investments in tangible and intangible assets as well as acquisitions of subsidiaries	82 4	77 3	41 4	158 6
Operational result	36 5	11 9	43 2	-60 9
Return on capital employed (ROCE) %	6 5	3 6	2 8	-5 2

Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls

- * Includes EUR 34 million capital gain from the sale of Norwegian Air Shuttle ASA s shares in 2013
- ** Payments to personnel include wages and salaries and paid contributions related to pension plans More information on payments to personnel is available in Finnair s 2014 Remuneration Statement on pages 141-147
- *** The Board of Directors proposes to the Annual General Meeting 2015 that no dividend be paid for 2014
- **** Includes write down of the subordinated loan issued to Flybe Finland and interest to the loan in total EUR 10 8 million
- ***** Includes paid income taxes social security payments and taxes on property

Taxes and charges comparable to taxes paid by Finnair have been discussed also on page 120 in Finnair s Tax Footprint Report for 2014

EC2

Financial implications and other risks and opportunities for the organisation's activities due to climate change

In combating climate change, the main measures are directed at reducing the combustion of fossil fuels The jet fuel used by Finnair is fossil fuel and fuel costs are Finnair's single most significant cost item Therefore, all the factors influencing the price of jet fuel similarly influence Finnair's operating costs

The need to reduce fuel consumption and the resultant carbon dioxide emissions has a significant impact on the company's business operations Finnair s long-term emission reduction target was updated in 2014 and is to reduce its CO2 emissions by 20 per cent per one hundred tonne kilometres flown from the 2009 level by 2017

In order to reduce its fuel consumption, Finnair follows a strategy comprised of four elements technological development, improvement of operational efficiency, development of infrastructure and support of a global market-based measure to offset CO_2 emissions Finnair operates a modern fleet and invests from 2015 onward in fuel-efficient next-generation aircraft to maintain its competitive advantage

For several years now Finnair has voiced its support for a global market-based measure for offsetting greenhouse gas emissions that would complement the industry's technological, operational and infrastructural efforts to reduce emissions In 2014, Finnair participated in European Union's Emissions Trading Scheme (EU-ETS), which concerned only Intra-European flights The direct costs incurred by Finnair from emissions trading totaled approximately EUR 2 6 million in 2014 The direct costs of emissions trading in the coming years are difficult to estimate due to potential changes to the current ETS model

Finnair is a leading airline in carbon dioxide emissions reporting and reducing emissions The risks, opportunities, financial effects and management methods related to climate change are described in detail in Finnair's responses to the Carbon Disclosure Project (CDP) report In 2014, the Carbon Disclosure Project (CDP) awarded Finnair a position on its environmental "A List The CDP Climate Performance Leadership Index 2014," for actions to reduce carbon emissions and mitigate the business risks of climate change The CDP is the world's only global environmental disclosure system and represents 767 international investors from around the world Finnair has participated in the CDP since 2007

Finnair achieved IATA Environmental Assessment (IEnvA) Program Stage 2 certification in January as one of only two global carriers, the other being South African Airways, in January 2015 IEnvA is an environmental management system designed to independently assess and improve an airline's environmental management

EC3

Coverage of the organisation's defined benefit plan obligations

All Finnair employees are covered by pension security in accordance with the Employee Pensions Act (TyEL) Pension contributions amount to 16 1 per cent of salaries and 12 6 per cent of total personnel expenses in 2014 In addition, some employees are covered by an additional pension fund benefit and management by an additional benefit in accordance with their contracts Of group personnel, around 42 6 per cent are covered by the additional pension fund benefit Finnair's pension liability (Finnish Accounting Standards) in respect of its own pension fund was EUR 344 6 million at the end of 2014 Pension liabilities are covered in full

EC4

Significant financial assistance received from government

The Finnish Government does not support Finnair's operations financially The Finnair Aviation College constitutes an exception The Finnair Aviation College, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998)

The Finnair Aviation College's task is to arrange further vocational training leading to a vocational or special vocational qualification as well as other further vocational training required for the practice of Finnair Plc's and its subsidiaries' operations (Further Vocational Training Arrangement Permit 551/530/2006, 13 December 2006) As a privately-owned educational establishment, the Finnair Aviation College funds its operations in accordance with government aid practices In 2014, the Finnair Aviation College received a total of approximately EUR 1 6 million

EC6

Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

The key objective of procurement at Finnair is to secure competitiveness, customer experience, operational excellence and compliance with laws and regulations The majority of Finnair purchases are determined by the Finnair flight network and related geographical scope of relevant service and goods suppliers A considerable part of the services Finnair requires for flight operations are sourced locally because of the nature of the operations At the group level, Finnair monitors and collects spend data on purchases from all suppliers and from all regions Finnair supplier qualification principles include, both locally and globally, compliance with air operation laws and regulations, conformance to Finnair quality requirements, price competitiveness and general reliability and responsibility of a supplier toward the environment, employees and the local community Many of the group's procurement categories are officially regulated, in which case possible suppliers must be approved by the authorities For example, all purchases relating to flight safety are of this type

The company wide Supplier Code of Conduct defines the overall policy on sustainability and ethics of Finnair procurement activities

Finnair's largest single procurement item is jet fuel, which is also the most significant operational expense item In jet fuel procurement, Finnair gives significant weight on financial factors and reliability of supply The jet fuel is typically procured locally on each flight destination from some 55 different suppliers

Finnair Group's subsidiary, package tour organiser Aurinkomatkat-Suntours Ltd uses small and medium-sized hotels, which are, as a rule, locally owned, in its program in addition to hotels belonging to international hotel chains For example, in Aurinkomatkat's biggest summer destination country, Greece, around 80 per cent of the hotels used by Aurinkomatkat in summer 2014 were in local ownership

In addition, Aurinkomatkat has a local representative at each of its destinations, from whom the company purchases, among other things, ground transfers, tour arrangements and other operational services Finnair's business travel agency SMT is specialised in business travel and also uses local agents when preparing travel programs and making group bookings

EC9

Understanding and describing significant indirect economic impacts, including the extent of impacts

Aviation is a significant industry for Finnish society and the national economy The accessibility created by airline traffic is a necessity for Finland's global competitiveness and its economic impact is considerable, aviation is estimated to account for up to 4 per cent of GDP, employment and tax revenue * According to an analysis conducted in autumn 2014 by ETLA, the Research Institute of the Finnish Economy, Finnair is the 10th most significant company for the Finnish economy ** The impacts of aviation globally on employment, GDP and environment, for example, are discussed further in IATA's report "Aviation Benefits Beyond Boarders" that was published in April 2014 *** Finnair's effective Asian strategy is a key element of the GDP contribution of aviation in Finland

Further information is available at

- * Oxford Economics "Economic Benefits from Air Transport in Finland" http //www iata org/policy/Documents/Benefits-of Aviation Finland 2011 pdf
- ** ETLA Brief 28 http //pub etla fi/ETLA Muistio Brief 28 pdf
- *** http//aviationbenefits org/media/26786/ATAG_AviationBenefits2014_FULL_LowRes pdf

Tax footprint

Finnair's principle is to pay the indirect and direct taxes it is subject to in each country according to local regulations. The aim of tax planning is to support business decisions and to ensure their appropriate implementation, also from the perspective of taxation. Finnair's international business operations are mainly related to the sales of flight tickets and cargo through Finnair Plc's foreign sales units, as well as local sales promotion activities. Rather than separate legal entities, the sales units are the parent company's permanent establishments, and their income is taxed pursuant to the regulations and tax agreements pertaining to the international airline business as part of the parent company's taxable income in Finland. The operations of Finnair's foreign subsidiaries are primarily related to travel services, and they are very minor in scale relative to the Group's business operations as a whole. Finnair also has a subsidiary for reinsurance operations registered in the Guernsey islands for business reasons, the result of which is subject to taxation in Finland pursuant to the Finnish Act on the Taxation of Shareholders in Controlled Foreign Corporate Entities.

As Finnair's taxable operations in individual countries outside of Finland are minor in scale, the tax footprint presents Finland separately and all other countries together.

Finnair's operations in Finland and in other countries	2014 Finland*	2014 Other countries	2014 Total	2013 Finland*	2013 Other countries	2013 Total
Turnover, EUR million	2,269.9	14.5	2 284.5	2 383.1	17.2	2 400.3
Result before taxes, EUR million	-100.4	1.4	-99.1	25.6	1.1	26.8
Number of personnel	4 496	676	5 172	5 149	710	5 859

* The taxable income in Finland includes the result of the reinsurance company registered in Guernsey totalling EUR 0 million (0.8).

Direct taxes borne, EUR million	Finland*	Other countries	Total	Finland*	Other countries	Total
Employer contributions	5.7	1.0	6.8	6.0	1.1	7.1
Property taxes	0.6	0.0	0.6	0.6	0.0	0.6
Other taxes	1.7	0.0	1.7	2.3	0.0	2.3
Public subsidies received	-1.7	0.0	-1.7	-2.3	0.0	-2.3
Direct taxes and subsidies included in operating expenses total	**6.4**	**1.0**	**7.4**	**6.7**	**1.1**	**7.8**
*Income taxes borne**	0.0	0.2	0.2	2.8	0.2	3.1
Total direct taxes payable	**6.4**	**1.3**	**7.6**	**9.5**	**1.3**	**10.9**

*Income taxes borne are tax expenses payable based on the result for the financial year and taxes payable for previous periods. In 2013 the positive result of Finland did not cause any tax payments as Finnair utilized confirmed tax losses from previous periods and income taxes only include payments related to previous periods.

Other taxes primarily include taxes on insurance payments and electricity taxes. Due to the nature of the international airline business, jet fuel is tax-free.

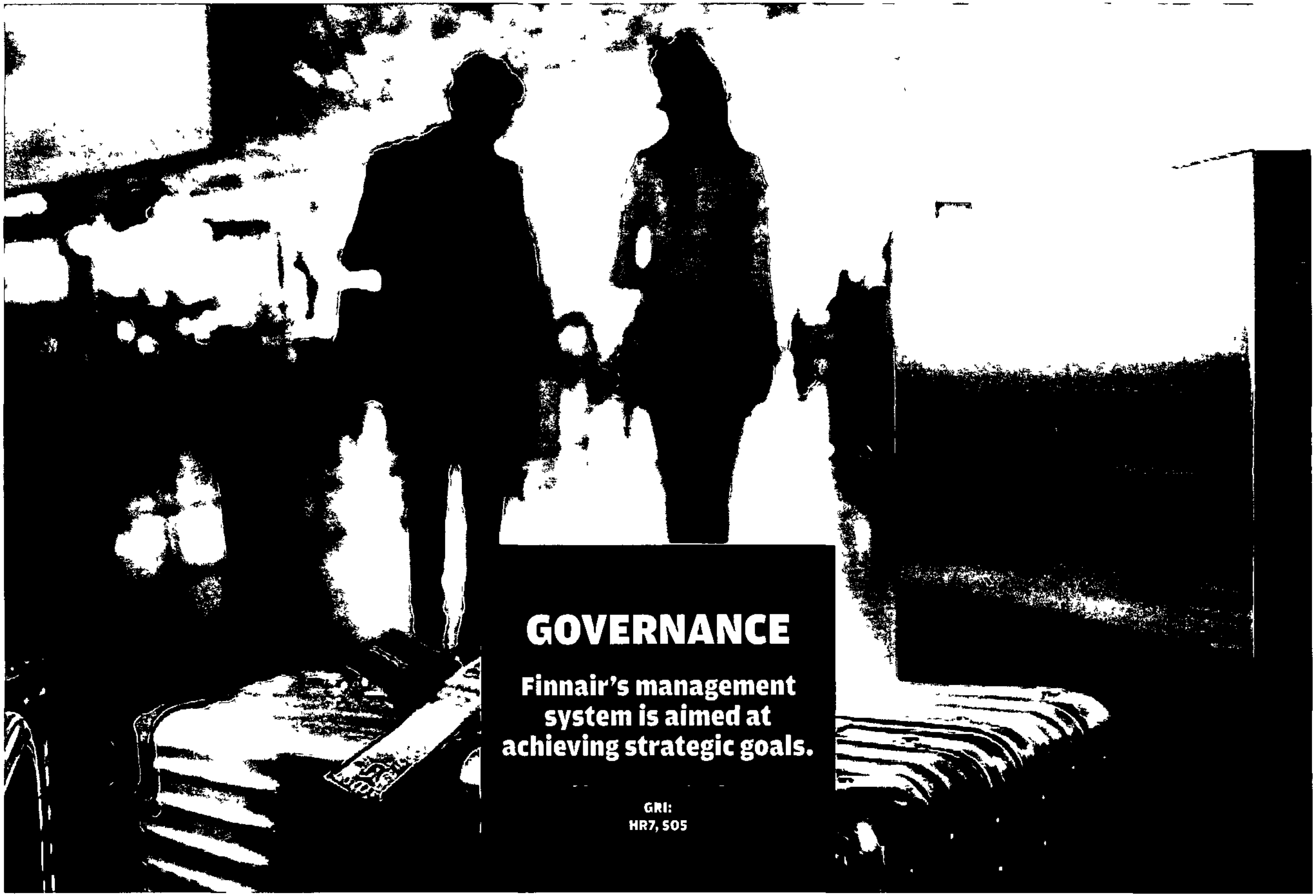
Public subsidies consist of education subsidies received by Finnair, and they are primarily related to the aviation training services provided by Finnair. The reported public subsidies do not include subsidies paid to airline business by the authorities in various countries, as they are considered business secrets. No such subsidies have been received from Finnish authorities.

The taxes borne in Finland for the 2013 financial year include adjustments related to previous financial periods. Finnair has confirmed losses in taxation from previous tax periods totalling approximately EUR 290 million. They can be utilised against positive taxable income over the next 5–10 years. Income tax becomes due for payment only when previous losses have been utilised in full. More information on direct taxes, such as the taxes pursuant to the consolidated income statement, deferred tax assets and liabilities, and the adjustment of the effective tax rate, is presented in Note 6.1 in Finnair's consolidated financial statements.

Indirect taxes collected for the financial year, EUR million	Finland*	Other countries	Total	Finland*	Other countries	Total
Value added taxes, sales	83.0	0.0	83.1	79.3	0.1	79.4
Value added taxes, purchases	97.9	3.0	100.9	83.5	2.8	86.4
Value added taxes, net	**-14.8**	**-2.9**	**-17.8**	**-4.2**	**-2.8**	**-7.0**
Withholding taxes on wages and salaries and other indirect taxes	88.0	2.0	90.1	93.6	2.2	95.8
Excise taxes	0.9	0.0	0.9	1.1	0.0	1.1
Total	**74.1**	**-0.9**	**73.2**	**90.5**	**-0.5**	**90.0**

The most significant indirect taxes collected during the financial year are withholding tax liabilities, value added tax and excise taxes. Other taxes primarily consist of tax at source.

In Finnair's view, the passenger tariffs collected from flight passengers are not considered tax-like payments remitted to the authorities that are subject to being reported as part of the tax footprint. Passenger tariffs are remitted to the private or public party responsible for airport operations in each country, and as they are direct compensation for the maintenance of airport services, they do not meet the definition of a tax.



GOVERNANCE

Finnair's management system is aimed at achieving strategic goals.

GRI:
HR7, SO5

Management principles

General management principles

Finnair's management system is aimed at achieving strategic goals, creating added value for the company's owners and other stakeholders, managing business risks and improving the company's performance

Operations are guided by principles, policies and guidelines defined by the company's Board of Directors, including the following.

