# Finnair Group interim report 1 January – 31 March 2016

### Comparable operating result improved by 13 million euros in the seasonally weakest quarter

### January–March 2016

- Revenue grew by 2.9% year-on-year to 536.4 million euros (521.3).
- Comparable operating result was -15.3 million euros (-28.4).
- Comparable EBITDAR was 36.4 million euros (19.2).
- Net cash flow from operating activities stood at 10.4 million euros (13.0), and net cash flow from investing activities totalled -247.3 million euros (142.8).
- Unit cost at constant currency excluding fuel (CASK excl. fuel) increased by 2.0% year-on-year.
- Unit revenue at constant currency (RASK) decreased by 1.9% year-on-year.
- Ancillary and retail revenue per passenger grew by 17% year-on-year to 11.87 euros.
- Earnings per share were -0.15 euros (-0.09).
- Outlook unchanged: In spite of the demand outlook for passenger and cargo traffic in Finnair's main markets involving renewed uncertainty, Finnair estimates that, in 2016, its capacity and revenue will grow. The lower price of jet fuel supports Finnair's financial performance in 2016.

*On 1 January 2016, Finnair revised its calculation methods for unit revenue (RASK) and unit cost (CASK) to correspond with changes in the group's structure. The changes are described in more detail in Note 16 "Restatement of operating income and key ratios" and Note 18 "Calculation of key ratios". The comparison figures have been adjusted accordingly.*

### CEO Pekka Vauramo:

We achieved a substantial improvement in our result for the first quarter, which is typically the weakest season of the year. While the result still shows a loss, the past quarter was the sixth consecutive quarter in which we achieved a year-on-year improvement in performance. Our comparable operating result was -15.3 million euros, which represents an improvement of a good 13 million euros compared to the previous year.

One positive aspect of the result was that ticket revenue relative to available seat kilometres held up well in spite of a significant increase in supply. Ancillary and retail revenue continued to see strong growth and totalled approximately 30 million euros in the first quarter. Per passenger, ancillary and retail revenue grew by 17%, amounting to 11.87 euros.

At the same time, the situation in the cargo market remained difficult due to overcapacity, with revenues declining in spite of increased volume. The negative impact of the Chinese New Year on cargo demand was also exceptionally protracted this year.

We had three new A350 aircraft in operation for practically the entire first quarter. While their roll-out has involved some of the typical growing pains, our overall experiences of the new aircraft type are unreservedly positive. We have seen a substantial improvement in profitability on the routes we have operated with the new aircraft.

The market price of jet fuel was very low during the period under review. Nevertheless, its impact is not yet fully reflected in our result due to our hedging. For this reason, our fuel costs will decline further in spite of increasing traffic volume, which will support our profit during the remainder of the year.

In March, we revised our organisational structure to better support our growth strategy. We also continued to focus on our core business of air traffic and revised the reporting of our financial performance indicators accordingly.

Our long-haul fleet renewal program reaches its peak this year. We already have five new A350 aircraft in operation, and two more will be delivered during the summer season. We have financed our latest aircraft deliveries on favourable terms, and we have the flexibility required to finance investments using cash funds, with our liquid funds amounting to more than 730 million euros at the end of the quarter.

## Outlook

Outlook published on 10 February 2016

The demand outlook for passenger and cargo traffic in Finnair's main markets involves renewed uncertainty. Finnair estimates that, in 2016, its capacity measured in available seat kilometres will grow by approximately 8 per cent and that its revenue will grow at a slightly slower rate. The lower price of jet fuel supports Finnair's financial performance in 2016. Finnair will issue a forecast for the development of its full-year operational result in conjunction with its interim report for January–June.

Outlook on 12 May 2016 (unchanged)

The demand outlook for passenger and cargo traffic in Finnair's main markets involves renewed uncertainty. Finnair estimates that, in 2016, its capacity measured in available seat kilometres will grow by approximately 8 per cent and that its revenue will grow at a slightly slower rate. The lower price of jet fuel supports Finnair's financial performance in 2016. Finnair will issue a forecast for the development of its full-year comparable operating result in conjunction with its interim report for January–June.

## Strategic objectives

On 11 May 2016, as part of the company's annual strategy work, Finnair's Board of Directors confirmed the company's objectives, which were updated last year, and decided on four new strategic focus areas aimed at reaching these objectives: profitable growth, improved customer and people experience as well as digital transformation. In particular, the Board of Directors gave the authority to accelerate growth in the future if market circumstances remain favourable.

The content of Finnair's strategic focus areas will be discussed in more detail in a separate stock exchange release published today, on 12 May 2016.

## Business environment

Traffic continued to grow in Finnair's main markets in the first quarter of 2016. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations grew by approximately 9.6 per cent year-on-year, while direct market capacity between Finnair's Asian and European destinations grew by 1.6 per cent year-on-year. Finnair's market share in European traffic (between Helsinki and Finnair's European destinations) increased to 57.7 per cent (56.1) and in Asian traffic increased to 5.4 per cent (5.1).*

Of Finnair's joint businesses, the Atlantic Joint Business covering flights between Europe and North America succeeded in increasing its sales in the first quarter faster than its capacity. At the same time, total market capacity between Europe and Japan contracted slightly, and the decline in yields levelled off. In summer 2016, Finnair will become the only European airline to offer non-stop flights from Europe to four major cities in Japan.

In spite of strong growth in market capacity and Finnair's capacity, the load factor of scheduled traffic grew by 0.8 percentage points to 78.8 per cent. With market capacity growing, price competition is intense, particularly on Chinese and Korean routes. The incident at Brussels Airport in late March had a short-term impact on cancellations and bookings on Asian routes and certain European routes, including traffic to Brussels.

The timing of Easter in March reduced business travel demand from the comparison period, while leisure traffic held up well. Cargo traffic between Asia and Europe continued to suffer from overcapacity, which further weakened average cargo yields in Finnair's main markets. In addition, the Chinese New Year had an exceptionally protracted negative impact on cargo demand this year.

The appreciation of the dollar against the euro diluted the advantage gained by airlines from the substantial decrease in the price of jet fuel that began in autumn 2014. At the same time, it increased other dollar-denominated costs. The US dollar is a significant expense currency in Finnair's operations, while the Japanese yen and Chinese yuan are significant income currencies.