- Code of Conduct
- Supplier Code of Conduct
- Sustainable Development Policy
- Environmental Policy
- Risk management policy and related, more detailed guidelines concerning different areas
- Sponsorship guidelines
- Guidelines on anti-competition
- The Group's anti-bribery guidelines
- The Group's guidelines on conflicts of interest
- Data security policy and guidelines
- Disclosure policy
- Equality policy
- Remuneration policy
- Security policy
- Procurement policy and guidelines on supplier relationship management

In financial reporting, Finnair applies the rules relating to listed companies as well as international financial reporting standards Most of Finnair's operational activities are based on official regulations and are subject to official supervision Within the group, the legality and acceptability of operations is monitored as part of Finnair's general control and audit processes

The responsibility for regulatory compliance in flight operations lies with the persons defined and approved by the authorities Finnair is also subject to supervision relating to finances and information security Internal control and audit roles and responsibilities are compliant with the Finnish Companies Act, the Finnish Corporate Governance Code for Listed Companies and the regulations governing the aviation industry

Finnair's governance model, control environment and activities, internal audit and the roles and responsibilities related to these are described in detail in Finnair's Corporate Governance Statement on pages 127–136

Responsible Finnair

Finnair's corporate responsibility is reflected in its strategy as well as its success factors of freshness, creativity and quality Responsibility is integral to all Finnair operations Finnair is committed to complying with international and national legislation in its operations, as well as the ethical operating principles laid out in the Code of Conduct approved in 2012 In 2014, the Group Executive Board approved additional group-wide guidelines to supplement the Code of Conduct with regard to the prevention of bribery and topics including hospitality, conflicts of interest and compliance with anti-competition regulations

Compliance with the guidelines was promoted by communicating their content and organising training events The focus of training and communication events organised in 2014 were anti-bribery regulations and increasing awareness of the company's compliance activities aimed at ensuring regulatory compliance in all operations Also in 2014, the company began the process of comprehensively revising its Code of Conduct The revision is intended to clearly define the requirements that all Finnair employees must comply with

The future focus areas of the company's compliance activities include the continuation and expansion of training programs, revising the Code of Conduct, developing controls and monitoring systems related to the compliance function, and implementing a whistleblowing system

Public affairs and lobbying

Aviation is a strictly regulated industry As such, it is important for us to participate in discussions and decision-making that concern Finnair's operating conditions Finnair pursues its interests in an ethically sustainable manner by appropriately introducing its views, perspectives and expertise In pursuing its interests, the company does not pressure or support political decision-makers in any way The legality and ethicality of lobbying activities is controlled as part of the company's general supervision and audit processes

The aim of Finnair's lobbying activities is to maintain relationships concerning relevant policy and to participate in relevant negotiations and the operations of advocacy organisations When lobbying on various civil aviation and industry regulation issues, Finnair typically cooperates with various organisations and chambers of commerce Finnair is an active member of various aviation industry organ*isations, such as AEA and IATA, but also in the Confederation of Finnish Industries (EK), and its* sub-associations and in several chambers of commerce

Communications

Finnair aims at open, honest and timely communications In line with these principles, Finnair's communications are also in compliance with regulations governing listed companies and limited liability companies, as well as the obligations of the Finnish Act on Cooperation within Undertakings and the communications guidelines of the State Ownership Steering Department

Finnair takes different perspectives into consideration and respects all stakeholders' views of our operations Finnair's internal communications are based on reciprocity Every employee has the duty to communicate matters related to their area of responsibility to the relevant target groups Those in supervisory roles have a further duty to communicate goals, operations and results to their own work community and create a work environment that enables genuine constructive discussion

Economic responsibility

Finnair's objective is to create sustainable economic added value by producing flight services profitably, cost-competitively and in harmony with the needs of the environment and society Responsible operations are the cornerstone of profitable business activity, and Finnair takes into account the effects of its operations on society These effects are identified and assessed by the company's corporate social responsibility and risk management organisations, which work under the authority of the CEO

Finnair's Board of Directors has set the company's financial targets, which are outlined in material directed at investors As a public limited company, Finnair is committed to earning a profit for its shareholders The company's profit distribution principles are expressed in Finnair's dividend policy Finnair's financial reporting aims to provide, as transparently as possible, information about Finnair's financial position and development.

Environmental responsibility

Finnair's goal is to be the leading airline in the field of environmental responsibility We are committed to the principles of sustainable development defined by the International Civil Aviation Organisation (ICAO) and pursue all available means to reduce our environmental impact We also strive to reduce greenhouse gas emissions in accordance with the principles and targets specified by the International Air Transport Association (IATA) We comply with current environmental legislation, but our environmental work aims at exceeding statutory requirements and being a pioneer in evaluating, reporting and reducing environmental impacts

Finnair's corporate responsibility policy also defines our strategy for environmental management Finnair participates actively in IATA's Environmental Committee and in the AEA Environmental Committee, as well as in industry workgroups in Finland and the Nordic countries, promoting the reduction of the aviation sector's environmental load An open dialogue with different stakeholders and continuous development of operations according to the latest available information are prerequisites for environmental responsibility We report on our environmental impacts regularly in annual reports and as a part of the Carbon Disclosure Project (CDP) In addition, we communicate directly with various parties about our operations and actively answer questions posed by interest groups

Environmental responsibility is managed within the framework of Finnair's environmental policy and environmental management system In 2014, Finnair and South African Airways became the first airlines in the world to receive IATA Environmental Assessment (IEnvA) Stage 2 certification for their environmental management systems IEnvA is an environmental management system developed by IATA for airlines, which we use to make use of the best practices in the industry Our environmental management system has been assessed by third-party auditors authorised by IATA who are qualified to perform audits of environmental management systems To improve our performance, we have identified the key environmental aspects of our operations and set targets related to them

For more information on measures to reduce fuel consumption, emissions and other environmental impacts, see pages 36–45

Social responsibility

Finnair is a company in a complex, highly technical business, and it has operations and supply chain partners in dozens of different countries, each with varying laws and operating methods The most important social responsibility areas concern safety, personnel, the supply chain and customers

Human rights

Finnair's human rights management is described in the Finnair Code of Conduct and the company's management principles related to personnel Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organisation (ILO) Finnair signed in 2013 the United Nation's Global Compact initiative and undertook to comply with the Global Compact's ten principles of corporate responsibility, which relate to human rights, labour, environment and anti-corruption

Finnair's ethical guidelines (Finnair supplier code of conduct) set clear principles to ensure ethical purchasing Finnair also expects its suppliers to act according to the company's ethical operating practices and its Supplier Code of Conduct Conforming with the UN's Universal Declaration of Human Rights and all applicable laws and statutes is an absolute minimum requirement A procurement steering group operating under Finnair's management is responsible for the steering, development and coordination of the group's procurement activity Responsibility aspects are considered in cooperation with the corporate responsibility function

Personnel

Management, development and training and employee wellbeing

Finnair does not discriminate based on gender, age, ethnic or national origin, nationality, language, religion, conviction, opinion, health, disability, sexual orientation or other personal attributes or circumstances

Finnair does not condone disturbances or harassment in the work community Reporting infractions is every employee's right and the company is determined to take steps to intervene in all cases brought to its knowledge It is the duty of every group employee to act so that no one is accorded unequal status

Finnair offers equal opportunities to everyone with regard to recruitment, work performance, career progression and development Finnair implements the equal pay principle based on the Finnish Equality Act and gives both men and women equal opportunities for balancing work and family life

In 2011, Finnair became the first Finnish company to sign on to the United Nations Women's Empowerment Principles, which give guidance on the empowerment of women in the workplace, marketplace and community

No tolerance for harassment

Finnair complies with procedures jointly agreed by the employer and employees for the prevention of harassment and inappropriate conduct. The procedure is based on the Finnish Act on Occupational Safety and Health and complies with the model recommended by the Finnish Ministry of Social Affairs and Health

Occupational health and wellbeing at work

The principles of Finnair's wellbeing-at-work program for the period 2011–2015 apply to all business units and their employees The aim of the program is to promote the effectiveness and functionality of the work community and to ensure the wellbeing of personnel through all career stages The program also contributes to employee productivity, the company's competitiveness and attractiveness as an employer as well as the implementation of the social component of corporate responsibility

At Finnair, the Finnair Health Services unit is responsible for occupational health care services Finnair Health Services, Finnair Aeromedical Centre FAeMC, coordinates and is responsible for the implementation of occupational health care in the entire Finnair group The operational and service

quality of Finnair Health Services is based on the European Foundation for Quality Management's EFQM Excellence Model The quality system is used to ensure that Finnair Health Services meets the requirements for good occupational health care practice in both aviation healthcare and aviation medicine services The quality manual covering occupational health care and aviation medicine was updated in 2014

Freedom of association and collective negotiation

Freedom of association and the collective right to negotiate on occupational issues are recognised as fundamental rights in Finland There is a long tradition of trade union activity in the company

Labour market culture in the company has been constructed in such a way that the organisation of workers and collective negotiations between the company and employee groups are part of normal activity All Finnair employees have the right and opportunity to agree on terms of employment collectively The terms of employment of management employees are agreed on locally Personnel and management remuneration principles are described on pages 141–147

Product responsibility and customer care

The aviation industry consists of a strictly regulated value chain comprised of multiple suppliers of products and services As an airline and service company at the top of this value chain, Finnair creates added value for its customers by providing them with a comprehensive and high-quality service product. We are responsible for transporting customers and their baggage to their destinations safely, smoothly and punctually The most significant product responsibility aspects in the Finnair Group's operations are flight safety, food safety, responsibility for individual customers, and responsibility for the cargo carried by Finnair

At Finnair, situations that deviate from the norm are prepared for in advance The group has developed processes for various unexpected situations and these are continually updated and maintained Customers must be able to trust in the fact that they will be cared for throughout the entire service chain We are ultimately responsible to customers for the overall quality of their experience, despite the fact that some services are produced by Finnair's partners rather than the company itself As a result, Finnair pays great attention to the selection of partners

Flight safety

Flight safety is always the highest priority in all operations, and in this area no compromises are made on any grounds Safety is also Finnair's first priority in ground operations and at every stage of the customer journey

Flight safety work extends to all operations that impact on flight safety Risk prevention is built into the company's operating culture, and numerous official regulations guide the group's activities In case of human error, various protection networks have been created in the company's operating systems with the key objective of stopping the advance of a possibly damaging course of events and the materialisation of risk

At Finnair, responsibility for operational safety rests with the manager responsible for each area of operations The Department of Safety and Quality produces risk information for management using the latest methods A quality management system is used to monitor the effectiveness of all measures and general compliance with regulations

Within the framework of the quality management system, the company's safety-critical elements are audited annually Everyone who works in roles that influence flight safety participates regularly in safety training courses, the content and scheduling of which is monitored both internally and by the authorities Safety-related information is disseminated throughout the organisation via a dedicated Safety Magazine In addition, separate safety bulletins are published for flight personnel as required The target for 2014 was that all Finnair staff pass Safety Management training

At Finnair all safety reports are interpreted and given a risk classification according to the seriousness of the event In serious cases, corrective measures are initiated immediately A corrective measure may be, for example, the changing of a faulty component and immediate checking of the rest of the fleet to make sure that the same event does not recur

In risk assessment and classification we use the Event Risk Classification (ERC) method, created by the Airline Risk Management Solutions (ARMS) working group, which was introduced for airlines' use in 2009 This method represents the industry's latest risk knowledge and helps Finnair produce more standardised and objective risk information for management use We examine risks identified by the ERC more deeply using the Safety Issue Risk Assessment (SIRA) method, which is also a tool produced by the ARMS working group

In the SIRA method, an attempt is made to identify all scenarios connected with the perceived risk, and numerical probabilities based on international data are assigned to all of these scenarios The numerical possibilities obtained in this way must fulfil the requirements set by management and the authorities

In addition to risks identified due to reporting, we survey flight safety risks monthly with flight personnel and flight safety professionals in a designated Hazard Identification Team (HIT) and by monitoring daily flights on the basis of flight recordings

The purpose is to identify risks and to make a deeper SIRA analysis of the risks identified Individual flight monitoring based on flight recordings is called Flight Data Analysis (FDA) An aircraft can record in its "black box" more than one thousand flight parameters many times per second The black box recordings are downloaded after flights and analysed by a special program In this way, we can verify later that every flight has been carried out taking into account the company's methods and the limitations of each type of aircraft Any anomalies are always investigated separately in cooperation with the flight crew in question and a safety analyst

Events that seriously jeopardise safety are rare and almost without exception a separate safety investigation is launched in respect of them A safety investigation may be carried out by the authority concerned (Accident Investigation Board of Finland) If the authority decides not to carry out an investigation, Finnair performs an internal safety investigation In cases related to flying, the safety investigator is always an experienced pilot specially trained in the subject The safety investigator (or investigators) always carries out the investigation independently and the company's management has no opportunity to influence the course of the investigation This ensures independence and objectivity also in those cases where the perceived shortcomings may relate to the organisation's activities

Customer care

For exceptional situations, Finnair has its own separate unit All flight traffic irregularities are handled centrally from Helsinki, thereby gathering the necessary information into one place In this way, a more detailed overall picture of the multiplier effects and costs of irregularities is obtained, and efforts are made to minimise inconvenience to the customer

Monitoring and supervision of customer service activity is based on regular auditing, customer feedback and customer satisfaction surveys, as well as various surprise campaigns and measurements performed by external parties Our partners' operations are also continually evaluated Monitoring is systematic and is used to set targets and check that they are being met Staff expertise is ensured through training

Customer data

Finnair respects the privacy of its customers and is committed to ensuring that personal details and other customer information are processed appropriately We do our best to guarantee the confidentiality, security and accuracy of customer data under all circumstances At all stages of travel we process personal details in compliance with the legislation on personal data and regulations issued by the authorities in the countries in which we operate

Package tours

It is in the interests of the group's tour operators to promote sustainable tourism, which benefits local businesses and organisations Package travel operations carried out by Finnair subsidiaries comply with the Finnish Package Travel Act and general industry terms and conditions The Finnish Competition and Consumer Authority supervises the contractual practices of package travel service providers and compliance with the requirements concerning guarantees against bankruptcy The guarantees of tour operators belonging to the Finnair Group are in the form of bank guarantees

Cargo and ground handling

In cargo transport, Finnair and its subsidiary Finnair Cargo are responsible for transporting customers' cargo in the condition in which it has been entrusted to us, and in compliance with Finnair Cargo's General Conditions of Carriage (http //www finnaircargo com/en/cargo/general-transportation-terms html) as well as international and national regulations The aim is to offer cargo customers efficient, trouble-free logistics services This means, among other things, that cargo entrusted to Finnair Cargo for transport is delivered to its destination exactly as agreed with the customer

Finnair's Ground Operations unit is responsible for the acquisition, quality criteria and quality control of ground handling services required at airports The unit's task is to ensure that the ground services used by Finnair fulfil the requirements set for them, both in terms of quality and in respect of safety and official regulations

To deliver on their service promises, both Finnair Cargo and the Ground Operations unit apply a systematic evaluation process when selecting subcontractors and partners that provide terminal and other ground handling services Partners are required, for example, to ensure and maintain the expertise of their personnel, and also to ensure that vehicles, equipment and premises are appropriate In addition to quality audits at airports, Finnair also regularly performs quality inspections that continually monitor both its own and subcontractors' work Finnair Cargo and Ground Operations quality managers are responsible for maintaining and updating their own quality systems and ensuring that operations comply with requirements

Ground Operations also has an area manager, responsible for airport operations, who has a significant role in monitoring the compliance of operations with regulations If some activity does not to some extent comply with the operations manual or prevailing legislation, the deviation is documented and corrective measures effected immediately

More information about IATA safety and quality audits

http //www iata.org/

Corporate Governance Statement 2014

CONTENTS

Regulatory framework

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

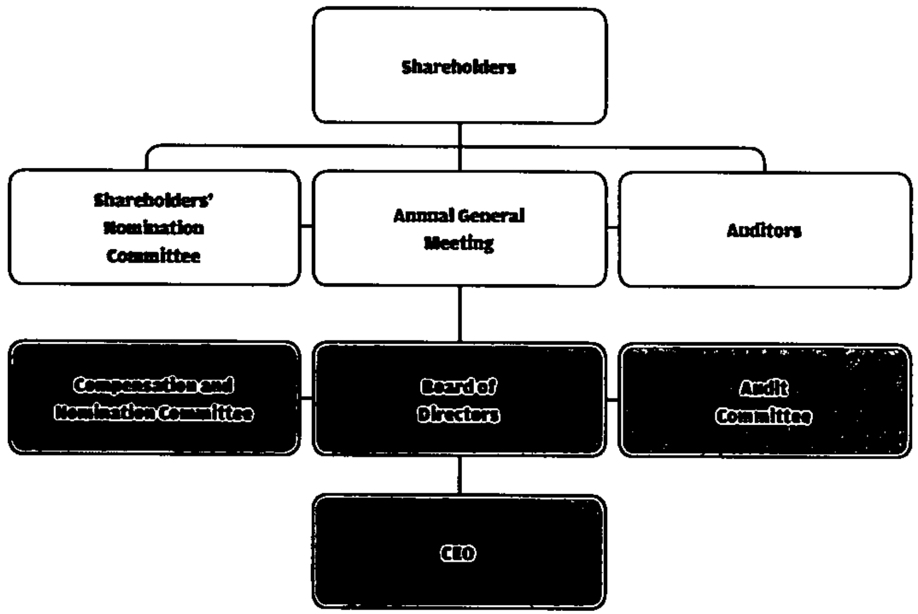
The principal legislative authorities on corporate governance of Finnish listed companies are the Companies Act, the Securities Market Act, the regulation and guidelines issued by the Financial Supervision, the rules and instructions for listed companies issued by Nasdaq Helsinki and the Finnish Corporate 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

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
- election of the Chairman of the Board from among the Members
- the election and remuneration of the auditor

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 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 Shareholders 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.