** Finnair's estimate. The basis for calculation is destination cities, not airports.*

## Significant events during the review period

### Finnair secured financing for its third A350 aircraft

On 15 January 2016, Finnair secured financing arranged by BNP Paribas for its third Airbus A350-900 XWB aircraft, which was delivered on 30 December 2015. The transaction amounted to approximately 135 million euros and it was implemented using a Japanese Operating Lease with a Call Option (JOLCO) structure, where the transaction amount is treated in Finnair's IFRS accounting as a loan and the aircraft as owned. The transaction is part of Finnair's diversified financing plan for its ongoing long-haul fleet renewal program.

### Financial performance in January–March 2016

Finnair has discontinued segment reporting starting from this interim report. The previous operational segments "Travel Services" and "Airline Business" have been combined, and Finnair no longer breaks down its revenue by segment. The calculation of revenue has also been revised so that items outside the core business, such as aircraft leasing revenue, were transferred from revenue to other operating income. A more detailed description of the changes is provided in Note 16.

Revenue development

Finnair's revenue in the first quarter of 2016 grew by 2.9 per cent year-on-year to 536.4 million euros (521.3). Passenger revenue grew particularly as a result of capacity growth and higher load factors. Ancillary and retail revenue continued to see brisk growth, and revenue from travel services also grew significantly from the previous year. However, the decline of cargo revenue weighed down on the development of revenue. The breakdown of revenue was as follows: passenger revenue approximately 75 per cent, ancillary and retail revenue approximately 6 per cent, cargo approximately 7 per cent, travel services approximately 11 per cent, and travel agencies approximately 1 per cent.

**Revenue by product**

| EUR million | 1–3/2016 | 1–3/2015 | Change % | 2015 |
|---|---|---|---|---|
| Passenger revenue | 404.0 | 394.3 | 2.5 | 1,766.0 |
| Ancillary and retail revenue | 29.7 | 23.1 | 28.4 | 103.2 |
| Cargo | 39.6 | 44.8 | -11.4 | 183.7 |
| Travel services | 59.1 | 53.3 | 10.8 | 177.8 |
| Travel agencies | 4.0 | 5.8 | -31.2 | 23.8 |
| **Total** | **536.4** | **521.3** | **2.9** | **2,254.5** |

Finnair's passenger traffic capacity grew by 5.3 per cent in the first quarter, while revenue passenger kilometres increased by 6.3 per cent year-on-year. Available seat kilometres grew in all traffic areas and passenger load factors increased in all areas except Europe.

**Ticket revenue and traffic data by area**

| | Ticket revenue | | | ASK | | | RPK | | | PLF | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Traffic area | EUR mill. | Change, % | Share % | Mill. km | Change, % | Share % | Mill. km | Change, % | Share % | % | Change, %-point |
| Asia | 165.0 | 2.5% | 40.8% | 4,021 | 3.5% | 49.5% | 3,328 | 5.9% | 52.0% | 82.8 | 1.9%-p |
| North America | 25.8 | -3.0% | 6.4% | 632 | 8.0% | 7.8% | 509 | 10.4% | 7.9% | 80.4 | 1.8%-p |
| Europe | 160.9 | 6.6% | 39.8% | 2,999 | 5.1% | 36.9% | 2,229 | 4.0% | 34.8% | 74.3 | -0.8%-p |
| Finland | 48.7 | 15.8% | 12.1% | 468 | 20.5% | 5.8% | 334 | 20.6% | 5.2% | 71.4 | 0.1%-p |
| Unallocated | 3.7 | -73.5% | 0.9% | | | | | | | | |
| **Total** | 404.0 | 2.5% | 100% | 8,121 | 5.3% | 100% | 6,400 | 6.3% | 100% | 78.8 | 0.8%-p |

In Asian traffic, capacity measured in available seat kilometres increased by 3.5 per cent year-on-year. The increase was attributable to factors including the additional capacity introduced by the A350 aircraft and the higher frequency of flights on the long Singapore and Shanghai routes combined with a lower frequency of flights on the shorter Delhi and Chongqing routes. The passenger load factor increased by 1.9 percentage points to 82.8 per cent. At the same time, capacity in North American traffic increased by 8.0 per cent due to Finnair operating flights to Miami throughout the quarter, in addition to New York, as a change from the previous year. The passenger load factor increased by 1.8 percentage points to 80.4 per cent.

In addition to new routes, the 5.1 per cent growth in capacity in European traffic was attributable to the reclassification of previous leisure flights as scheduled flights, and flights previously operated by Norra at its own risk as Finnair flights as from the second quarter of 2015. The transfer of Norra's old routes was also the most significant reason behind the 20.5 per cent increase in domestic capacity.

Ancillary and retail revenue grew by 28.4 per cent year-on-year to 29.7 million euros. Growth was particularly brisk in additional baggage fees and advance seat reservation fees.

Revenue cargo tonne kilometres in scheduled traffic increased by 9.2 per cent year-on-year as capacity grew by 5.4 per cent. Measured by weight, the amount of cargo and mail carried grew by 8.2 per cent year-on-year. Available cargo tonne kilometres increased by 4.8 per cent and revenue tonne kilometres by 10.2 per cent, but cargo traffic revenue declined by 11.4 per cent year-on-year as a result of the weak market climate. Markets recovered from the Chinese New Year slower than expected, and were also weighed down by significant overcapacity, which has pressed cargo yields down from last year. The year-on-year decrease in cargo revenue also reflects the seaport strike in the United State last year, which gave a significant extraordinary boost to air cargo revenues in the comparison period.

The majority of cargo transported by Finnair is carrier in the belly of widebody passenger aircraft. In addition, Finnair's air cargo company Finnair Cargo sells and manages JAL Cargo's capacity on the Helsinki–Tokyo (Narita) route and leases freighter capacity between Helsinki and Brussels and Helsinki and London, in partnership with IAG Cargo. The freighter operates between Helsinki and London on Saturdays, and between Helsinki and Brussels on Saturdays and Sundays. In addition, Finnair operates a wide-body aircraft on the London route on Mondays, Fridays and Sundays and on the Brussels route on Wednesdays and Thursdays.

The revenue of Finnair Group's travel services (Aurinkomatkat Suntours) in January–March increased by 10.8 per cent from the previous year and amounted to 59.1 million euros (53.3). Previously implemented improvements related to sales steering and product renewal resulted in the load factor for package tours remaining high (96%) in the first quarter, while profitability improved year-on-year. The decrease in Travel agencies' revenue is attributable to the divestment of SMT's Baltic subsidiary Estravel in December 2015.