2014 Annual General Meeting

Finnair's AGM 2014 was held in Helsinki on 27 March A total of 251 shareholders, representing 63 per cent of the shares and voting rights of the company, participated either in person or by proxy representatives All Board members elected by the 2013 AGM except one and all candidates for Board membership in 2014 AGM were present in the meeting, as well as Finnair's Executive Board and the auditors of the company

Shareholders' Nomination Board

The AGM 2013 decided to establish a permanent Shareholders' Nomination Board The term of the Nomination Board continues until the General Meeting of the company decides otherwise The previous practice since 2008 was that a Shareholders' Nomination Committee was established annually by the AGMs

The purpose and task of the Nomination Board is to prepare and present to the AGM, and, if necessary, to an Extraordinary General Meeting, proposals on the remuneration of the members of the Board, on the number of members of the Board and on the members of the Board In addition, the task of the Nomination Board is to seek potential future candidates for Board members The Nomination Board shall forward its proposals to the company's Board by 31 January each year

The Nomination Board shall consist of four members, who shall be nominated annually The company's three largest shareholders shall appoint three of the members, and the Chairman of the Board shall serve as the fourth member The company's largest shareholders entitled to appoint members to the Nomination Board shall be determined on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd as of the first working day in September each year In the event that a shareholder does not wish to exercise its right to appoint a representative, such right shall pass to the next largest shareholder

The members of the Nomination Board are not remunerated by Finnair for their membership in the Nomination Board The members' expenses are reimbursable in accordance with the company's expense policy In addition, the Nomination Board's costs of using external experts shall be borne by the company

2013 and 2014 Nomination Boards

The Nomination Board established in 2013 consisted of the representatives of three largest shareholders as at the first working day September 2013 and of the Chairman of the Board The shareholders were the State of Finland, Keva and Skagen Global Verdipapirfond and the composition of the Nomination Board was the following:

- Mr Eero Heliövaara, b 1956, M Sc (Econ.), M Sc (Eng), Director General in the Ownership Steering in the Prime Minister's Office (Chairman),
- Mr Robin Backman, b 1971, M Sc (Econ), Portfolio Manager in Keva,
- Mr Per Wennberg, b 1969, B Sc (Hon) in Business Management, Skagen's Managing Director in Sweden,
- Mr Klaus Heinemann, see details on page 5

The Nomination Board convened three times and all members were present in the meetings On 31 January 2014, the Shareholders' Nomination Board submitted to the Board its proposal for the AGM held on 27 March 2014

The Nomination Board established in 2014 consisted of the representatives of three largest shareholders as at the first working day September 2014 i e the State of Finland, Keva and Skagen Global Verdipapirfond, and of the Chairman of the Board Skagen funds sold their shares in Finnair Plc in November 2014 and consequently their representative in the Shareholders' Nomination Board resigned The right to nominate a member to the Nomination Board was thus transferred to the fourth largest shareholder of Finnair Plc as at the first working day September, Ilmarinen The composition of the 2014 Nomination Board is the following:

- Mr Eero Heliövaara, see above, (Chairman),
- Mr Robin Backman, see above;
- Mr Per Wennberg, see above; (until Dec 2014)
- Mr Harri Sailas, b 1951, M Sc (Econ) President and CEO of Ilmarinen Mutual Pension Insurance Company (from 15 Dec 2014 onward)
- Mr Klaus Heinemann, see details on page 5

The Nomination Board convened two times and all members were present in the meetings On 29 January 2015, the Shareholders' Nomination Board submitted to the Board its proposal for the AGM to be held on 25 March 2015 The Nomination Board's proposals are available on Finnair's website

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 controls The policies are regularly updated and communicated to the personnel

In addition to the Board's statutory tasks, certain significant matters are reserved for the Board's 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 to 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

The Board evaluates its work annually, and in 2014 it also used an external consult in assessing Board work The Board's gender distribution in the composition elected by 2014 AGM is four men and three women

Members of the Board and their independence

The 2014 AGM held on 27 March elected Klaus Heinemann as Chairman of the Board and Maija-Liisa Friman, Jussi Itavuori, Harri Kerminen, Gunvor Kronman, Jaana Tuominen and Nigel Turner as other members of the Board The Board elected 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 The Board assessed the independence of its members and concluded that all members are non-executive members independent of the Company and its major shareholders

Members of the Board in 2014 and their attendance in Board and Committee meetings

In 2014, the Board met nine times (seven meetings with the composition elected by the 2014 AGM and two meetings with the composition elected by the 2013 AGM) In addition, the Board made per capsulam decisions six times during the year See the table on the following page for information on the Board members' participation in the meetings during 2014

Name	Personal information	Participation in Board meetings in 2014	Participation in Committee meetings in 2014	
			Audit	Remuneration
Mr. Klaus W. Heinemann	Chairman of the Board since 27 March 2013 Member of the Board since 28 March 2012 B. 1951 B.Sc. (Econ.) Main occupation: Board professional Committee membership: Audit Committee until 27 March 2014	9/9	1/1	
Mr. Harri Kerminen	Member of the Board since 24 March 2011 Vice Chairman of the Board since 28 March 2012 B 1951 M. Sc. Tech, MBA Main occupation: Board professional Committee memberships: Audit and Compensation and Nomination Committee	9/9	6/6	4/5
Ms. Maija-Liisa Friman	Member of the Board since 28 March 2012 B 1952 M Sc. (Eng.) Main occupation: Board professional Committee memberships: Audit Committee (Chairman)	9/9	6/6	
Mr. Jussi Itävuori	Member of the Board since 28 March 2012 B 1955 M Sc. (Econ.) Main occupation: Senior partner RJI Partners Limited Committee memberships: Compensation and Nomination Committee (Chairman)	9/9		5/5
Ms. Gunvor Kronman	Member of the Board since 28 March 2012 B 1963 Master of Arts Main occupation: CEO of Swedish-Finnish Cultural Centre Committee membership: Compensation and Nomination Committee	8/9		5/5
Ms. Jaana Tuominen	Member of the Board since 27 March 2014 B 1960 M Sc. (Eng.) Main occupation: CEO of Paulig Group Committee membership: Compensation and Nomination Committee	7/7		3/3
Mr. Nigel Turner	Member of the Board since 27 March 2014 B 1958, BA (Hon.) Main occupation: - Committee membership: Audit Committee	7/7	5/5	
Members of the Board until the end of the 2014 AGM				
Ms. Merja Karhapää	Member of the Board until 27 March 2014 B 1962, Master of Laws PG IPR Diploma Main occupation: Chief Legal Officer Sanoma Group Committee memberships: Audit Committee	2/2	1/1	
Mr. Antti Kuosmanen	Member of the Board until 27 March 2014 B 950 BA, M Sc. (Mathematics Economics and Statistics) Main occupation: Ambassador Committee membership: Compensation and Nomination Committee	0/2		1/2

More information on the Members of the Board is available on Finnair's website.

The Board's work in 2014

In 2014 the Board met nine times in person and had six additional online or telephone meetings In addition to its regulatory duties, the Board's actions included the following

- Evaluated the company s strategy, followed the implementation of the existing strategic initiatives and set the focus areas for new initiatives,
- Approved a share saving plan targeted to the entire staff and a long-term share incentive plan targeted to the key employees, and set the personnel fund's performance bonus criteria for 2014,
- Approved a long-term incentive plan for the Pilots as a part of the resolution on the Pilots Collective Labour Agreement negotiation,
- Approved the divestment of Finncatering Oy and the Duty free shops at Helsinki Airport,
- Approved the acquisition of the shares of Flybe Nordic,
- Reviewed the attainment of the targeted service levels and cost savings in the outsourced core services,
- Confirmed the company's financial risk management policies, reviewed the mid and long term investment and funding plans, approved several aircraft transactions, including the sale of four A340 aircraft to Airbus and confirmed eight A350 aircraft purchase options,
- Revised the financial guidance for 2014 in June and August,
- Assessed and developed its working practices, and
- Revised the charter of the Compensation and Nomination Committee

The Committees of the Board

The Board delegates certain of its functions to the Audit Committee and to the Compensation and Nomination Committee The Board appoints the Committee members and their Chairmen 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, except where expressly authorised by the Board Copies of the Committees' charters are available on Finnair's website

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 These are reported to the Board by the Audit Committee The Audit Committee ensures that appropriate action is taken by the management to rectify identified shortcomings

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

The main duties of the Audit Committee

The Audit Committee shall

- monitor the financial status of the company,
- monitor the reporting process of financial statements and interim reports and assess the draft financial statements and interim reports,
- assess the efficiency of the company s internal controls, internal auditing and risk management system,
- monitor the statutory audit and review all material reports from the auditor;
- assess the independence of the auditors, in particular with regard to their ancillary services,
- prepare for the Board proposals to the Annual General Meeting regarding the election of the auditor(s) and their remunerations,
- review the auditors' and internal auditors' audit plans and reports
- review the company's corporate governance statement,
- prepare for the Board the group's risk management policies,
- prepare for the Board decisions on significant changes in the accounting principles or in the valuations of the group's assets,
- assess the group's compliance with laws and regulations and
- maintain contact with the auditors

After 2014 AGM, the Audit Committee members are Maija-Liisa Friman (Chairman), Nigel Turner and Harri Kerminen All Committee members are independent of the Company and of its significant shareholders

The Audit Committee met six times in 2014 with an aggregate attendance rate of 100 per cent One of the meetings was held with the composition that was in place after the 2013 AGM and five with the composition in place after the 2014 AGM The CEO, the CFO, the Head of Internal Audit and Risk Management as well as the external auditor also participated in the Committee's meetings Finnair s General Counsel acted as the secretary of the Audit Committee 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 Committee also performed its annual self-evaluation

The Audit Committee's activities in 2014

In addition to its customary tasks, the Audit Committee attended selected focus areas, such as labour productivity, Joint Business Agreements, hedging strategies, information security, internal controls enhancement program, aircraft financing, and partner management

The Audit Committee also

- Reviewed the mid and long-term investment and funding plans,
- Reviewed the risk management process, the risk and control environment, the top risks for 2014 and the related risk management measures The Committee reviewed and approved a risk-based internal audit plan for 2014 and assessed the sufficiency of the resources in the internal control functions,
- Reviewed the current state and development roadmap of the group s Governance, Risk and Compliance (GRC) system,
- Held a risk management workshop to set and document the group's risk appetite,
- Discussed with the CEO, the CFO and the auditors the company's accounting policies and the estimates and judgements that were applied in preparing the reports,
- Recommended to the Board that it changed the financial guidance in June and August 2014
- Assessed the internal and external auditor's performance and proposed to the 2014 AGM that PricewaterhouseCoopers be re-elected as the auditor for the fiscal year 2014, and
- Performed an annual self-assessment and set the Committee s annual plan for 2015 The areas of specific attention in 2015 will comprise complementary pensions, Joint Business Agreements, Finance processes and controls, IT, Aircraft Finance, and Vendor Management

Compensation and Nomination Committee

The Compensation and Nomination 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 main duties of the Compensation and Nomination Committee

The Committee prepares the following matters for the Board

- compensations, pensions, benefits and other material terms of the contract of the CEO
- compensations pensions and benefits of the top executives of the group, and other material terms of their contracts to the extent that the same deviate from the customary practice
- nominations of the CEO and other top executives
- top executives' succession planning
- composition of the Executive Board
- equity-based incentive plans
- the principal compensation policies and practices regarding the personnel
- management s participation in the boards of directors of the group and of external companies
- major organisational changes
- proposals of awarding the members of the management honorary decorations and titles

A copy of the Committee's charter is available on Finnair's website

After the 2014 AGM, the members of the Compensation and Nomination Committee elected are Jussi Itävuori (Chairman), Gunvor Kronman, Jaana Tuominen and Harri Kerminen All Committee members are independent of the Company and of its significant shareholders

The members of the Compensation and Nomination Committee met five times in 2014 with an aggregate attendance rate of 90 per cent. Two of the meetings were held with the composition that was in place after the 2013 AGM and three with the composition in place after the 2014 AGM The CEO and the Head of HR were invited to the meetings to assist the Committee Finnair's General Counsel acted as the Committee's secretary

The Compensation and Nomination Committee's work in 2014

The Committee's work comprised, among other things, the following topics

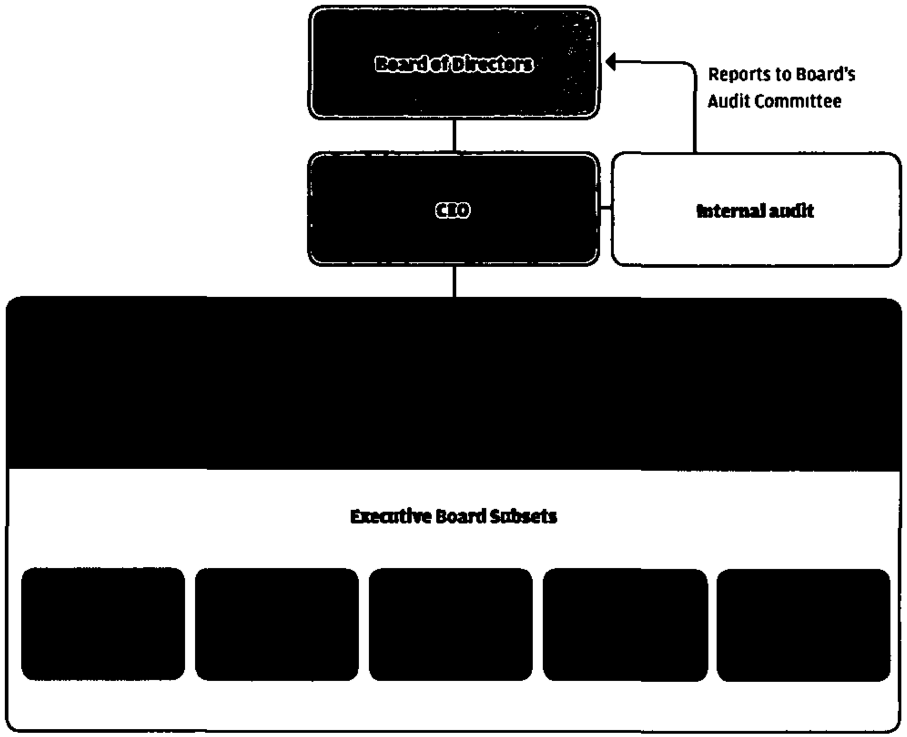
- Prepared for the Board approval the 2014 program under the employee share saving plan 'Flyshare',
- Committee also reviewed the senior management s compensation levels compared to the market and assessed their performance under the long and short term incentive targets
- Assisted the Board in determining the semi-annual targets of the top management for 2014 as well as the personnel fund's bonus criteria for 2014,
- Reviewed Finnair's compensation policies and practices,
- Assisted the Board in determining the targets of the next rolling share bonus plan and assessed the development needs of the share bonus program,
- Discussed with the management the strategically vital labour cost savings and the targets and results of the collective labour agreement negotiations,
- Prepared for the Board approval a long-term incentive plan for the pilots as part of their new collective labour agreement, and
- Assessed its meeting practices and tasks and prepared its revised charter, which was approved by the Board early 2014

Company management

Finnair's corporate structure

Finnair has two business areas Airline Business 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, Control and Corporate Development, Human Resources, Communications and Corporate Responsibility, Legal Affairs and Internal Audit

Company Management



The CEO

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 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 and on Finnair's internet pages

The CEO of Finnair is Pekka Vauramo, b 1957, M Sc (Mining)

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, control and corporate development, human resources, communications and corporate responsibility and legal affairs The members' respective roles and their shareholdings in Finnair are more fully described on the company's web pages The senior management is appointed and removed by the Board, which also determines their remuneration and other terms of employment.

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

In 2014, Finnair's Executive Board met twice a month on average The main focus areas in the Executive Board's work were the strategy assessment, development and implementation, the group's financial status, revenue enhancement and product renewal, risk management, IT transformation and related investments, outsourcings and vendor management, talent and successor reviews, and HR development programs The Executive Board also sought to improve route profitability, operational quality and customer service In addition, the Executive Board met nearly every week to tend to Finnair's collective labour agreement negotiations and the profitability and productivity improvement programs

Subsets of the Executive Board

The Executive Board delegates certain of its functions to five subsets These subsets consist of members of the Executive Board or representatives of various business functions These subsets' decision making authority is derived from that of the Executive Board, set by the Board 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 passenger 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

In addition Executive Board acts as the **Group Risk Management Steering Group** Risk Management Steering Group is responsible for the Group's strategic risk assessment and setting risk management priorities and risk management measures It assesses the adequacy and timeliness of the Group's risk management policy, and decides over the extent to which key external cooperative parties are obligated to comply with the content of this In addition, it reviews and approves changes in the risk reporting process, Finnair common risk language and risk model The Steering Group is headed by the CEO and meets bi-monthly

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 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 The Management Board comprises the Executive Board members, certain senior managers and the representatives of all personnel groups

In 2014, the Management Board met seven times

Corporate Governance in Finnair subsidiaries

For major subsidiaries, the members of the boards of directors are selected from individuals belonging to Finnair's senior management and, in selected subsidiaries, also 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 the approval limits issued by Finnair's Board

The subsidiaries of Finnair are presented in the Financial Statements 2014 under Note 1 3 , Subsidiaries

Governance principles in key partnerships and outsourcings

Finnair has equity partnership in Flybe Finland Oy through Flybe Nordic AB (ownership 40 per cent) and in Nordic Global Airlines Ltd (ownership 40 per cent) 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 and its home base is in Finland Nordic Global Airlines provides cargo capacity mainly 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

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 pertaining to the financial reporting process is to provide the Board, the Executive Management and other key stakeholders with a reasonable assurance of the reliability and correctness of financial and operational reporting, as well as compliance with associated laws, regulations and internal policies It is built on the principles of Finnair's overall system of risk management which is aligned with commonly accepted COSO ERM framework and ISO 31000·2009 standard for risk management

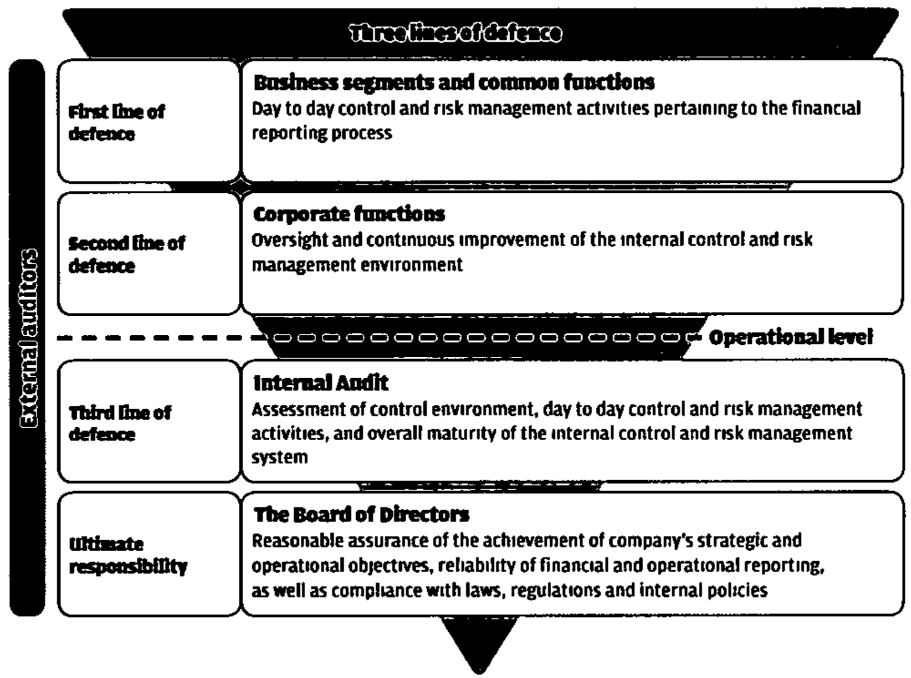
Control environment

Finnair's Code of Conduct and management system form the foundation for its control environment and background for awareness and implementation of control activities across the organisation Guiding principles of internal control and risk management in Finnair are documented in the Group Risk Management Policy Other key steering instruments supporting control over reporting include, but are not limited to, Annual Accounts drafting principles, 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 CEO Group CFO is responsible for governing financial reporting control environment and acting as the risk owner of reporting risks The line organizations of business units and group-wide functions have the main responsibility for executing day to day control activities pertaining to the financial reporting process

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,

The role in the implementation of the internal control and risk management system



Internal Audit has a direct functional reporting line to the Audit Committee of Finnair Board and it is positioned to operate administratively under the 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 above summarises the roles of the listed stakeholders in the implementation of the internal control and risk management system

Risk Assessment

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 on-going risk assessment by the business unit controllers, financial controllers and shared service centre as part of their daily and weekly activities

As a part of internal controls development project, the processes with material impact on financial reporting have been defined and risks threatening the reliability and accuracy of financial reporting assessed in a coordinated manner. Possible changes in internal and external environment are always assessed and processes updated accordingly.

Control activities

Financial reporting instructions have been prepared to be followed across the organization. The instructions outlining the content and schedule for the reporting aim to increase the overall controllability of the financial reporting process and ensure that financial statement fulfils the requirements set in the IFRS standards and other applicable principles.

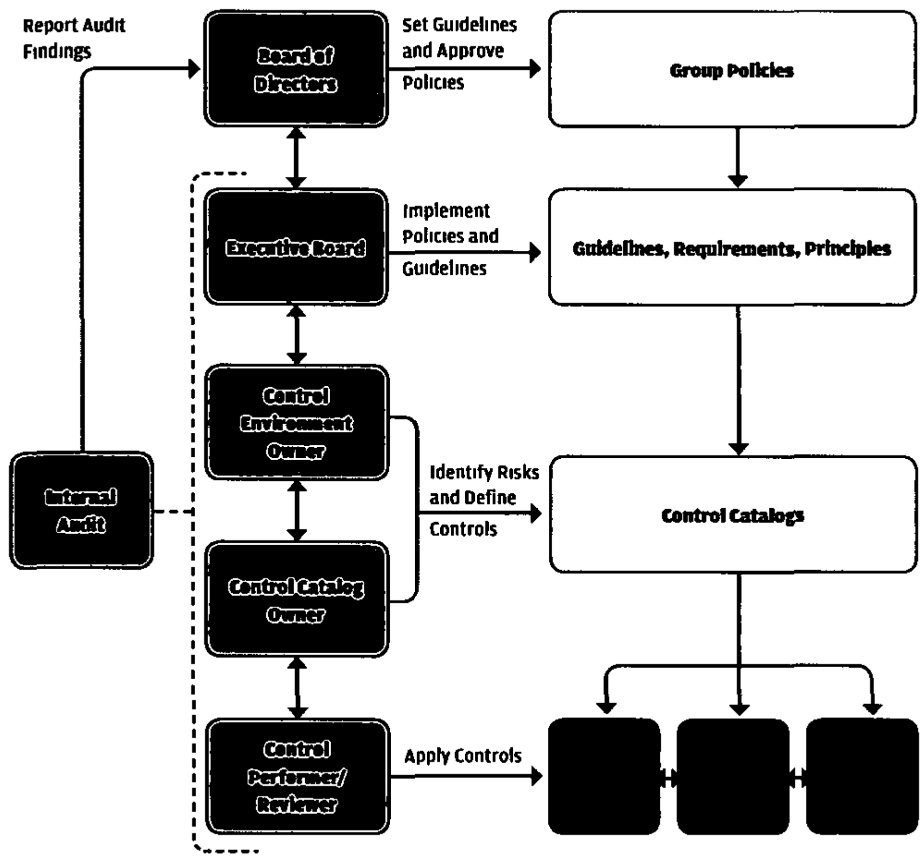
Risk related to financial reporting are managed through controls aiming to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies. These control activities are

- preventive, detective and corrective in nature;
- integrated into reporting processes in business units, group-wide functions and subsidiaries,
- operationalized through the implementation of Policies, Guidelines and Principles,
- captured in Control Catalogs,
- supported by Manuals and Standards, Process Descriptions and Work Instructions,
- monitored and continuously improved through a dedicated governance model

As part of group-wide internal control development project in 2013, responsibilities over reporting controls were reviewed and updated to reflect the recent changes in the organization. These roles are illustrated in the below matrix

Role	Description
Control Environment Owner Group CFO	Responsible for governing financial reporting control environment and acting as the risk owner of reporting risks
Control Catalogue Owner Process Owners	Owner of the process controls defined in the control catalogue
Control Performer / Reviewer	Responsible for executing / monitoring key control(s) defined in the control catalogue
Internal Audit	Responsible for audit of reporting processes and related controls according to the annual audit plan

The main components and roles associated with control planning, implementation and monitoring are summarised in the following chart



Information and communication

Information and communication system provides means for Finnair's personnel to capture and communicate information related to risk assessments and control activities across company's operations. The system aims at providing 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.

The CFO, supported by Investor Relations function, is responsible for the disclosure of financial information and fulfilment of the communication obligations of a listed company. Investor Relations holds the responsibility over planning and implementation of investor communications and daily contact with investors and analysts

Monitoring and improvement

Finnair's internal control and risk management system is subject to both on-going and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness On-going monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, business units and group-wide functions

Focus areas of internal control over financial reporting in 2014 and 2015

2014 Key Activities

Regular self-assessment of risks and controls was performed as set in the annual calendar of internal control activities Specific attention was put into the critical process areas where changes in the roles and responsibilities have recently occurred Additionally, the Internal Audit and public auditors performed audits on key controls as defined in the annual audit plan

Furthermore control catalogue documentation in additional key process areas identified after the first phase implementation was carried out to further extend the coverage of the consistently defined framework and control process Special attention was focused on areas where changes in roles and responsibilities had taken place

2015 Planned Key Activities

Further development of the controls will be conducted independently and also using any findings and suggestions received from Internal Audit and public auditors By the end of 2015 audits will have been performed for each control catalogue

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 organization'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

Internal Audit's focus areas in 2014 and 2015

2014 Key Activities

Main focus areas of Internal Audit for the year 2014 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 sales strategy implementation and business resilience Finnair Internal Audit participated in the planning of a project aiming to enhance Governance, Risk and Compliance management system and related IT platform It also provided facilitative support for setting and documentation of the group s risk appetite

2015 Planned Key Activities

Internal Audit Plan for 2015 has been approved by the Audit Committee of the Board of Directors in December 2014 Sales strategy implementation will continue to be a focus area, and other special attention areas will relate to strategic partnerships and programs, and data integrity Internal Audit will participate as a subject matter expert in project aiming to enhance key process controls' development as well as continue to participate in project aiming to enhance Governance, Risk and Compliance management system and related IT platform

Compliance

Finnair is committed to complying with international and local laws and ethical policies in accordance with the Code of Conduct approved in 2012 The Company's General Counsel is responsible for Finnair's compliance function, which supports business operations and corporate administration developing practices related to identifying and complying with the law The key tasks of Finnair's Compliance function are to ensure compliance with the regulation in all operations, maintenance of Finnair's compliance program and the continuous development of ethical business culture

Risk management and major risks

Risk Management
Finnair operates in a global and highly competitive environment that is sensitive to economic fluctuations In executing its strategy, Finnair and its operations are exposed to a broad range of risks and opportunities To exploit opportunities to create value, Finnair is prepared to take and manage risks within the limits of its risk-bearing capacity (rewarded risks) In relation to reliability of reporting, compliance with laws and regulations, and flight safety matters, Finnair's objective is to minimise risks (unrewarded risks) The purpose of risk management is to provide a systematic approach to the management of rewarded and unrewarded risks in all sections of Finnair's operations

Policy and framework
In Finnair risk is considered as the potential for loss caused by an internal or external event or series of events that can adversely affect the implementation of strategy, achievement of business objectives or shareholder value Both negative events and unrealised positive events are considered as risk

The Group Risk Management Policy defines the overall framework for risk management in the whole of Finnair Group This framework, while taking into account industry specific requirements, is aligned with the commonly accepted COSO ERM framework and the ISO 31000:2009 standard for risk management.

Dedicated Risk Management Principles have been established to support the implementation of the Group Risk Management Policy in the following contexts Treasury, New Ventures, Programs and Projects, Supply Chain, Flight Safety, Corporate Security and Information Security Principles associated with risk management in the context of financial reporting are discussed in the Note 5 5 Management of Financial Risks to the Financial Statements on page 97

Policy implementation responsibilities
The Board of Directors holds the ultimate responsibility for the Enterprise Risk Management system in Finnair It is responsible for approving the Group Risk Management Policy, setting Finnair Group s Risk Appetite and overseeing the effectiveness of Risk Management

Finnair Group's CEO holds the responsibility over the appropriateness of the Group's Risk Management and oversight of Group Risk Management Policy implementation The CEO, supported by the Risk Management Steering Group consisting of the members of Executive Board, is also responsible for reviewing Group Risk Management Policy and risk management priorities

Business units, group-wide functions and subsidiaries of Finnair Group are responsible for implementing Group Risk Management Policy into their management systems and aligning with it their Risk Management guidelines, procedures and strategies

Process

Establish context and set objectives
Finnair Group's Risk Management System ensures that management has a process in place to assess and manage uncertainties associated with set objectives, and those uncertainties are analysed and managed within the boundaries of Finnair's risk bearing capacity

Risk Assessment
Risk assessments are executed according to the Annual Cycle defined in the Group Risk Management Policy Finnair's risk assessment process takes place as an integral part of strategy process and operational objective-setting across the organisation to enable a holistic view on risks and opportunities

Risk assessment in Finnair Group includes the following phases

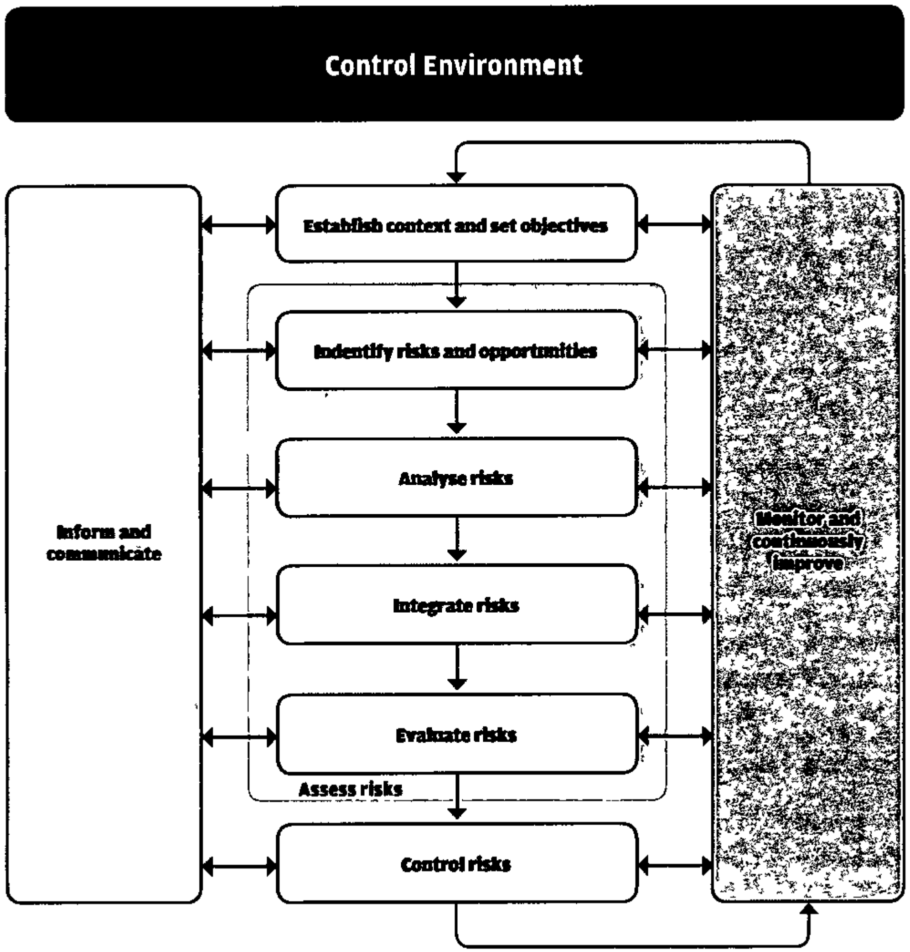
- identification of external and internal events affecting the achievement of objectives,
- distinction between risks and opportunities,
- analysis of identified risks,
- integration (aggregation) of risks,
- evaluation and prioritisation of risks based on their significance and likelihood

To ensure the coverage of risk identification and systematise the risk assessment activities, Finnair has established a common risk model, a common risk assessment criteria and a common risk repository As part of strategic risk assessments, also strategic assumptions associated with company objectives are identified and their implications analysed A dedicated Risk Coordinator Forum has been established to support coordination of risk assessment activities in business units, group-wide functions and subsidiaries and to ensure these activities conform to the requirements set in Group Risk Management Policy

Risk response and control activities

Risk Management strategies shall be applied to prioritised risks in order to reach reasonable assurance that their outcomes fall within an acceptable level These Risk Management strategy options include

- Acceptance of risk
- Avoidance of risk
- Transfer of risk
- Reduction of risk



The CEO, supported by the Risk Management Steering Group, is responsible for defining risk management strategies and procedures, and setting risk management priorities Risk owners for business segments, group-wide functions and at the process level hold the responsibility for planning and implementing control measures to ensure an acceptable level of residual risk, and that the relevant risk interdependencies have been appropriately acknowledged