Cost development

Finnair’s operating costs remained largely unchanged from the comparison period and stood at 573.8 million euros (572.6). Fuel costs, including hedging and emissions trading costs, decreased by 19.7 per cent to 121.6 million euros (151.3). Fuel costs were reduced by the dollar-denominated price of jet fuel declining by approximately 40 per cent year-on-year. At the same time, the euro-denominated price of jet fuel declined by 38 per cent, as the dollar appreciating slightly against the euro somewhat dampened the positive impact of the development of fuel prices. Due to Finnair’s hedging policy, changes in jet fuel price and currencies have a delayed effect on costs.

Operating costs excluding fuel increased by 7.3 per cent from the comparison period, amounting to 452.2 million euros (421.3). Personnel costs increased by 2.0 per cent to 91.9 million euros (90.1). The factors contributing to the increase included a provision recognised due to the increase in Finnair’s share price in relation to the pilots’ share-based incentive plan and the transfer of shares to personnel in accordance with the Fly Share employee share savings plan. The amount of fleet maintenance costs recognised in the first quarter was approximately 8 million euros higher than usual, which resulted in fleet maintenance costs increasing by approximately 5 million euros year-on-year. Traffic charges decreased and amounted to EUR 61.1 million euros (62.5). Ground handling and catering expenses increased by 4.6 million euros due to reasons including traffic growth and product improvements related to meal service. Other expenses increased by 8.9 million euros and amounted to 58.8 million euros. The increase in other expenses was primarily due to positive non-recurring foreign currency items in the comparison period. In addition, the result for the review period was somewhat weighed down by the exceptionally large number of cancellations of domestic flights, temporary wet lease arrangements and the roll-out of the A350 fleet and related crew training.

Finnair’s EBITDAR grew by 17.2 million euros and amounted to 36.4 million euros (19.2). The comparable operating 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 -15.3 million euros (-28.4).

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 comparable operating result. The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 4.4 million euros (-6.8). The non-recurring items recognised during the period amounted to -6.7 million euros (26.9) and were primarily related to the phasing out of A340 aircraft. The operating result was -17.6 million euros (-8.3), the result before taxes was -18.7 million euros (-12.1) and the result after taxes was -15.1 million euros (-9.8).

Unit revenue at constant currency (RASK) decreased by 1.9 per cent year-on-year and amounted to 6.63 euro cents (6.76). Unit cost excluding fuel at constant currency (CASK excl. fuel) increased by 2.0 per cent and amounted to 5.27 euro cents (5.16).

## Balance sheet on 31 March 2016

The Group’s balance sheet totalled 2,178.7 million euros at the end of the period under review (2011.0 million euros on 31 March 2015). Shareholders’ equity increased to 709.1 million euros (539.7), or 5.57 euros per share (4.22). Shareholders’ equity increased year-on-year primarily due to the company’s comprehensive income showing a profit, as well as the issuance of a hybrid bond in October 2015.

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 March 2016 was -67.2 million euros (-52.0) after deferred taxes, and it was affected particularly by changes in the fair value of the aforementioned hedging instruments.

## Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments. In January–March 2016, net cash flow from operating activities amounted to 10.4 million euros (13.0). The year-on-year decrease in cash flow was primarily attributable to the planned reversals of accumulated maintenance provisions related to returning leased aircraft. Net cash flow from investments amounted to -247.3 million euros (142.8) and was particularly attributable to the acquisition of one new A350 aircraft and an increase in money market investments with maturities exceeding three months and therefore classified as investments.

The equity ratio was 32.5 per cent (26.8) and gearing was negative at -35.1 per cent (-22.9). The adjusted gearing was 70.7 per cent (85.4). At the end of March, interest-bearing debt amounted to 483.9 million euros (392.9) and interest-bearing net debt was negative at -249.0 million euros (-123.4). During the review period, Finnair carried out one JOLCO financing arrangement amounting to approximately 135 million euros, and another corresponding financing arrangement of approximately 115 million euros in April, for the new A350 aircraft. A third similar arrangement is in preparation.

The company's liquidity was strong in the review period. The Group's cash funds amounted to 733.0 million euros (516.3) at the end of March. 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. Using 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.

Finnair has a 200-million-euro short-term commercial paper program, which was unused at the end of the quarter. Net cash flow from financing amounted to 118.5 million euros (-36.5). Financial expenses were -1.7 million euros (-4.3) and financial income stood at 0.6 million euros (0.5).

## Capital expenditure

In January–March, capital expenditure excluding advance payments totalled 111.1 million euros (12.4) and was primarily related to the fleet investments and engine improvements. Net cash flow from investments in January–March totalled 119.5 million euros, including advance payments.

Cash flow from investments for the full year 2016, including advance payments and the currency hedging of advance payments, is estimated at approximately 530 million euros, mainly consisting of investments in the fleet. This figure includes, in addition to investment commitments, also an estimate of investments which have been decided on, but not yet concluded with a counterparty. Net investments will amount to approximately 360 million euros, provided that the sale and leaseback agreement signed for the A350 aircraft scheduled for delivery in the third quarter will be finalised as planned.

Cash flow from investments for 2017 is estimated at approximately 400 million euros, or 195 million net, if the sale and leaseback agreement signed for the A350 aircraft scheduled for delivery in 2017 will be finalised as planned. The financing need of investments in 2016–2017 may potentially be reduced by sales of aircraft at a later time.

Finnair will add seating capacity to its current Airbus narrow-body aircraft in 2017–2018 by modifying storage and technical space at the front and rear of the aircraft. The value of the investment is approximately 30 million euros, and it includes 23 narrow-body Airbus aircraft in Finnair's fleet.

In addition to fleet investments, Finnair is developing a modern cargo terminal to be commissioned about one year from now. Finnair is also planning an investment to bring wireless Internet connectivity to the majority of the current wide-body and narrow-body fleet. Both investments would be allocated over the next few years.

The current favourable state of the credit market and Finnair's good debt capacity enable the financing of future fixed-asset investments on competitive terms. The company has 28 unencumbered aircraft, the balance sheet value of which corresponds to approximately 60 per cent of the value of the entire fleet of 0.8 billion euros. The balance sheet value includes three finance lease aircraft.

## Fleet

Fleet operated by Finnair

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of the first quarter of 2016, Finnair itself operated 47 aircraft, of which 17 are wide-body and 30 narrow-body aircraft. Of the aircraft, 24 were owned by Finnair, 20 were leased and 3 on finance lease.

Finnair took delivery of one new A350-900 XWB wide-body aircraft in the first quarter. The aircraft was initially financed using cash funds, until JOLCO (Japanese Operating Lease with Call Option) financing was secured for it in the second quarter of 2016. Under the JOLCO structure, the transaction amount is treated in Finnair's IFRS accounting as a loan and the aircraft as owned. The previous A350 aircraft, delivered in December 2015, was also financed with a JOLCO arrangement in the first quarter of 2016.

The average age of the fleet operated by Finnair was 9.2 years at the end of the first quarter of 2016.

| Fleet operated by Finnair on 31.3.2016* | Seats | # | Change from 31.12.2015 | Own** | Leased (Operating lease) | (Finance lease) | Average age 31.3.2016 | Ordered |
|---|---|---|---|---|---|---|---|---|
| **Narrow-body fleet** | | | | | | | | |
| Airbus A319 | 138 | 9 | | 7 | 2 | | 14.7 | |
| Airbus A320 | 165 | 10 | | 6 | 4 | | 13.6 | |
| Airbus A321 | 209/196 | 11 | | 4 | 7 | | 9.3 | |
| **Wide-body fleet** | | | | | | | | |
| Airbus A330 | 289/263 | 8 | | 0 | 5 | 3 | 6.4 | |
| Airbus A340 | 263/257 | 5 | | 5 | | | 10.9 | |
| Airbus A350 | 297 | 4 | 1 | 2 | 2 | | 0.3 | 15 |
| **Total** | | **47** | **1** | **24** | **20** | **3** | **9.2** | **15** |

* Finnair's Air Operator Certificate (AOC).
** Includes JOLCO-financed A350 aircraft.

Renewal of the long-haul fleet

Finnair has ordered a total of 19 Airbus A350 XWB aircraft from Airbus, three of which were delivered in 2015 and one in the first quarter of 2016. As the entry into service of new aircraft involves airline-specific preparations and comprehensive inspections, there may be slight changes to the announced tentative delivery dates. According to the current delivery schedule, Finnair will have six A350 aircraft within the first half of 2016, seven by the end of 2016, 11 by the end of 2017, and 19 by the end of 2023. Finnair's investment commitments for property, plant and equipment, totalling 1,745.7 million euros, include the upcoming investments in the long-haul fleet.

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. Finnair has agreed to sell the oldest A340-300 aircraft it owns for part-out in the first half of 2016, and to sell its remaining four Airbus A340-300 aircraft back to Airbus in 2016 and 2017. The agreement between Finnair and Airbus ensures a smooth transition from A340s to A350s, mitigating potential operational risks related to fleet renewal and the depreciation risk associated with the A340 aircraft. Finnair has the possibility to adjust the size of its fleet flexibly according to demand and outlook due to its lease agreements of different durations.

Fleet operated by Norra (purchased traffic)

Nordic Regional Airlines (Norra) operates a fleet of 24 aircraft for Finnair on a contract flying basis. Of the aircraft operated by Norra, 11 were owned by Finnair and another 13 leased. Of the aircraft listed below, two Embraer E170 regional jet aircraft were sold in the first quarter of 2016. In addition to the aircraft shown in the table, there was one E170 aircraft subleased to AS Estonian Air at the end of the first quarter, which was returned to its owner in May.

| Fleet operated by Norra on 31.3.2016* | Seats | # | Change from 31.12.2015 | Aircraft owned by Finnair | Leased** (Operating lease) | Average age 31.3.2016 | Ordered |
|---|---|---|---|---|---|---|---|
| ATR 72 | 68–72 | 12 | | 6 | 6 | 6.7 | |
| Embraer 170 | 76 | 0 | -2 | 0 | | | |
| Embraer 190 | 100 | 12 | | 5 | 7 | 7.8 | |
| **Total** | | **24** | **-2** | **11** | **13** | **7.2** | **0** |

* Nordic Regional Airlines Oy's Air Operator Certificate (AOC).
** Finnair's subsidiary Finnair Aircraft Finance has leased these aircraft and subleased them to Nordic Regional Airlines.

## 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. The number of flights to Asia per week was at most 78 in the winter season 2015/2016. In the summer season 2016, this number will increase to 80.

Finnair is part of the **one**world alliance and it also engages in closer cooperation with certain **one**world partners through participation in joint businesses, namely the Siberian Joint Business and Atlantic Joint Business, which are agreements on revenue sharing and price coordination for flights to the route areas in question.

Finnair's new scheduled flight destinations for the summer season 2016 from Helsinki are Edinburgh, Billund, Pula, Zakynthos, Skiathos, Santorini, Preveza, Rimini, Verona and Varna, as well as weekly flights from Oulu to Hania and Alanya. In long-haul traffic, Finnair launched Miami as a year-round destination and increased connections to Chicago for the summer. Finnair also introduced new Asian destinations for the summer season, with three weekly flights to Fukuoka and four to Guangzhou.

Awards

The OAG Punctuality League publication released in January ranked Finnair's arrival punctuality in 2015 (89.5%) as the sixth-highest in the world. In January, FlightStats recognised the **one**world alliance as the most punctual airline alliance in 2015.

In April, Finnair was named the best European airline operating in China at the TTG China Travel Awards. The award was based on votes cast by the readers of TTG's publications.

The German ESG rating company oekom research AG updated its analysis of Finnair's corporate responsibility in February. Finnair was upgraded to B-, the highest rating in the category comprising 77 companies in the transport and logistics sector. Finnair was also awarded *Prime* status to indicate that Finnair is an issuer suitable for responsible investors.

Finnair was awarded a Gold Medal in the ICARUS sustainability competition organised by the Global Business Travel Association (GBTA) in recognition of its position as a leader in sustainability in the travel industry, whose commitment and actions have proved it is capable of providing its customer companies and passengers with travel services that are first-class from the perspective of sustainable development

**Resolutions of the Annual General Meeting**

The Annual General Meeting (AGM) of Finnair Plc was held in Helsinki, Finland on 17 March 2016. The meeting approved the company's annual accounts and consolidated annual accounts for the fiscal year 2015 and discharged the members of the Board of Directors and CEO of the company from liability.

In line with the proposal of the Board of Directors, the AGM decided that no dividend be paid based on the balance sheet adopted for the year 2015.