Information and communication

Risk management information system aims at providing means for Finnair's personnel to capture and communicate information related to execution of risk assessments and control activities across company's operations Identified risks and their control measures are documented in risk logs for follow-up purposes Dedicated information systems are in place to identify and analyse operational risk events and support associated operational audit activities Risk management information system will be subject to further development during the year of 2015

Risk reporting to the Board of Directors and to the Risk Management Steering Group takes place on quarterly basis under the coordination of Group Internal Audit and Risk Management function Status of Risk Management development activities and implementation of strategic controls are reported to the Audit Committee of the Board of Directors six times per year In addition to the periodical business risk reporting, there are several reporting lines associated with financial and operational risk reporting to both internal and external stakeholders

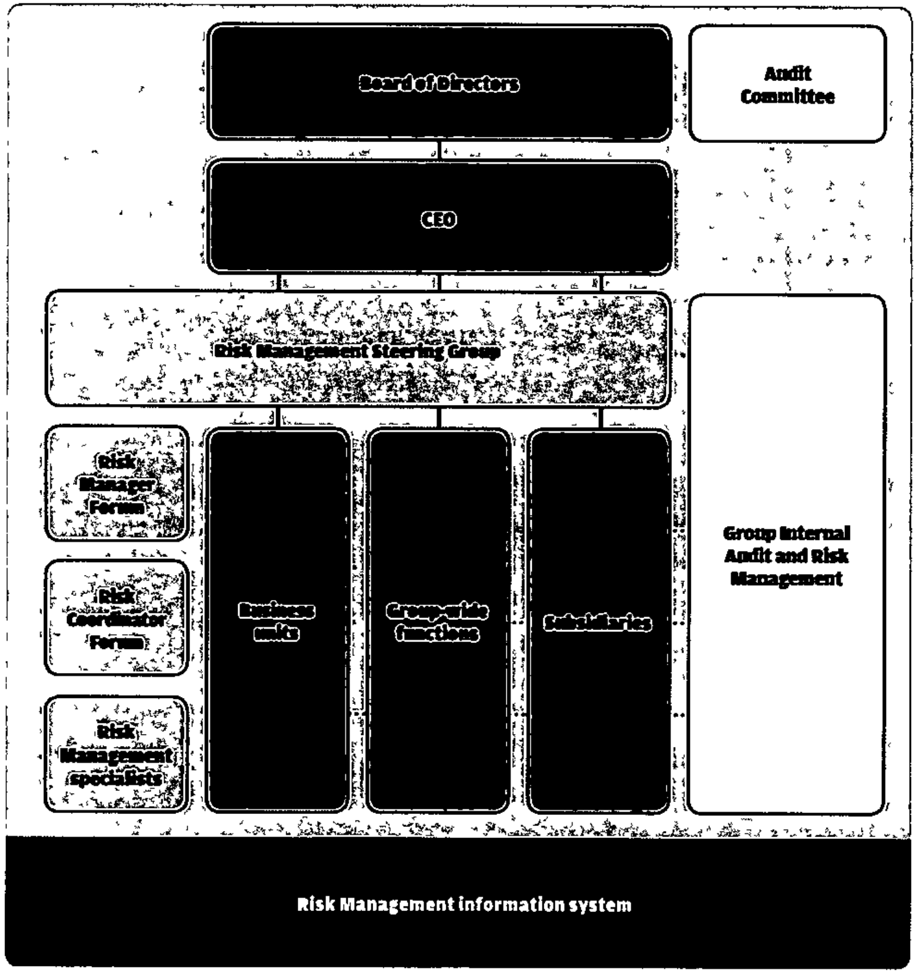
Monitoring and continuous improvement

Finnair's risk management system is subject to both ongoing and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness The implemented risk management system is subject to continuous improvement activities based on PDCA (Plan-Do-Check-Act) cycle consistent with ISO 31000 2009

On-going monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, business segments and common functions The effectiveness of all flight safety related control activities and the general compliance with official regulations are monitored through a quality system Within the scope of the quality system, the safety-critical elements of the company are audited annually

The Audit Committee of the Board of Directors is responsible for regularly reviewing and monitoring the implementation of Group Risk Management Policy and the Risk Management process Group Internal Audit and Risk Management in cooperation with Risk Management specialists is responsible for assessment and development of the maturity of the risk management system In order to ensure well-coordinated risk management development activities across the organisation and exchange of best practices, a dedicated Risk Manager Forum consisting of risk management specialists has been established The forum has meetings on quarterly basis

Governance model and reporting lines



Risk Management focus areas in 2014 and 2015

In 2014, development activities focused on formal risk appetite setting, facilitation of risk-based approach to planning and implementation of new business ventures and strategic projects as well as requirement analysis for an integrated group-wide risk information management system (GRC platform)

As part of continuous improvement of the Risk Management system, the following activities have been planned for the year 2015 Implementation of an integrated group-wide risk information management system, further implementation of risk appetite and risk tolerance into the decision making processes as well as risk awareness initiatives across the organisation

Major risks

Globally, the airline industry is one of the sectors most sensitive to external shocks, seasonalities and cyclical changes in economic conditions Finnair carries out a comprehensive risk management process, to ensure that risks are identified and mitigated where possible, although many remain outside our full control

The risks and uncertainties described on the following page are considered to potentially have significant effect on Finnair's business, financial results and future prospects This list is not intended to be exhaustive

Major risks

Risk	Definition	Our risk responses include, but are not limited to:	
EXTERNAL			
Competitors	The risk of competitors or new entrants to the market taking actions to establish sustainable competitive advantage over Finnair	• Continuous monitoring of competitor activities • *Scenario analysis* • Contingency planning	Product development program(s) *Active joint business and alliance cooperation*
Traffic charges and flight permissions	The price and availability of overflight rights as well as the price of traffic charges such as arrival departure and navigation charges result in a negative impact Finnair's business operations and profit margin	• Continuous monitoring of political environment Lobbying	• Active cooperation with key stakeholders • Enterprise-wide dependency analysis
Capital availability	The risk that insufficient access to capital threatens Finnair's capacity to grow execute its business model and generate future financial returns	Funding plan Treasury Policy	Roadshows and one-on one meetings with investors and analysts Capital Markets Day(s)
Economic volatility	The risk that major economic volatility or other large scale economic disturbances slow down travelling.	On-going analysis of market trend development • Periodical risk assessments • Contingency planning	Risk diversification through active vendor portfolio management • Structural changes • Fleet ownership strategy
Country risk	The risk that sudden changes in demand political upheaval, cultural factors, natural disasters pandemic or other disturbances in destination countries slow down travelling and/or hinder Finnair's ability conduct business	Continuous monitoring and market intelligence • Group level risk assessments • Foreign unit risk assessments	Contingency planning • Crisis communication planning • Network diversification
Alliances and Joint Businesses	*The risk that other alliances and/or joint businesses gain competitive advantage* over oneworld Finnair's joint businesses and/or lack of performance and missing of targets	• *Active alliance cooperation* • Joint business governance model Dedicated alliance and joint business teams	• *Project and process management methodology implementation* • Joint continuous process improvement activities Internal controls over joint business processes
Partners and suppliers	The risk that quality and availability issues and/or unexpected costs associated with partnerships and suppliers have adverse effect on Finnair's product and profit margin or suppliers gain bargaining power over Finnair	Supplier diversification • Supplier relationship management program • Supplier risk assessments • Contract risk management	Dedicated procurement specialists per supplier category Dedicated partner managers Scenario analysis Contingency planning
Market risk	The risk of incurring additional costs due to adverse movements of the interest rates unsuccessful currency position and/or rise of jet fuel price	• Treasury policy approved by the Board of Directors • Internal controls over Treasury policy implementation	Continuous monitoring of hedging ratio(s) Scenario and sensitivity analysis
Laws and regulations	The risk that changes in laws regulations or their interpretations significantly affect Finnair's ability to efficiently conduct business	Compliance management programme to identify changes in external requirements and align internal activities to support compliance them Dedicated internal policies	• Awareness through tailored training programs • Ensuring ability and resources to execute controls
INTERNAL			
Strategy implementation	The risk that the implementation of Finnair's strategic programs and projects fail.	Formal project management methodology implemented in all strategic projects including risk identification assessment and mitigation planning Program management office (PMO) project owner project manager and experienced project teams are in place to oversee delivery and track progress of all projects	Steering group in place with senior management involvement
Human capital	The risk that Finnair is not able to execute its strategy due to inadequate quality, commitment or resourcing of human capital.	Strategic competency management • Continuous improvement of HR processes • Change management program • Employee wellbeing strategy	Internal communication management Union relations management Contingency planning Active and open communication with key stakeholders
Capacity planning	The risk that insufficient capacity threatens Finnair's ability to meet customer demands or excess capacity threatens Finnair's ability to generate competitive profit margins	• Network strategy • Demand forecasting • Route performance monitoring	Deviation analysis Continuous improvement
Operational disruptions	The risk that Finnair is unable to continue critical operations and processes due to unavailability of resources such as information and supporting information technologies	• Business impact analysis • Disruption risk and vulnerability assessments Business continuity planning and testing • IT disaster recovery planning and testing	• Supplier portfolio diversification Third party requirements • Third party audits
Revenue management	The risk that Finnair is not capable of performing competitive revenue management to optimise its revenues per seat kilometre	• Revenue optimisation process • Daily monitoring of booking trends issued sales advance booking reports • Following up of key variables such as market shares pricing structure and yields of other relevant airlines as well as route profitability	• Control measures to ensure timeliness and integrity of revenue management information • Executive level monitoring and performance evaluation

Remuneration Statement 2014

CONTENTS

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 2014 Further information is also available on the company website at www finnairgroup com We have prepared this remuneration statement based on Recommendation 47 of the Finnish Corporate Governance Code for Listed Companies published by the Finnish Securities Market Association, and it also covers other key components of remuneration that we believe the readers are interested in.

Total compensation at Finnair

Finnair's aim is to recruit, motivate and develop employees to allow them to successfully implement the company's strategy A motivating, fair, competitive and transparent remuneration structure has a significant effect on the company's ability to achieve this aim Remuneration must also be competitive in terms of its costs From the perspective of the competitive situation in the aviation industry and the implementation of Finnair's strategy, it is essential that the labour costs for all personnel groups are in line with the market level

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 The overall remuneration of Finnair's different personnel groups are compared annually to the local pay levels in similar tasks in every country in which the company operates

The salary and other incentive structures applicable to the CEO, the members of the Executive Board, senior salaried employees, engineers and personnel based in units abroad are as follows

I. Fixed pay base salary
II **Variable pay** short and long-term incentives linked to company and individual performance
III. **Employee benefits** perquisites and other personnel benefits

Salaries, addendums and other compensation components of personnel groups other than those mentioned above are, for the most part, defined in their respective Finnish collective agreements Outside Finland, Finnair follows the pay practices and collective agreements of each country of operation Collective labour agreements are available on the company website at www finnairgroup com

Employment benefits for all personnel include a staff ticket benefit in line with company policy, as well as a Sickness Fund for employees based in Finland Certain personnel groups also have a car benefit and mobile phone benefit in line with company policy

Finnair aims to make work rewarding and interesting through not only monetary incentives, but also by offering opportunities for development and job rotation within the company Finnair systematically develops the competencies of employees and aims to create opportunities for promotions according to employees' development Employees are satisfied at Finnair, as evidenced by a high average duration of employment and a very low employee turnover The average service years of all employees was 17 4 at year-end 2014

Computational monthly earnings of Finnair's major Finnish personnel groups in 2014*

Personnel Group	Median**	
	2014	2013
Executive Board	18,486	18,998
Pilots (SLL)	10,216	10,469
Management positions	8,517	9,004
White Collar Employees (FYT)	5,253	5,333
Engineers (FIRY)	5,154	5,305
Technical Employees (FT)	5,116	4,877
Technical Services (IAU)	4,777	4,577
Cabin Crew (SLSY)	4,207	4 152
Ground Services (IAU)	3,911	3,825
Aviation Employees (SLV)	3,551	3,486

* Computational monthly earnings Taxable gross earnings divided by 12 months The calculations only include employees who earned pay for the full year Temporary cabin crew layoffs have been eliminated from the calculations The calculations do not include tax exempt benefits or other untaxed forms of compensation, such as daily allowances The data does not include pilots in supervisor roles Long-term incentives are not included.

** The median pay describes the average salary of each group or the point where half of the employees in the group earn more than the amount, and half earn less.

Average years of service in Finnair's major Finnish personnel groups on 31 Dec 2014

Personnel Group	Average years of service
Executive Board	6 3
Pilots (SLL)	14 5
Management positions	15 7
White Collar Employees (FYT)	16 6
Engineers (FIRY)	21 7
Technical Employees (FT)	26 4
Technical Services (IAU)	19 9
Cabin Crew (SLSY)	20 7
Ground Services (IAU)	18 7
Aviation Employees (SLV)	21 9
Average of major Finnish personnel groups	**19.2**

Variable pay is linked to company and individual performance.

Compensation is based on job grading

Finnair uses job grading as the basis for determining the compensation of the CEO, members of the Executive Board, senior salaried employees, engineers and personnel based in units abroad

Job grading is based on the significance of the job and responsibility within the organisation, rather than hierarchical reporting relationships Job grading is tied to the job If a person changes from one job to another, his or her job grade may change Job grading enables uniformity in compensation related decisions both internally and compared to the market

Variable pay

Variable pay is linked to company and individual performance The aim of variable pay in the form of short and long-term incentives is to achieve a flexible and incentivising pay structure that is linked to the company's success and the individual's own performance In addition, long-term incentives are aimed at committing personnel and management to the company and to bring their interests in line with the interests of shareholders Performance targets are set by Finnair's Board of Directors

Short-term incentives

Short-term incentive scheme

Finnair utilises performance-driven short-term incentives throughout its management The incentive scheme is comprised of a process of target setting, performance evaluation and performance review At the target level, the short-term variable pay ranges from 2 5–30 per cent of base salary, depending on the job grade If an individual exceeds his or her targets substantially, the variable pay may, at a maximum, reach 5–60 per cent of the annual base salary The short-term incentive scheme is based on the company's six-month budgeting period and the variable pay is 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 targets are mainly based on financial measures but also on operative and quality KPIs such as customer and employee satisfaction

In 2014, the short-term incentive for members of the Executive Board corresponded to 20 per cent of the base salary at the target level and 40 per cent of the base salary at the maximum level The corresponding figures for the CEO were 30 per cent at the target level and 60 per cent at the maximum level.

According to the government guidelines issued by the Finnish Cabinet Committee on Economic Policy on 13 August 2012, the short-term incentive for an individual may not exceed 60 per cent of the annual base salary in any given year

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, other members of the Executive Board and the participants of the performance share plan are not members of the Personnel Fund In 2014, the targets of the personnel fund were not reached

Long-term Incentives

Personnel share savings plan FlyShare

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

The plan consists of annually starting savings periods which are followed by a two-year shareholding period Of all employees invited to participate, approximately 20 per cent participated in the first savings period, which commenced on 1 July 2013 The second savings period commenced on 1 July 2014 and about 700 employees, or 15 per cent of those invited, enrolled for this period Every new savings period is decided separately by the Finnair Board

Participation in the plan is voluntary Through the plan, each eligible Finnair employee is offered the opportunity to save part of his or her salary to be invested in Finnair shares The maximum monthly savings are 8 per cent and the minimum 2 per cent of each participant's gross base salary per month, with the annual maximum savings set at 8,000 euros per participant. Shares are purchased with the accumulated savings at the market price quarterly, after the publication dates of Finnair's interim results Any dividends paid on purchased shares during the savings period will be automatically reinvested in Finnair shares on the purchase date following the payment of dividend.

After the two-year shareholding period, Finnair will award each participating employee one matching share for each two shares purchased The awarded additional shares are taxable income for the recipient The matching shares for the first FlyShare savings period 2013–2014 will be delivered in February 2016 and the matching shares for the second savings period 2014–2015 in February 2017 In addition, employees participating in the plan for the first time are rewarded with 20 bonus shares after the first three months

Performance-based long-term incentive plan for key personnel

Finnair's Board of Directors approved on 7 February 2013 a new performance share plan for the key personnel of the Finnair Group The share plan replaced the previous program which expired at the end of 2012 The purpose of the share plan is to encourage the management to work to increase long-term shareholder value The share plan is in line with the government guidelines regarding the remuneration of executive management and key individuals

The share plan consists of annually commencing individual plans within which the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors are achieved The commencement of each new plan is subject to a separate approval of Finnair Board of Directors

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

The potential reward will be delivered in Finnair shares For members of the Executive Board, the share delivery is split into three share tranches that will be delivered to during the three years following the performance period (50 per cent, 30 per cent and 20 per cent) For other participants, the shares will be delivered in two tranches, 50 per cent each, during the two years following the performance period

As a consequence of the transfer from the previous fixed three-year structure to a rolling structure, the new plan will not be in full effect until 2018 Because of this, a one-off bridge element has been added to the plan to supplement payments in 2016 and 2017, if a separate performance target is reached No shares will be delivered under the long-term incentive plan in 2014 and 2015

If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to the CEO or other member of the Executive Board participating in the plan will be 30 per cent of his or her annual base salary If the performance criteria set for the plan are met at the maximum level, the incentive paid in Finnair shares will be 60 per cent of the participant's annual base salary For other key personnel, the target level for incentives is 20–25 per cent and maximum 40–50 per cent of the person's average annual base salary according to the job grade

According to the rules of the share program, the maximum value of shares delivered to an individual participant based on the share program in any given year may not exceed 60 per cent of the person's annual base salary

The amounts of shares above are stated before tax The number of shares delivered will be deducted by an amount corresponding to the income tax and transfer tax payable for the incentive at the time of payment.

A person is not entitled to the incentive if he or she resigns or is dismissed before the date of payment In addition, during the restriction period the Board of Directors is entitled, at its discretion, to reclaim already delivered shares from a person included in the share plan who resigns or whose service in the company is terminated

The Board of Directors is also entitled, subject to a particularly weighty reason, to change or cancel the incentive or to postpone its payment The Board of Directors is entitled to remove a participant from the share plan if the person has committed a significant offence or acted in a manner detrimental to the company or contrary to the company's interests

2013–2015 share plan

Finnair's Board of Directors approved the 2013–2015 share plan on 7 February 2013 The general terms of the performance share plan described above apply to this plan On 31 December 2014, the number of employees eligible to participate in this plan was approximately 40

The performance criteria applied to the plan for 2013–2015 are the Group's relative operating EBIT margin growth and decrease in unit costs in European traffic These two criteria are assigned weights of 60 per cent and 40 per cent, respectively The performance criterion for the share plan's bridge element is the operating EBIT margin

The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors Performance against the criteria is monitored quarterly

2014–2016 share plan

Finnair's Board of Directors approved 2014–2016 share plan on 10 February 2014 The general terms of the performance share plan described above apply to this plan. On 31 December 2014, the number of employees eligible to participate in this plan was approximately 50

The performance criteria applied to the plan for 2014–2016 are Return on Capital Employed (ROCE) and Total Shareholder Return (TSR) These criteria are weighted equally (50 per cent and 50 per cent)

The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors Performance against the criteria is monitored quarterly

2015–2017 share plan

Finnair Board of Directors approved 2015–2017 share plan on 16 December 2014 The general terms of the performance share plan described above apply to this plan The number of employees eligible to participate in this plan is approximately 60 persons

The performance criteria applied to the plan for 2015–2017 are Return on Capital Employed (ROCE) and Total Shareholder Return (TSR) These two criteria are assigned weights of 50% and 50%

The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors Performance against the criteria is monitored quarterly

Long-term incentive plan for pilots

Finnair's Board of Directors approved on 13 October 2014 a new long-term incentive plan for Finnair pilots The plan is a part of the savings agreement between Finnair and the Finnish Air Line Pilots' Association (SLL) that brings Finnair 17 million euros in permanent annual savings The savings agreement was contingent on the realization of the incentive plan

The plan period is 2015–2018 and the prerequisite for rewarding pilots based on this plan is the materialization of the agreed cost savings over this time period In addition, the company share price must be at least 4 euros at the end of the incentive plan If these conditions are met, the pilots are entitled to a cash payment The amount of the payment is based on the Finnair share price The total payment is 12 million euros with a share price of 4 euros and 23 million euros with a share price of 8 euros, which is also the maximum earning of the plan Divided over the four-year period, the annual earnings potential for one participant is equivalent to 5–10 per cent of the annual base salary

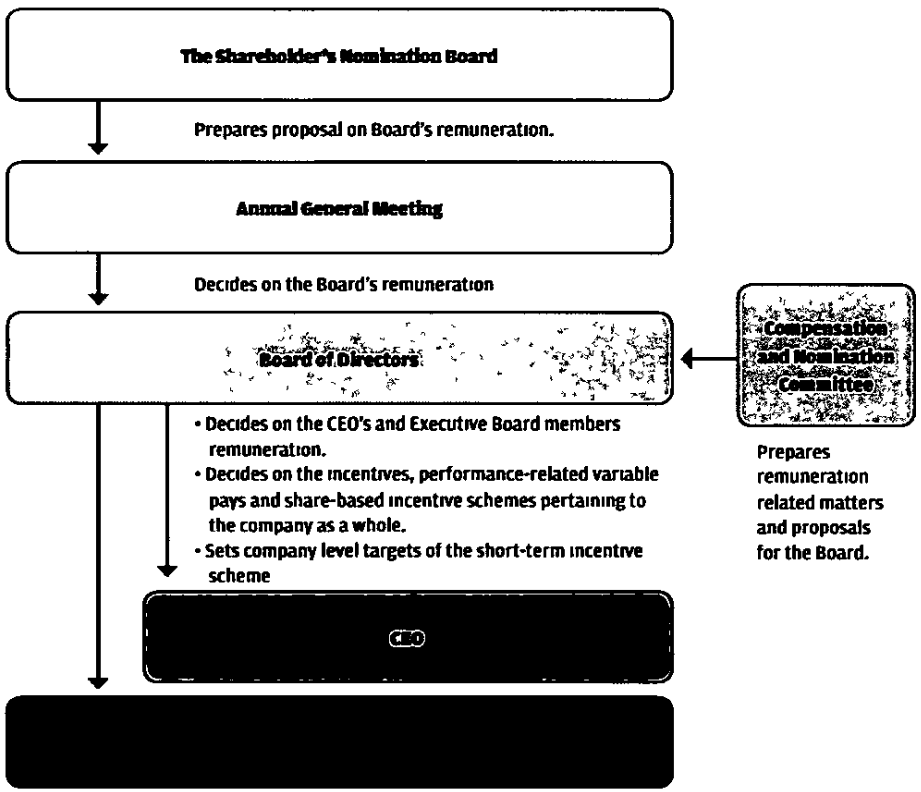
There are approximately 700 pilots eligible to participate in the plan The cash payment will be delivered in spring 2019, provided that the conditions mentioned above are met

Management remuneration decision-making procedure

The Board of Directors' remuneration. The Shareholders' Nomination Board 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 Compensation and Nomination Committee. Decisions on remuneration have been made with consideration of the government guidelines.

Remuneration decision-making procedure



Remuneration of the Board of Directors in 2014

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 Board 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 decided by the 2014 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, 2,400 euros per Board or committee meeting

Remuneration paid to Board of Directors in 2014

	Annual remuneration*	Board meetings	Committee meetings	Meeting compensation	Meeting compensations in total	Taxable benefits**	Total
Members 1.1.–31.12.2014							
Klaus Heinemann (chairman)	61,200 00	9/9	1/1	1,200 00	10,800 00	0 00	72,000 00
Harri Kerminen (deputy chairman)	32,400 00	9/9	10/11	600 00	9 600 00	1,465 72	43 465 72
Maija-Liisa Friman	30,000 00	9/9	6/6	600 00	7,800 00	9,466 19	47 266 19
Gunvor Kronman	30,000 00	8/9	5/5	600 00	6,600 00	3,538 39	40,138 39
Jussi Itävuori	30,000 00	9/9	5/5	2,400 00	24,000 00	6,361 26	60,361 26
Members 27.3.–31.12.2014							
Jaana Tuominen	22,500 00	7/7	3/3	600 00	4,800 00	0 00	27,300 00
Nigel Turner	22,500 00	7/7	5/5	2,400 00	26,400 00	1,395 40	50,295 40
Members 1.1.–27.3.2014							
Merja Karhapää	7,500 00	2/2	1/1	600 00	1,800 00	0 00	9,300 00
Antti Kuosmanen	7,500 00	0/2	1/2	600 00	600 00	0 00	8 100 00

Remunerations paid to the Board in 2014
* The remuneration is expressed at the annual level but paid in monthly instalments
** Taxable benefits include Finnair staff tickets. The members of the Board and their spouses have a right to use staff tickets in accordance with Finnair's staff ticket rule

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 Under the current rules, the Directors and their spouses are entitled to 4 return or 8 one-way tickets on Finnair flights per calendar year in Economy or Business Class The fare of these tickets is zero, exclusive of any airport taxes, fees and charges, which are payable by the Directors and their spouses These tickets constitute taxable income in Finland

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

Management remuneration in 2014

In 2014, Finnair's CEO was Pekka Vauramo The Executive Board comprised seven members in addition to the CEO SVP HR Manne Tiensuu and Chief Commercial Officer Allister Paterson resigned from the Executive Board during 2014 New SVP HR Eija Hakakari started on 1 October 2014 and new Chief Commercial Officer Juha Järvinen on 1 November 2014 In addition, on 31 December 2014 SVP Resource Management Gregory Kaldahl left Finnair The Executive Board's salary and other remuneration paid in 2014 is presented on page 8

In 2014, no long-term incentives were paid to management Executive Board short-time incentives decreased from 2013 substantially due to financial performance of the company

The long-term incentives paid to management and other key individuals in spring 2013 were based on the three-year share-based bonus scheme that started in 2010 and ended in 2012 The scheme is described in more detail in the remuneration statements for 2011 and 2012 as well as in the Financial Reports for 2010, 2011 and 2012, under Note 26, Share based payments The Board of Directors approved the scheme on 4 February 2010, and its terms took into account the government guidelines regarding the remuneration of executive management and key individuals valid at the time The long-term incentive payout for the three-year period was 43 per cent of the maximum level The shares paid in spring 2013 are subject to a restriction on their sale until the end of 2015 In addition, the shares for which incentive based on the purchase of shares were paid in 2011 and 2013 were subject to an embargo on their sale until the end of 2013

Supplementary pensions

The CEO

The CEO, Pekka Vauramo, accumulates pension and his retirement age is defined in accordance with the Finnish Employees' Pensions Act The CEO does not have a supplementary pension benefit

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 some of the members of the Executive Board

All pension arrangements for members of the Executive Board are collective within the meaning of Finnish tax laws All supplementary pensions taken for the executives are defined contribution schemes The supplementary defined contribution pension arrangement applies to four members of the Executive Board The annual contribution equals 10 per cent of the income for the year (income being defined in accordance with the Finnish Employees' Pensions Act) The supplementary pension includes vested rights The retirement age is 63 years There are no Executive Board members with defined benefit supplementary agreements

New CEO and Executive Board member service contracts concluded after 1 January 2013 will not include supplementary pension benefits

Termination of the service contract and severance pay

The CEO

According to Pekka Vauramo's service contract, both the CEO and the company have the right to terminate the service contract without a specific cause The notice period is six months for both the company and 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 The severance pay does not apply if the CEO resigns or retires

Executive board

According to service agreements, both parties have the right to terminate the service contract without a specific cause The maximum notice period is six months for both parties 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 maximum of twelve months 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

Other benefits

The CEO

CEO Pekka Vauramo's benefits include life insurance, free-time accident insurance, travel insurance, management liability insurance and medical insurance The life insurance coverage starts at 20 per cent of annual pay and increases each year The total sum may not, however, exceed EUR 500,000 The CEO also has a mobile phone benefit in line with company policy

Executive board

The benefits of the members of the Executive Board include free-time accident insurance, travel insurance, management liability insurance and medical insurance They also have a car benefit and mobile phone benefit in line with company policy

Management remuneration, the company's long-term incentive plan and pension contributions are also described in Finnair Financial Statements 2014 in note 3 8 Employee benefits

Salary and other remuneration paid, euros per year		CEO 2014	CEOs 2013			Executive Board 2014[1]	Executive Board 2013[1]
		Pekka Vauramo	Mika Vehviläinen (CEO until 28.2.2013)	Ville Iho (Acting CEO 27.1.-31.5.2013)[2]	Pekka Vauramo (CEO from 1.6.2013)		
Base Salary[3]							
The monthly salaries of the CEO and members of the Executive Board are decided by the Board of Directors.	**In total, euros**	**638,600**	**178,039**	**225,040**	**360,500**	**1,614,461**	**1,620,049**
Employee benefits							
Employee benefits are described on page 7	Car benefit, taxable value	0	1,890	12,540	0	60,999	58 080
	Phone benefit, taxable value	240	40	240	140	1,720	2,240
	Housing benefit, taxable value	0	4,699	0	0	0	0
	Other taxable benefits[8]	3,695	-	-	-	2,916	-
	In total, euros	**3,935**	**6,629**	**12,780**	**140**	**65,635**	**60,320**
Short-term incentives[4]							
Principles are described on pages 2–3.	Target payout, %	30%	20%	20%	30%	20%	20%
	Payout, % of base salary[5]	18%	53%	19%	0%	10%	18%
	In total, euros	**117,508**	**94,382**	**43,299**	**0**	**163,104**	**289,699**
Long-term incentives							
Long-term incentive plan 2010–2012							
A three-year share plan Principles are described on page 5	Share-based incentive, paid in cash	0	0	102,850	0	0	640,910
	Share-based incentive, paid in shares, in euros[6]	0	0	68,567	0	0	427,273
	Purchasing incentive, in euros[7]	0	150,147	49,572	0	0	265 766
	In total, euros	**0**	**150,147**	**220,989**	**0**	**0**	**1,333,949**
Salary and other remuneration paid in total		**760,042**	**429,197**	**502,108**	**360,640**	**1,843,200**	**3,304,017**

[1] Salary and remuneration of Acting CEO Ville Iho for 2013 not included Salary and remuneration included for Executive Board membership period only
[2] Ville Iho s salary and other remuneration for the full year 2013
[3] Base salary includes holiday bonus.
[4] Earnings period for incentives paid in 2013 was 1 Jul 2012–30 Jun 2013 and for incentives paid in 2014 1 Jul 2013–30 Jun 2014
[5] Short-term incentives compared to base salaries.
[6] The value determined by the share price (EUR 2 5337) at the time of payment.
[7] Earnings period for purchasing incentives is the previous year
[8] Other taxable benefits include health insurances and staff tickets

Board of Directors 31 December 2014


Klaus Heinemann


Harri Kerminen


Maija-Liisa Friman


Jussi Itävuori


Gunvor Kronman


Jaana Tuominen


Nigel Turner

Klaus Heinemann
b 1951, Diplom Kaufmann, German citizen. Chairman of the Finnair Board of Directors since 27 March 2013 Member of the Board since 2012.
Committee memberships. -
Main occupation. Board professional.
Key positions of trust Member of the Advisory Board of Skyworks Holdings LLC non-executive Board Director of Algeco Scotsman Holdings, Advisory Board Director of Avinomics GmbH.

Harri Kerminen
b 1951, M Sc. (Eng.), MBA, Finnish citizen Vice Chairman of the Finnair Board of Directors since 2012, member since 2011
Committee memberships Audit Committee and Compensation and Nomination Committee.
Main occupation. Board professional.
Key positions of trust. Chairman of the Board of Metgen Oy, HST Partners Oy and Magsort Oy, Member of the Board of Tikkurila Oyj, Normet Oy and Harjavalta Oy

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, member of the Boards of Talvivaara Plc, 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 Compensation and Nomination Committee (Chairman)
Main occupation. Senior Partner, RJI Partners Limited.
Key positions of trust -

Gunvor Kronman
b 1963, MA, Finnish citizen
Member of the Finnair Board of Directors since 2012
Committee memberships Compensation and Nomination Committee
Main occupation. CEO of Hanasaari – the Swedish-Finnish Cultural Centre
Key positions of trust. Chairman of the Board of Kalevala Jewelry, Plan Finland and Vice Chairman of the Board of Crisis Management Initiative and The Finnish Development Policy Committee Member of the Boards of The Finnish Red Cross Blood Service, Helsinki University, Konstsamfundet, Plan International The Finnish Unesco Committee, The Swedish Royal National Theater Dramaten (Sweden), Rand Corporations (US/UK) and Augusta Victoria Hospital (Palestine)

Jaana Tuominen
b 1960, M Sc. (Eng), Finnish citizen
Member of the Finnair Board of Directors since 2014
Committee memberships Compensation and Nomination Committee
Main occupation CEO of Paulig Group since 2008
Key positions of trust Member of the Board of Directors of Suominen Oyj, Suomen Messut Osuuskunta, and Elintarviketeollisuusliitto ry
Past key positions of trust Rautaruukki Oyj, member of the Board of Directors (2010-2014)

Nigel Turner
b 1958, BA (Hon), British Citizen
Member of the Finnair Board of Directors since 2014
Committee memberships Audit Committee
Main occupation -
Key positions of trust. Mr Turner is the Deputy Chairman of the Board of Directors and the Chairman of the Audit Committee of aircraft leasing company Jetscape Inc

The Board of Directors was elected in the Annual General Meeting held on 27 March 2014 More detailed information about the board members and their ownership of Finnair shares can be found at www.finnairgroup.com

Executive Board 31 December 2014

Pekka Vauramo
@pekkavau

Eija Hakakari
@eijahakakari

Erno Hildén
@ernohilden

Ville Iho

Juha Järvinen
@juhahelsinki

Gregory Kaldahl until 31 Dec 2014

Sami Sarelius

Arja Suominen
@arjasuominen

Pekka Vauramo
b 1957 M Sc (Mining) President and CEO as of 1 June 2013 He joined Finnair from Cargotec, a Finnish cargo and load handling company, where he held different management positions between 2007 and 2013 Before his transfer to Finnair, he was based in Hong Kong from 2010 as COO of the MacGregor Business Area Between 1985 and 2007 he worked at Sandvik, a Swedish mining and construction company

Eija Hakakari
b 1961, M Sc (Education), SVP Human Resources as of 1 of October 2014 Before joining Finnair, she was SVP Human Resources at Stora Enso's Printing and Living division Her previous positions include SVP Human Resources at Rautaruukki and various HR director positions in both China and Finland

Erno Hildén
b 1971, M.Sc. (Econ.) CFO, in Finnair's service since 1997 His previous posts include VP for Finnair Leisure Flights business unit and various business development posts in Finnair corporate management. Prior to his present position he was Finnair Plc's COO

Ville Iho
b 1969, M Sc (Technology), COO, in Finnair's service since 1998 He previously held various posts in Finnair Plc's Scheduled Traffic Prior to his present position he was Finnair Plc's SVP Resources Management.