The AGM approved the proposal of the Shareholders' Nomination Committee that the Board of Directors be composed of seven (7) members. Ms. Maija-Liisa Friman, Mr. Klaus W. Heinemann, Mr. Jussi Itävuori, Mr. Harri Kerminen, Ms. Gunvor Kronman, Ms. Jaana Tuominen and Mr. Nigel Turned were re-elected to the Board of Directors, and Mr. Jouko Karvinen was elected as a new member to the Board of Directors. The term of office of the members of the Board of Directors ends at the close of the first Annual General Meeting following their election. The AGM elected Klaus W. Heinemann as the Chairman of the Board of Directors. The AGM approved the proposal of the Shareholders' Nomination Committee regarding the fees paid to the members of the Board of Directors. Pursuant to the proposal, the fees were unchanged.

Authorised Public Accountants PricewaterhouseCoopers continues as Finnair's auditor, with APA Mikko Nieminen acting as the principal auditor. The remuneration for the auditor is paid according to the auditor's reasonable invoice.

The AGM authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge of the company's own shares. The authorisation applies to a maximum of 5,000,000 shares and is effective for a period of 18 months from the decision of the AGM. The AGM 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 effective for a period of 18 months from the decision of the AGM.

**Changes in senior management**

In a stock exchange release published on 16 February 2016, Finnair announced it is accelerating its growth and renewing its organisation as of 1 March 2016 in line with its growth strategy. At the Executive Board level, the new organisation is comprised of the following units:

- *Customer Experience*, led by Piia Karhu (DBA), who was appointed as a new member of the Group Executive Board. Karhu has held various leadership positions at Finnair since 2013, most recently in charge of network planning and business development.
- *Strategy and Resource Management*, led by Ville Iho. Mr. Iho was previously in charge of the Operations unit. He is also Finnair's Deputy CEO.
- *Operations*, led by Jaakko Schildt (BSc Eng, MBA), who was appointed as a new member of the Group Executive Board on 23 February 2016. Mr. Schildt will assume his new role at the latest on 16 August 2016, until which time the Operations unit will be led by Ville Iho and Mikko Tainio.
- *Commercial*, which will continue to be led by Juha Järvinen.
- *Digitalisation*, led by Katri Harra-Salonen (MSc Tech, eMBA), who was appointed as a new member of the Group Executive Board effective from 21 March 2016.
- *Human Resources, Finance and Control, Legal Affairs* as well as *Communications and Corporate Responsibility* will primarily remain intact, and their leaders and reporting lines will remain unaffected.

## Personnel

Finnair employed an average of 4,913 (4,897) people in the first quarter of 2016, 0.3 per cent more than in the comparison period. The number of employees in an employment relationship was 4,979 (4,886) on 31 March 2016.

## Own shares

Finnair acquired a total of 800,000 of its own shares on the Helsinki Stock Exchange in the first quarter of 2016. In the first quarter, Finnair transferred a total of 277,596 of its own shares as incentive bonuses to members of the Fly Share employee share savings plan. The Board of Directors decided on the transfer of shares in accordance with the employee share savings plan and based on the authorisation granted by Finnair's Annual General Meeting 2015.

On 31 March 2016, Finnair held a total of 847,609 of its own shares (326,985), representing 0.66 per cent of the total share capital.

## Share price development and trading

At the end of March 2016, Finnair's market value stood at 698.3 million euros (410.0), and the closing price of the share was 5.45 euros (3.20). During the first quarter of 2016, the highest price for the Finnair Plc share on the NASDAQ Helsinki Stock Exchange was 5.92 euros (3.30), the lowest price 4.21 euros (2.49) and the average price 5.28 euros (3.07). Some 8.2 million (7.6) of the company's shares, with a total value of 43.2 million euros (23.3), were traded.

The number of shares recorded in Finnair's Trade Register entry was 128,136,115 at the end of the period. The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 10.9 per cent (7.6) were held by foreign investors or in the name of a nominee.

## Corporate responsibility

Financial, social and environmental sustainability is integral to Finnair's overall business strategy and operations. Finnair wants to be a responsible global citizen and respond to its stakeholders' needs, also from the perspective of responsibility. Finnair is cooperating with industry operators and the authorities in areas such as reducing the climate impacts of aviation.

Finnair adopted the GRI G4 sustainability reporting framework in its 2015 Annual Report published in February 2016. The sustainability information pursuant to the framework is presented in the actual Annual Report as well as the GRI supplement published at the end of February, which also includes the GRI Content Index. Both publications are available on the Finnair website.

For the purpose of the report, Finnair updated its materiality analysis in accordance with the GRI G4 reporting guidelines. The materiality analysis was used to identify the key economic, environmental and social impacts in Finnair's value chain as well as impacts on business and stakeholder decision-making. The results were reviewed with the representatives of key stakeholders and confirmed by Finnair's Executive Board and Board of Directors.

According to the analysis, Finnair's most significant corporate responsibility impacts are related to the safety of customers and employees, maintaining the company's financial competitiveness and its role in Finnish society, and the continuous improvement of fuel efficiency. In addition to these themes, stakeholders highlighted the significance of employee competence, well-being and equality, as well as ethics and corporate governance.

The key performance indicators for corporate responsibility are presented under “Key Figures”, the first table in the tables section below.

### 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 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 as well as sudden, adverse changes in currency exchange rates constitute a risk for Finnair’s revenue development. The reduction in the demand for passenger or cargo flights due to slowing or non-existent economic growth in Finnair’s main markets also constitutes a risk for Finnair’s revenue development.

Potential capacity increases and product improvements among Finnair’s existing or new competitors may have an impact on the demand for Finnair’s services. In addition, joint operations involving closer cooperation than airline alliances, and joint businesses, are expected to develop further.

The achievement of the strategic advantages and cost reductions sought through Finnair’s partnership and outsourcing projects involves 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.

The use of the next-generation Airbus A350 XWB aircraft involves risks associated with new technology and roll-out processes. In addition, the implementation of Finnair’s strategy includes significant operating and internal changes, which involve risks.

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

Geopolitical uncertainty and other potential external disruptions may significantly affect Finnair’s operations.

The construction work associated with the extension of Helsinki Airport, which will continue until 2020, may cause traffic disruptions. Finnair engages in close cooperation with Finavia to minimise the negative impacts of the expansion project. The expansion will facilitate the increase of the airport’s annual passenger volume to 20 million and the implementation of Finnair’s growth strategy.