Juha Järvinen
b 1976, MBA, Chief Commercial Officer as of 1 November 2014 In Finnair service since 2012 He has extensive experience in managing different services within the airline industry He served as Managing Director of Finnair Cargo since March 2012, and prior to that he was the Vice President, Ground Handling International in SAS Scandinavian Airlines

Gregory Kaldahl
b 1957, B Sc (Education), SVP Resources Management, in Finnair's service since 2011 He has previously worked for several airlines His latest position was VP, Resource Planning for United Airlines His four year term at Finnair ended on 31 December 2014

Sami Sarelius
b 1971, LL M SVP and General Counsel, in Finnair's service since 1998

Arja Suominen
b 1958, MA, e-MBA, SVP Corporate Communications and Corporate Responsibility, in Finnair's service March 2011 She previously worked for Nokia, mainly in communications positions, ultimately as Nokia's Senior Vice President, Communications

More detailed information about the members of the Executive Board and their ownership of Finnair shares can be found at www.finnairgroup.com

Social indicators

Finnair supplier code of conduct includes requirements for respecting human and labour rights.

HR7

Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour

Finnair does not approve of the use of forced labour in any part of its value chain With respect to the aviation industry, the company has not identified any risk for incidents of forced labour This is a consequence both of the general nature of the industry and the strict official regulation and supervision of the industry

Nevertheless, the aviation industry and Finnair's operations do interact with global sectors in which the use of forced labour cannot be excluded, the textile industry for example Finnair's uniforms and workwear are acquired from suppliers that have addressed ethical issues in their own operations

The risks for forced labour and measures taken to eliminate those are part of the overall supply chain evaluation and control Finnair supplier code of conduct includes also requirements for respecting human and labour rights

SO5

Public policy positions and participation in public policy development and lobbying

Finnair monitors the political operating environment of the aviation industry and openly participates in discussion on industry regulation The objectives of Finnair's advocacy work are to anticipate regulation that applies to the company, as well as to influence such regulations in a fair and transparent manner In order to optimally allocate our resources, our advocacy work is focused on promoting our most important goals at the national and international levels

Finnair's key societal stakeholders are ministries of transportation and civil aviation authorities Finnair representatives participate in legislative and industry-related hearings in the Finnish Parliament and in government ministries and also otherwise meet with policymakers to discuss regulation that affects its business Finnair's most important advocacy targets are regulations that have an impact on traffic rights, cost factors and international trade relationships

Restricted air traffic rights are defined by air transport agreements between countries or groups of countries As Finnair aims to provide its customers with the most direct and comprehensive routes between Europe and key Asian destinations, the company cooperates with the authorities to secure rights to scheduled flights in Southeast Asia and overflight rights in Russia

Finnair's advocacy work related to cost factors is primarily focused on labour market policy, consumer law and environmental policy EU emissions trading, which started in 2012, extends to air traffic and is a significant issue for Finnair, which operates in and from the EU area Finnair engages in advocacy work to achieve a global emissions trading agreement for air transport instead of regional systems, that would treat airlines equally and support other emissions reduction targets of the industry

Finnair cooperates with various associations and chambers of commerce in the majority of its advocacy work pertaining to regulations on civil aviation and economic activity Finnair is actively involved not only in international aviation industry organisations such as AEA and IATA, but also the Confederation of Finnish Industries, its industry organisations and several chambers of commerce in key operating countries

GRI

We're among the first airlines in the world to report according to GRI standards.

Reporting principles

Finnair began reporting on its environmental impact in 1997 and in 2008 was one of the first airlines in the world to communicate its corporate responsibility issues by applying the Global Reporting Initiative (GRI) reporting framework

Also this annual report has been compiled in accordance with the GRI's G3 Guidelines In addition to the parent company, the report covers subsidiaries and business units that support flight operations in Finland as well as the group's subsidiaries that provide and sell travel services in Finland

The Finnair Group does not report on the operations of foreign subsidiaries, because as minor operators they are deemed not to be of key significance in terms of the group's corporate responsibility issues Possible exceptions to this are mentioned separately in connection with each key figure The Finnair Group, moreover, does not report on outsourced operations

Operating segment	Business unit/subsidiary	Included in report	Justification
Airline business	Airline Business	Yes	
	Finnair Cargo Oy	Yes	
	Finnair Aircraft Finance Oy and FAF subsidiaries	Yes	
	Finnair Technical Services Oy	Yes	
	Finnair Engine Services Oy	Yes	
	LSG Sky Chefs Finland (related to material flows)	Yes	
Travel services	Oy Aurinkomatkat - Suntours Ltd Ab	Yes	
	Finland Travel Bureau Ltd (FTB)	Yes	
	A/S Estravel Ltd	No	Foreign subsidiary of a subsidiary (travel agency)
	Amadeus Finland Oy	Yes	
Other functions	Group Administration	Yes	
	Joint functions	Yes	
	FTS Financial Services Oy	Yes	
	Finnair Flight Academy Oy	Yes	

Finnair maintenance organisation consists of two indepent companies Finnair Technical Services Oy and Finnair Engine Services Oy This approach is justified by the fact that the operations of both technical services subsidiaries are the repair and maintenance of aircraft and their components, and for this reason their corporate responsibility aspects are convergent at the group level

Information sources, measurement and calculation methods

The information of the report has been collected from the group's internal statistics systems and also from various subcontractors In terms of measurement and calculation methods, the GRI G3 calculation guidelines have been adhered to whenever the available data have so allowed If some other measurement or calculation method has been used, this is mentioned in connection with the key figure concerned The figures have been presented in time series when this has been appropriate and reliably possible

Figures on economic responsibility are mainly derived from the financial statements Other information with respect to economic responsibility is derived from the group's various operators

Finnair's largest single material cost item is jet fuel In this report, jet fuel is treated, however, as energy, because in terms of its purpose and environmental effects it is sensible to understand jet fuel as stored energy Fuels are also reported on the basis of their mass and volumes

In terms of flying, emissions values and fuel consumption figures are derived from the company's own monitoring systems and based on actual consumption Because Finnair has prepared for the EU emissions trading system, the emissions calculations are also verified by an external party

In relation to material streams, amounts of waste, and energy consumption of properties, data have been obtained from service providers, goods suppliers and on the basis of invoices paid. With respect to Finnair Technical Services, environmental data are also obtained from monitoring and measuring systems required by their environmental permits In terms of Technical Services' use of materials, only chemicals are reported, because the statistical practice of raw materials and spare parts does not allow a comparable way of presentation. Finnair Technical Services is not, however, a significant user of raw materials, and its main environmental aspects relate to storage and use of chemicals Meal services for Finnair flights from Helsinki are supplied by Finnair's partner LSG Sky Chefs Finland As one of Finland's largest kitchens, it consumes a substantial amount of materials and also represents a considerable proportion of the material consumption in Finnair's supply chain.

Information on personnel comes from Finnair's HR information system and from parties responsible for the wellbeing of employees Accident statistics are obtained from the insurance company and they are updated retroactively, as a result of which the 2014 figures may be subject to further adjustment Information relating to human rights and local communities are derived from procurement agreements, from personnel responsible for procurement, subcontractors and, in terms of the impact of tourism, mainly from Aurinkomatkat-Suntours, which as a tour operator occupies a key position in this respect Operational conformity with laws and regulations has been confirmed with the group's Legal Affairs department Customer satisfaction data, on the other hand, are based on customer satisfaction surveys and on feedback received by the group

Effect of any re-statements of information provided in earlier reports

There has been no changes in the methods of data collection and calculation used despite the change in report format. Information on changes in individual KPI's is provided under the section on the indicator in question

Changes pertaining to the group's organisational structure and the calculation of the financial statement data are described in more detail in Financial section of this report.

Reporting priorities

In 2013, Finnair discontinued publication of separate CR-report and Financial report. All the data can be found in one report

The report highlights and discusses the material issues to Finnair's operations More information about the materiality assessment process can be found in page 14–15

GRI matrix

GRI guidelines	Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
Strategy and Analysis				
1 1 Statement by the CEO	Yes	3-4		
1 2 Description of key impacts risks and opportunities	Yes	7-12 14-16 23 29-35 47-48 69-71 122-126 137-140		
2 Organisational Profile				
2 1 Name of the organisation	Yes	Finnair Plc		
2 2 Primary brands, services and/or brands	Yes	5 18-22 35 63-64		
2 3 Operational structure of the organisation	Yes	63-65 127-129		
2 4 Location of organisation s headquarters	Yes	HOTT Tietotie 9 Vantaa Finland		
2 5 Georgaphical location of operations	Yes	7 60 64		
2 6 Nature of ownership and legal form	Yes	63-68		
2 7 Markets served	Yes	7-12 18-21 60		
2 8 Scale of the reporting organisation	Yes	58-66		
2 9 Significant changes during the reporting period regarding size structure or ownership	Yes	60-71		
2 10 Awards received in the reporting period	Yes	3 64		
3 Report Parameters				
3 1 Reporting period	Yes	1 12014-21 12 2014		
3 2 Date of most recent report	Yes	March 2013		
3 3 Reporting cycle	Yes	Annual		
3 4 Contact point for questions regarding the reports or its contents	Yes	Finnair Oyj Tietotie 9 01053 Finnair Kati Ihamäki VP Sustainable Development kati ihamaki(a)finnair com		
3 5 Process for defining report content	Yes	14-15		
3 6 Boundary of the report content	Yes	152-153		
3 7 Specific limitations on the scope or boundary of the report	Yes	152-153		
3 8 Basis for reporting on joint ventures subsidiaries leased facilities and outsourced operations	Yes	70 78-80 152-153		
3 9 Data measurements techniques and the bases of calculations	Yes	152-153	Possible anomalies are mentioned separately for each indicator	
3 10 Explanation of the effect of any re statements of information provided in earlier reports	Yes	152-153		
3 11 Significant changes from the previous reporting periods in the scope bounday or measurements methods applied in the report	Yes	152-152		
3 12 GRI Content Index	Yes	154-161		
3 13 Policy and current practice with regard to seeking external assurance for the report	Yes	The report has not been externally assured		
4 Governance Commitments and Engagement				
4 1 Governance structure of the organisation	Yes	127-136		
4 2 Status of the chair of the highest governance body	Yes	127-136 148		

GRI guidelines	Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
4 3 Independence of Members of the Board of Directors	Yes	127-136 148		10
4 4 Mechanisms for shareholders and employees to influence actions of Board of Directors	Yes	122-136		
4 5 Linkage between compensation for Members of the Board of Directors and senior managers to the organisation s social and environmental performance	Yes	141-147		
4 6 Process to prevent conflicts of interests in Board work	Yes	122-136		
4 7 Process for determination the qualifications of Members of the Board in areas of strategic management and corporate responsibility	Yes	122-136 148		
4 8 Mission values and codes of conduct	Yes	7-11 122-136		1
4 9 Board s procedures for overseeing management of corporate performance	Yes	60-71 122-136		10
4 10 Process for evaluating the Board of Directors own performance	Yes	127-136		
4 11 Application of the precautionary principle	Yes	127-136		
4 12 Commitment to external corporate responsibility initiatives	Yes	7-12 14 122-136		
4 13 Memberships in organisations associations and advocacy organisations	Yes	16 122-136		
4 14 List of interest groups engaged by the organisation	Yes	16		
4 15 Basis of identification and selection of interest groups	Yes	16		
4 16 Approaches to engagement with interest groups	Yes	16		
4 17 Key topics and concerns raised through interest-group engagement	Yes	14-16		1 10
5 Management Approach and Performance Indicators				
Approach to management of economic responsibility	Yes	122-136		
Economic Performance Indicators				
EC1 Direct economic value generated and distributed, including revenues operating costs, employee compensation, donations and other community investments retained earnings and payments to capital providers and governments	Partly	118	Level and amount of community support not reported because funds and other investments in community projects consist of items that cannot be separated from the group s financial statement information	
EC2 Financial implications and other risks and opportunities for the organisation s activities due to climate change	Yes	118		
EC3 Coverage of pension obligations	Yes	118-119		
EC4 Significant financial assistance received from government	Yes	119		
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	No		Nearly all of the Finnair Group s personnel fall within the sphere of collective bargaining agreements so this indicator not deemed to be essential for the group	
EC6 Policy practices and proportion of spending on locally-based suppliers at significant locations of operation	Partly	119	Finnair has no local procurement policy as such and does not compile information at Group Level on the local characteristics of its suppliers	
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Partly	47 50	Indicator is not essential for the Finnair Group operations because Finnair has no significant operating locations abroad In Finland Finnair s employees including senior management are mainly Finnish	
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit (through commercial, in-kind or pro bono engagement)	No		In the reporting period the Finnair Group has not made infrastructure investments for the public benefit	
EC9 Understanding and describing significant indirect economic impacts including the extent of impacts	Yes	7-11 119		
Approach to management of environmental responsibility	Yes	112-126		7 8
Environmental Performance Indicators				
EN1 Materials used by weight or volume	Yes	36-37		

GRI guidelines	-Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
EN2 Percentage of materials used that are recycled input materials	No		Not an essential indicator for the sector because the aviation industry is such an externally regulated sector that companies room for manoeuvre is in many respects restricted Insofar as there is discretion the percentage of recycled materials is not ascertained at group level	
EN3 Direct energy consumption by primary energy source	Yes	38		
EN4 Indirect energy consumption by primary energy source	Yes	39	With respect to electricity the primary energy sources are not ascertained for 2014 as they depend e g on the prevailing hydro-power roduction capacity and the share of hydropower in the grid at any given time	
EN5 Energy saved due to conservation and efficiency improvements	Yes	30-32 39-40		8 9
EN6 Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives	Yes	5 40-41		8 9
EN7 Initiatives to reduce indirect energy consumption and the reductions achieved	No		Significant energy aspects in the Finnair Group s operations relate to flying, which has been reported in items EN3 and EN5 Finnair has an interest in reducing its own material intensity which generally also affects indirect energy consumption the same way Finnair does not however monitor at group level he energy balances of its material acquisitions and their development	
EN8 Total water withdrawal by source	Yes	41		
EN9 Water sources significantly affected by withdrawal of water	Yes	The water used by Finnair Group is supplied by municipal network and originates from Lake Päijänne Water usage is not a significant environmental aspect in Finnair s operations		
EN10 Percentage and total volume of water recycled and reused	Partly		Water usage is not a significant environmental aspect in Finnair's operations	
EN11 Location and size of land owned leased managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	Yes	Finnair Group has no owned, leased or managed land areas in protected areas or directly adjacent to them Out of all Finnair Group s business units and subsidiaries Finnair Technical Services is the only one that handles significant quantities of materials that are hazardous to the environment Finnair Technical Services is located in a zoned area at Helsinki-Vantaa Airport The zoned area is close to a ground water area Technical Services has a valid Environmental Permit, the conditions of which oblige the company to review the effects of its activities on the environment and to report on them regularly to the authorities		
EN12 Description of significant impacts of activities products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	No		There are no such areas within the Finnair Group s sphere of influence Operations may however have an impact on the River Vantaa and the River Kerava This has been reported on separately in items EN15 and EN21 Operational impacts in respect of flight route destinations cannot be reasonably ascertained by Finnair	