Finnair’s risk management and risks related to the company’s operations are described in more detail on the company’s website at 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.

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. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, aircraft leasing payments and sales revenue denominated in foreign currencies. 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 also mainly denominated in US dollars. The most significant income currencies after the euro are the Japanese yen, the Chinese yuan and the Swedish crown.

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 adopted by the Board of Directors. Fuel purchases are hedged for 24 months forward on a rolling basis, and the degree of hedging decreases towards the end of the hedging period. The higher and lower limits of the degree of hedging are 90 and 60 per cent for the following six months.

| **Sensitivities in business operations**<br>(rolling 12 months from date of financial statements) | **1 percentage point change** |
|---|---|
| Passenger load factor (PLF) | EUR 21 million |
| Average yield of passenger traffic | EUR 18 million |
| Unit cost (CASK ex. fuel) | EUR 17 million |

| **Fuel sensitivities**<br>(rolling 12 months from date of financial statements) | **10% change without hedging** | **10% change, taking hedging into account** | **Hedging ratio**<br>H1 2016 | <br>H2 2016 |
|---|---|---|---|---|
| Fuel | EUR 32 million | EUR 15 million | 70% | 64% |

| **Currency distribution %** | **1–3 2016** | **1–3 2015** | **Currency sensitivities USD and JPY** (rolling 12 months from date of financial statements)<br>10% change without hedging | <br>10% change, taking hedging into account | **Hedging ratio** (rolling 12 months from date of financial statements) |
|---|---|---|---|---|---|
| **Sales currencies** | | | | | |
| EUR | 62 | 64 | - | - | |
| USD* | 3 | 2 | see below | see below | see below |
| JPY | 6 | 7 | EUR 15 million | EUR 9 million | 67% |
| CNY | 5 | 5 | - | - | |
| KRW | 2 | 3 | - | - | |
| SEK | 5 | 6 | - | - | |
| Other | 17 | 13 | - | - | |
| **Purchase currencies** | | | | | |
| EUR | 55 | 53 | - | - | |
| USD* | 37 | 39 | EUR 52 million | EUR 19 million | 72% |
| Other | 8 | 8 | | | |

* The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar.

**Events after the review period**

Finnair secured financing for its fourth A350 aircraft

In April, Finnair secured financing for its fourth A350-900 XWB aircraft, delivered in March 2016. The transaction amounts to approximately 115 million euros and it was implemented using a Japanese Operating Lease with a Call Option (JOLCO) structure arranged by Credit Agricole, where the transaction amount is treated in Finnair's IFRS accounting as a loan and the aircraft as owned.

**Financial reporting and Capital Markets Day**

The publication dates for Finnair's interim reports in 2016 are as follows:

| | |
|---|---|
| Interim report 1 January – 30 June 2016: | 17 August 2016 |
| Interim report 1 January – 30 September 2016: | 26 October 2016 |
| Financial Statements Bulletin 1 January – 31 December 2016: | 15 February 2017 |

Finnair will also arrange a Capital Markets Day in Vantaa on 25 May 2016.

FINNAIR PLC
Board of Directors

**Briefings**

Finnair will hold a press conference on 12 May 2016 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at its office at Tietotie 9. An English-language telephone conference and webcast will begin at 2:30 p.m. Finnish time. The conference may be attended by dialling your local access number +358 9 2319 3041 and using the PIN code 2419797#. To join the live webcast, please register at: https://engage.vevent.com/rt/finnair~20160512

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| Key figures | Q1 2016 | Q1 2015 | Change % | 2015 |
|---|---|---|---|---|
| **Revenue and result** | | | | |
| Revenue, EUR million * | 536.4 | 521.3 | 2.9 | 2,254.5 |
| Comparable operating result, EUR million | -15.3 | -28.4 | 46.0 | 23.7 |
| Comparable operating result, % of revenue * | -2.9 | -5.4 | 2.6 %-p | 1.1 |
| Operating result, EUR million | -17.6 | -8.3 | -113.6 | 121.7 |
| Comparable EBITDAR, EUR million | 36.4 | 19.2 | 89.7 | 231.2 |
| Result before taxes, EUR million | -18.7 | -12.1 | -55.0 | 113.3 |
| Net result, EUR million | -15.1 | -9.8 | -53.2 | 89.7 |
| **Balance sheet and cash flow** | | | | |
| Equity ratio, % | 32.5 | 26.8 | 5.7 %-p | 35.5 |
| Gearing, % | -35.1 | -22.9 | -12.3 %-p | -49.8 |
| Adjusted gearing, % | 70.7 | 85.4 | -14.7 %-p | 45.8 |
| Gross capital expenditure, EUR million | 111.1 | 12.4 | > 200 % | 329.7 |
| Return on capital employed (ROCE), LTM, % | 10.7 | -5.0 | 15.7 %-p | 12.2 |
| Return on equity (ROE), LTM, % | 13.5 | -11.0 | > 200 % | 14.4 |
| Net cash flow from operating activities, EUR million | 10.4 | 13.0 | -19.8 | 171.0 |
| **Share** | | | | |
| Share price at the end of quarter, EUR | 5.45 | 3.20 | 70.3 | 5.42 |
| Earnings per share (EPS), EUR | -0.15 | -0.09 | -58.5 | 0.57 |
| **Traffic data and responsibility indicators** | | | | |
| Passengers, 1,000 | 2,501 | 2,283 | 9.5 | 10,294 |
| Available seat kilometres (ASK), million | 8,121 | 7,715 | 5.3 | 31,836 |
| Revenue passenger kilometres (RPK), million | 6,400 | 6,022 | 6.3 | 25,592 |
| Passenger load factor, % | 78.8 | 78.1 | 0.8 %-p | 80.4 |
| Unit revenue per available seat kilometre, (RASK), cents/ASK * | 6.61 | 6.76 | -2.2 | 7.08 |
| RASK at constant currency, cents/ASK | 6.63 | 6.76 | -1.9 | 7.08 |
| Unit revenue per revenue passenger kilometre (yield), cents/RPK | 6.56 | 6.59 | -0.4 | 6.85 |
| Unit cost per available seat kilometre (CASK), cents/ASK * | 6.79 | 7.12 | -4.6 | 7.01 |
| CASK excluding fuel, cents/ASK * | 5.30 | 5.16 | 2.6 | 5.14 |
| CASK excluding fuel at constant currency, cents/ASK | 5.27 | 5.16 | 2.0 | 5.14 |
| Available tonne kilometres (ATK), million | 354 | 338 | 4.8 | 1,380 |
| Revenue tonne kilometres (RTK), million | 199 | 180 | 10.2 | 787 |
| Cargo and mail, tonnes | 32,930 | 30,430 | 8.2 | 130,697 |
| Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK | 18.24 | 23.28 | -21.7 | 21.64 |
| Overall load factor, % | 64.9 | 63.5 | 1.4 %-p | 66.4 |
| Flights, number | 26,921 | 24,269 | 10.9 | 108,471 |
| Arrival punctuality | 81.7 | 86.4 | -5.4 | 89.5 |
| Fuel consumption, tonnes/ASK** | 0.0264 | 0.0242 | 9.1 | 0.0262 |
| $CO^2$ emissions, tonnes/ASK** | 0.0831 | 0.0761 | 9.2 | 0.0826 |
| Customer satisfaction on a scale of 1 (very poor) - 10 (very good) | 8.0 | 8.0 | 0.0 | 8.1 |
| **Personnel** | | | | |
| Average number of employees | 4,913 | 4,897 | 0.3 | 4,906 |

* Revenue, unit revenue per available seat kilometre (RASK) and unit cost per available seat kilometre (CASK) for the comparison year 2015 have been restated. The changes are described in more detail in note 16. Restatement of operating income and key ratios. The adjusted formulas for RASK and CASK are described in note 18. Calculation of key ratios.

** The increase in fuel consumption and $CO^2$ emissions relative to capacity during the review period was primarily attributable to structural changes in traffic, specifically the higher proportion of domestic and European flights flown with smaller aircraft compared to long-haul routes operated with wide-body aircraft.

**CONSOLIDATED INCOME STATEMENT**

| in mill. EUR | Q1 2016 | Q1 2015 | Change % | 2015 |
|---|---|---|---|---|
| **Revenue** | **536.4** | **521.3** | **2.9** | **2,254.5** |
| Other operating income | 22.1 | 23.0 | -3.9 | 85.2 |
| **Operating expenses** | | | | |
| Staff costs | -91.9 | -90.1 | 2.0 | -353.2 |
| Fuel costs | -121.6 | -151.3 | -19.7 | -595.5 |
| Other rents | -42.1 | -37.7 | 11.6 | -159.4 |
| Aircraft materials and overhaul | -36.6 | -31.6 | 15.8 | -118.9 |
| Traffic charges | -61.1 | -62.5 | -2.3 | -258.5 |
| Ground handling and catering expenses | -65.1 | -60.5 | 7.7 | -250.3 |
| Expenses for tour operations | -26.9 | -23.7 | 13.2 | -79.6 |
| Sales and marketing expenses | -18.1 | -17.6 | 2.6 | -74.0 |
| Other expenses | -58.8 | -50.0 | 17.8 | -219.3 |
| **Comparable EBITDAR** | **36.4** | **19.2** | **89.7** | **231.2** |
| Lease payments for aircraft | -28.8 | -20.9 | 37.6 | -99.3 |
| Depreciation and impairment | -22.9 | -26.6 | -14.0 | -108.1 |
| **Comparable operating result** | **-15.3** | **-28.4** | **46.0** | **23.7** |
| Fair value changes in derivatives and changes in exchange rates of fleet overhauls | 4.4 | -6.8 | > 200 % | -12.3 |
| Items affecting comparability | -6.7 | 26.9 | <-200 % | 110.2 |
| **Operating result** | **-17.6** | **-8.3** | **-113.6** | **121.7** |
| Financial income | 0.6 | 0.5 | 16.9 | 1.3 |
| Financial expenses | -1.7 | -4.3 | 60.7 | -9.7 |
| Share of results in associates and joint ventures | 0.0 | 0.0 | 100.0 | 0.1 |
| **Result before taxes** | **-18.7** | **-12.1** | **-55.0** | **113.3** |
| Income taxes | 3.7 | 2.3 | 63.1 | -23.6 |
| **Result for the period** | **-15.1** | **-9.8** | **-53.2** | **89.7** |
| | | | | |
| **Attributable to** | | | | |
| Owners of the parent company | -15.1 | -9.8 | -52.9 | 89.4 |
| Non-controlling interests | 0.0 | 0.0 | -100.0 | 0.3 |
| | | | | |
| Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted) | -0.15 | -0.09 | -58.5 | 0.57 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| in mill. EUR | Q1 2016 | Q1 2015 | Change % | 2015 |
|---|---|---|---|---|
| **Result for the period** | **-15.1** | **-9.8** | **-53.2** | **89.7** |
| **Other comprehensive income items** | | | | |
| **Items that may be reclassified to profit or loss in subsequent periods** | | | | |
| Change in fair value of hedging instruments | 7.2 | 46.7 | -84.6 | -14.1 |
| Translation differences | 0.0 | 0.3 | -99.5 | 0.6 |
| Tax effect | -1.4 | -9.3 | 84.6 | 2.8 |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | |
| Actuarial gains and losses from defined benefit plans | -6.4 | -2.9 | -120.9 | 37.7 |
| Tax effect | 1.3 | 0.6 | 120.9 | -7.5 |
| **Other comprehensive income items total** | **0.7** | **35.4** | **-98.1** | **19.5** |
| **Comprehensive income for the period** | **-14.4** | **25.5** | **<-200 %** | **109.2** |
| | | | | |
| **Attributable to** | | | | |
| Owners of the parent company | -14.4 | 25.5 | <-200 % | 108.9 |
| Non-controlling interests | 0.0 | 0.0 | -100.0 | 0.3 |