GRI guidelines	-Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
EN13 Habitats protected or restored	yes	In 2014 Finnair continued cooperation with the Finnish Association for Nature Conservation (FANC) in Madagascar to expand areas of rain forest ultimately reconnecting isolated fragments to maintain the natural mobility of native species as well as to monitor the various extents of forest degradation Finnair Technical Services is a member of the River Vantaa and Helsinki Region Waterways Protection Association which aims to promote the protection of waterways in its operating area The association also seeks to promote other environmental protection recreational use of waterways and fishing in its area		8
EN14 Strategies, current actions and future plans for managing impacts on biodiversity	Yes	41	Owing to the nature of operations at group level it is not deemed pertinent to prepare concrete strategies or plans in relation to biodiversity	8 9
EN15 Endangered species in areas affected by operations	Yes	The location of Helsinki-Vantaa Airport is such that runoff water from the airport can reach the River Vantaa, where there is a significant population of the thick-shelled river mussel (Unio crassus) The protected bivalve is classified as a near threatened (NT) species and it has also been protected under the EU Habitats Directive Both Finnair Technical Services and Finavia, which maintains Helsinki-Vantaa Airport, have on the basis of their environmental permits a continuous obligation to monitor the effects of their operations		
EN16 Total direct and indirect greenhouse gas emissions by weight	Yes	41-42		
EN17 Other relevant indirect greenhouse gas emissions by weight	No		Direct and indirect greenhouse gas emissions arising from the Finnair Group s operations are stated in item EN16 The main indirect emissions falling outside EN16 arise from the production and distribution of fuel used in aircraft and from the manufacture of new aircraft In respect of these Finnair has no influence on the amounts of emissions	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	Partly	5 7-9 30-32 39-4	Finnair Group s operations energy consumption and greenhouse gas emissions go hand in hand Thus all actions taken during the year to reduce energy consumption also affect in the same way and to the same extent as the greenhouse gas emissions arising from Finnair Group s activities	
EN19 Emissions of ozone-depleting substances by weight	Yes	43		
EN20 NO_x, SO_x and other significant air emissions by type and weight	Yes	43-44		
EN21 Total water discharge by quality and destination	Yes	Wastewaters produced by the Finnair Group are discharged into the municipal sewerage network The exception is a water-propylene glycol mixture used in aircraft de-icing which Finavia primarily collects and transports to the waste water treatment facility for processing. Small amounts of the mixture also flow into small streams and ditches that surround Helsinki Vantaa Airport The area s streams and ditches run into the River Vantaa and the River Kerava Finavia reports on these emissions in its environmental report		
EN22 Total weight of waste by type and disposal method	Yes	44		
EN23 Total number and volume of significant spills	Yes	45		
EN24 Weight of transported imported exported or treated waste deemed hazardous	No		Finnair Group does not transport nor treat hazardous waste The amounts and treatment of hazardous waste arising from its operations are reported in EN22	

GRI guidelines	-Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
EN25 Water bodies and related habitats significantly affected by the organisation s discharges of wastewater and runoff	Partly		Finnair Group s wastewater is directed to the municipal wastewater treatment plant In terms of treated wastewater Finnair Group s specific impact cannot be isolated The impacts of Helsinki-Vantaa airside runoff are outlined in EN11 EN15 and EN21	
EN26 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	Partly	45	See also EN5 EN6 and EN16	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	No		Not an essential indicator for Finnair Group as solely LSG Sky Chefs Finland Oy out of all business units has manufacturing activities They also collect and recycle all packing materials left over meals and drinking materials that are generated on Finnair inbound flights to Helsinki	
EN28 Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with environmental laws and regulations	Yes	No cases		
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation s operations and transporting members of the workforce	No		The significant environmental impacts arising from Finnair Group s operations come mainly from flying The impacts of transportation in support of operations are not known but they are marginal compared with the environmental impacts of flying	
EN30 Total environmental protection expenditures and investments by type	Partly	Altogether 1.08 million euro were spent on waste management, maintenance environmental training environmental certification various membership fees and environmental studies	Finnair Group s statistical practices do not enable reporting according to GRI requirements In addition in all procurement environmental aspects are in built so the separation of environmental investments is not deemed to meaningful	
Social Performance Indicators				
Approach to management of labour practices and decent work conditions	Yes	122-126		3 6
LA1 Total workforce by employment type employment contract, and region	Yes	47 50		
LA2 Total number and rate of employee turnover by age group gender and region	Partly	50	Finnair does not keep track of employee turnover by gender age group or other diversity aspects	
LA3 Benefits provided to full-time employees that are not provided to temporary or part time employees by major operations	Partly	Finnair employees enjoy the same benefits irrespective of type of employment Some benefits are such that they enter into effect only after employment has lasted a certain period of time An exception is Finnair's Financial Services Office which only serves permanent employees who are its members		6
LA4 Percentage of employees covered by collective bargaining agreements	Yes	All Finnair employees in Finland have the right and opportunity to agree on their terms of employment through collective bargaining. Senior management constitutes an exception to this as its terms of employment are agreed on locally In addition to flight crew Finnair currently has employees abroad in 30 countries (approx 762 employees) The employment contracts and terms of employment are based on local legislation Employees have the opportunity to agree on their terms of employment through collective bargaining in countries in which that is the local practice Finnair does not limit employees rights to participate on Union activities		3

GRI guidelines GRI indicator	Finnair Group Report Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
LA5 Minimum notice period regarding significant operational changes	Yes	Significant operational changes in Finland are governed by the Finnish Act on Co-operation within Undertakings Depending on the matter in question the minimum time period applied can range from one day to six weeks The collective bargaining agreements that concern Finnair do not include provisions that run counter to these legislative provisions For redundancies and layoffs the minimum notice period pursuant to the Act on Co-operation within Undertakings applies in addition to the statutory notice period for redundancies and layoffs prior to the termination of employment or payment of wages The statutory notice period for layoffs is two weeks and the notice period for employees made redundant ranges from 14 days to six months depending on the duration of their employment Some collective bargaining agreements contain provisions on notice periods for layoffs that are more advantageous to employees		
LA6 Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programmes	Yes	50-51		
LA7 Rates of injury occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Partly	51	The objective is to make the entire indicator according to GRI in the following report	
LA8 Education, training, counselling prevention and risk-control programmes in place to assist workforce members their families or community members regarding serious diseases	Yes	51-54	Finnair Group programmes in the event of serious diseases relate only to the group s personnel	
LA9 Health and safety topics covered in formal agreements with trade unions	Yes	54-55	The Central Organisation of Finnish Trade Unions SAK and the Confederation of Finnish Industries EK identify the health and safety of an individual employee non-discrimination and equality as the bases for the regulations in their collective agreements http://ttk fi/toimialat/kuljetus_ja_logistiikka/ ilmailuala	6
LA10 Average hours of training per year per employee by employee category	Yes	55	Finnair Group is a multi-sector company which has numerous different employee groups and job classifications The classifications used by different subsidiaries and business units are not sufficiently comparable Therefore training hours have been counted using the whole group s employee numbers Group employees working abroad are also included in the figures	
LA11 Programmes for skills management and lifelong learning	Yes	55		6
LA12 Percentage of employees receiving regular performance and career development reviews	Yes	Finnair s development and career reviews cover all personnel The aim of the updated PD review process implemented throughout the company at the beginning of 2011 is to have all personnel attend a PD review at least twice per year		
LA13 Composition and diversity of governance bodies and personnel groups	Yes	56		6
LA14 Ratio of basic salary and remuneration of women to men by employee category by significant locations of operation.	No		As a multi-sector company the Finnair Group has numerous different employee groups and job classifications The group s statistics do not enable a reporting practice according to GRI guidelines nor for the above reason is this appropriate	
Approach to management of human rights issues	Yes	123		1 2 4 5

GRI guidelines GRI indicator	-Finnair Group Report Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Yes	In 2014 investment agreements were such that no risk of human rights violations could be identified As such there are no specific clauses in these agreements relating to human rights Finnair does not conduct human rights screening itself Finnair has its own ethical guidelines for suppliers and subcontractors and all suppliers are required to comply with them All partners and subcontractors moreover are obliged to comply with the principles of the UN Universal Declaration of Human Rights as well as local legislation		1 2 5
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Yes	Finnair has its own ethical guidelines for suppliers(supplier code of conduct) and subcontractors and all suppliers are required to comply with them All partners and subcontractors moreover are obliged to comply with the principles of the UN Universal Declaration of Human Rights as well as local legislation Finnair and its tour operator and travel agency subsidiaries have separately signed the Helsinki Declaration which aims to promote sustainable and ethically acceptable tourism		1 2
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Partly	Aurinkomatkat-Suntours Ltd provides training to all new guides in respect of the company s work against child sex tourism The number of training hours relating to human rights is not separated from the total number of training hours given Training relating to human rights was not otherwise arranged at Finnair in 2014 However the human rights theme will be highlighted in the training on the new Code of Conduct started in 2013		1 2 5
HR4 Total number of incidents of discrimination and actions taken	Yes	There was one suspected case of occupational discrimination at Finnair in 2013 The prosecutor decided to press charges in the matter The case was closed by acquittal in the district court.		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	No		The indicator is not essential because as a Finnish company Finnair operates in a labour market culture in which employees rights to organise and negotiate working conditions collectively are recognised fundamental rights	3
HR6 Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	Yes	Finnair does not approve of the use of child labour in any part of its value chain With respect to the aviation industry the company has not identified any risk for incidents of child labour This is a consequence both of the general nature of the industry and the strict official regulation and supervision of the industry Nevertheless the aviation industry and Finnair s operations do interact with sectors in which the exploitation of child labour cannot be excluded One such sector is the textile industry The uniforms and workwear used in the company are acquired from suppliers that have addressed this issue in their own operations On excursions Aurinkomatkat-Suntours guides monitor the operations at excursion sites and destinations for the use of child labour If any problems are detected the excursion destinations and the contents of the excursions are changed as necessary In order to prevent child prostitution Aurinkomatkat-Suntours has a clause in its hotel contracts that entitles the company to immediately terminate the contract if child prostitution is detected in the hotel		1 2 5
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	Yes	150		4

GRI guidelines	Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
HR8 Percentage of security personnel trained in the organisation s policies or procedures concerning aspects of human rights that are relevant to operations	No		The Finnair Group does not have its own security personnel	
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	Yes	No cases		
Approach to management of community responsibility	Yes	122-126		1 2 4 5
SO1 Programs related to the assessment and management of the impacts of operations on local communities	Yes	24-25	Finnair does not have group-level programs to assess and manage the impact of operations on local communities	5
SO2 Percentage and total number of business units analysed for risks related to corruption	Yes	All Finnair business units run an analysis of risks related to corruption as part of the company s general risk survey		
SO3 Percentage of employees trained in organisation s anticorruption policies and procedures	Partly		Comprehensive percentages and figures are not available because training is conducted independently by business units and subsidiaries themselves Finnair Flight Academy has not organised any anti-corruption training in 2014	
SO4 Actions taken in response to incidents of corruption	Yes	No cases		
SO5 Public policy positions and participation in public policy development and lobbying	Yes	150		10
SO6 Total value of financial and in kind contributions to political parties	Yes	Finnair does not support any political parties		10
SO7 Total number of legal actions for anti-competitive behaviour anti trust, and monopoly practices and their outcomes	Yes	No cases	In 2010 the Finnish Competition Authority began an investigation into Finnair Catering Oy to assess its participation in suspected cartel operations in tax free retail at Helsinki Vantaa Airport The case was closed by the competition authority	
SO8 Monetary value of significant fines and total number of nonmonetary sanctions for non- compliance with laws and regulations	Yes	No cases		
Approach to management of product responsibility	Yes	124-126		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Yes	Finnair continuously develops its customer service and evaluates the operations of its business partners We have a responsibility to the customer for the overall quality of our operations regardless of whether we produce the service ourselves or outsource it to a business partner		
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	Yes	No cases		
PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Yes	25-26		
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Yes	No cases		
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Yes	26-27		
PR6 Programmes for adherence to laws standards and voluntary codes related to marketing communications including advertising promotion and sponsorship	Yes	Finnair acts in accordance with all general rules laws recommendations and good marketing practices relating to advertising and sponsorship The main standards include marketing legislation (most significantly the Finish Consumer Protection Act) the Finnish Consumer Agency s guidelines on the marketing of flights (based on European Parliament and Council Directive (2005/28/EC)) and the principles relating to good advertising practice issued by the Council on Ethics in Advertising.		
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	Yes	No known cases		

GRI guidelines	Finnair Group Report			
GRI indicator	Included	Page/contents	Shortcomings/anomalies/justifications	Global Compact
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Yes	No known cases		
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Yes	No known cases		

Global Compact

The Global Compact asks companies to embrace support and enact within their sphere of influence a set of core values in the areas of human rights labour standards the environment and anti-corruption

Human Rights	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights and
Principle 2	make sure that they are not complicit in human rights abuses
Labour	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	the elimination of all forms of forced and compulsory labour
Principle 5	the effective abolition of child labour and
Principle 6	*the elimination of discrimination in respect of employment and occupation*
Environment	
Principle 7	Businesses should support a precautionary approach to environmental challenges
Principle 8	undertake initiatives to promote greater environmental responsibility and
Principle 9	encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	
Principle 10	Businesses should work against all forms of corruption including extortion and bribery

Information for the shareholders

Annual General Meeting
The Annual General Meeting of Finnair Plc will be held on Wednesday 25 March 2014, at 16:00 at the Messukeskus Helsinki at the address Messuaukio 1, Conference Centre, Helsinki, Finland. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 15 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 to participate in the AGM
Each shareholder who is registered on Friday, 13 March 2015 in the Company's register of shareholders maintained by the Euroclear Finland Oy 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 Friday 20 March 2015 at10 a m. Registration can be done
- In the internet at http //www finnairgroup com,
- By e-mail to agm@finnair.fi,
- By phone from Monday to Friday at 9 00–16 00 in the number +358 20 770 6866,
- By fax +358 9 694 0205 or
- By mail to Finnair Plc., Register of shareholders, HEL-AAC/ 502 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 organization 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 20 March 2015 at 10 a m

The shareholder may participate in the meeting either in person or through authorised or proxy representative Possible proxy documents shall be delivered by the end of registration period to

Finnair Plc/AGM, HEL ACC/502, 010153 Finnair, Finland.

AGM 2015 – Important dates

13 March 2015	Record date
20 March 2015	At 10 am EET deadline for giving notice of attendance
25 March 2015	At 3 pm EET the reception of persons registered to the AGM will commence and At 4 pm EET the AGM will commence

Board of Directors' proposal on dividend
Finnair Plc.'s distributable funds were 149,223,743 79 euros on 31 December 2014 The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2014

Financial information in 2015
In 2015, interim reports will be published as follows
- Q1 on Thursday 7 May 2015
- Q2 on Friday 14 August 2015
- Q3 on Friday 30 October 2015

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

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

Glossary

AEA	The Association of European Airlines
Carbon Disclosure Project	An international not for profit organisation providing a global system for companies and cities to measure disclose manage and share vital environmental information
CASK	Cost per available seat kilometre
First Carbon Solutions	First Carbon Solutions (FCS) is an environmental sustainability company that provides consulting, software and data management to businesses and governments
IATA	International Air Transport Association a trade association representing and serving the airline industry worldwide
IEnvA	The IATA Environmental Assessment (IEnvA) program is an evaluation designed to independently assess and improve the environmental management of an airline
ICAO	International Civil Aviation Organization an agency of the United Nations promoting safe and orderly development of international civil aviation
IOSA	The IATA Operational Safety Audit (IOSA) program is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline
Just Culture	Organisational culture aiming at assigning the consequences for an unsafe act in a fair way based on an understanding of an individual's accountability and responsibilities within the context of the systems and circumstances that the individual was operating
LEED Certificate	Leadership in Energy and Environmental Design (LEED) is a set of rating systems for the design construction operation and maintenance of green buildings homes and neighborhoods
Open Skies	Open skies is an international policy concept that calls for the liberalisation of the rules and regulations of the international aviation industry—especially commercial aviation—in order to create a free-market environment for the airline industry
RASK	Revenue per available seat kilometre
Skytrax	Research company that evaluates commercial airlines and their services
STLN	Sustainable Travel Leadership Network
UNWTO	UN World Tourism Organization

Contact information

House of Travel and Transportation
Finnair Plc
Tietotie 9 A (Helsinki Vantaa Airport)
01053 FINNAIR

Tel 0600 0 81881 (1,25 euro/answered call + normal call charges)

www.finnair.com
www.finnairgroup.com

www.facebook.com/finnair
www.facebook.com/finnairsuomi

www.twitter.com/Finnair
www.twitter.com/FinnairSuomi

blogs.finnair.com
blogit.finnair.fi