## CONSOLIDATED BALANCE SHEET

| in mill. EUR | | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | O | 10.3 | 19.9 | 9.5 |
| Tangible assets | O | 958.6 | 787.4 | 811.6 |
| Investments in associates and joint ventures | O | 2.6 | 4.9 | 2.6 |
| Loan and other receivables | O | 8.0 | 9.5 | 8.7 |
| Deferred tax assets | O | 12.8 | 25.4 | 9.1 |
| **Non-current assets total** | | **992.4** | **847.1** | **841.5** |
| **Current assets** | | | | |
| Inventories | O | 12.2 | 12.6 | 11.8 |
| Trade and other receivables | O | 255.4 | 271.2 | 208.5 |
| Derivative financial instruments | O/IA* | 82.5 | 294.0 | 155.8 |
| Other financial assets | IA | 551.1 | 363.2 | 427.7 |
| Cash and cash equivalents | IA | 181.9 | 153.1 | 280.5 |
| **Current assets total** | | **1,083.1** | **1,094.2** | **1,084.3** |
| Assets held for sale | O | 103.3 | 69.7 | 124.5 |
| **Assets total** | | **2,178.7** | **2,011.0** | **2,050.3** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | E | 75.4 | 75.4 | 75.4 |
| Other equity | E | 633.6 | 463.9 | 652.0 |
| **Total** | | **709.1** | **539.3** | **727.5** |
| Non-controlling interests | E | 0.0 | 0.4 | 0.0 |
| **Equity total** | | **709.1** | **539.7** | **727.5** |
| **Non-current liabilities** | | | | |
| Interest-bearing liabilities | IL | 373.8 | 330.1 | 271.0 |
| Pension obligations | O | 14.0 | 31.3 | 4.4 |
| Provisions | O | 51.8 | 41.2 | 55.7 |
| Other liabilities | O | 3.9 | 17.0 | 15.8 |
| **Non-current liabilities total** | | **443.5** | **419.6** | **346.9** |
| **Current liabilities** | | | | |
| Provisions | O | 33.6 | 63.2 | 38.3 |
| Interest-bearing liabilities | IL | 105.9 | 62.8 | 75.2 |
| Trade payables | O | 74.8 | 82.7 | 67.5 |
| Derivative financial instruments | O/IL* | 143.0 | 199.2 | 180.5 |
| Deferred income and advances received | O | 445.8 | 387.8 | 374.8 |
| Liabilities related to employee benefits | O | 95.9 | 84.1 | 91.0 |
| Other liabilities | O | 127.1 | 135.1 | 148.7 |
| **Current liabilities total** | | **1,026.1** | **1,014.8** | **976.0** |
| Liabilities related to assets held for sale | O | 0.0 | 36.8 | 0.0 |
| **Liabilities total** | | **1,469.6** | **1,471.2** | **1,322.9** |
| **Equity and liabilities total** | | **2,178.7** | **2,011.0** | **2,050.3** |

Finnair reports its interest-bearing debt, net debt and adjusted gearing to give an overview of Finnair's financial position. Balance sheet items included in interest-bearing net debt are marked with an "IA" or "IL". The calculation of capital employed includes items marked with an "E" or "IL". Other items are marked with an "O".

| Additional information to Balance Sheet: Interest-bearing net-debt and adjusted gearing | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Other financial assets | -551.1 | -363.2 | -427.7 |
| Cash and cash equivalents | -181.9 | -153.1 | -280.5 |
| Interest-bearing liabilities | 479.8 | 392.4 | 346.5 |
| Cross currency Interest rate swaps * | 4.2 | 0.5 | -0.2 |
| **Interest-bearing net debt** | **-249.0** | **-123.4** | **-362.0** |
| Lease payments for aircraft for the last twelve months (LTM) * 7 | 750.3 | 584.3 | 695.2 |
| **Interest-bearing net debt used for calculating adjusted gearing** | **501.3** | **460.9** | **333.2** |
| Equity total | 709.1 | 539.7 | 727.5 |
| **Adjusted gearing, %** | **70.7 %** | **85.4 %** | **45.8 %** |

* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in Note 5, is considered an interest-bearing liability in the net debt calculation.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in mill. EUR | Share capital | Other restricted funds | Hedging reserve and other OCI items | Unrestricted equity funds | Retained earnings | Hybrid bond | **Equity attributable to owners of the parent** | Non-controlling interests | **Equity total** |
|---|---|---|---|---|---|---|---|---|---|
| **Equity 1 Jan 2016** | **75.4** | **168.1** | **-67.9** | **248.1** | **67.6** | **236.2** | **727.5** | **0.0** | **727.5** |
| Result for the period | | | | | -15.1 | | -15.1 | 0.0 | -15.1 |
| Change in fair value of hedging instruments | | | 5.8 | | | | 5.8 | | 5.8 |
| Actuarial gains and losses from defined benefit plans | | | -5.1 | | | | -5.1 | | -5.1 |
| **Comprehensive income for the period** | **0.0** | **0.0** | **0.7** | **0.0** | **-15.1** | **0.0** | **-14.4** | **0.0** | **-14.4** |
| Purchase of own shares | | | | | -4.3 | | -4.3 | | -4.3 |
| Share-based payments | | | | 0.3 | | | 0.3 | | 0.3 |
| **Equity 31 Mar 2016** | **75.4** | **168.1** | **-67.2** | **248.4** | **48.2** | **236.2** | **709.1** | **0.0** | **709.1** |

| in mill. EUR | 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 2015** | **75.4** | **168.1** | **-87.4** | **247.4** | **-8.8** | **118.9** | **513.7** | **0.6** | **514.3** |
| Result for the period | | | | | -9.8 | | -9.8 | 0.0 | -9.8 |
| Change in fair value of hedging instruments | | | 37.3 | | | | 37.3 | | 37.3 |
| Actuarial gains and losses from defined benefit plans | | | -2.3 | | | | -2.3 | | -2.3 |
| Translation differences | | | 0.3 | | | | 0.3 | | 0.3 |
| **Comprehensive income for the period** | **0.0** | **0.0** | **35.4** | **0.0** | **-9.8** | **0.0** | **25.5** | **0.0** | **25.5** |
| Dividend | | | | | | | 0.0 | -0.2 | -0.2 |
| Share-based payments | | | | 0.0 | | | 0.0 | | 0.0 |
| **Equity 31 Mar 2015** | **75.4** | **168.1** | **-52.0** | **247.5** | **-18.6** | **118.9** | **539.3** | **0.4** | **539.7** |

## CONSOLIDATED CASH FLOW STATEMENT

| in mill. EUR | Q1 2016 | Q1 2015 | 2015 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result for the period | -15.1 | -9.8 | 89.7 |
| Depreciation and impairment | 28.0 | 34.2 | 148.5 |
| Other adjustments to result for the period | | | |
| Financial income | -0.6 | -0.5 | -1.3 |
| Financial expenses | 1.7 | 4.3 | 9.7 |
| Share of results in associates and joint ventures | 0.0 | 0.0 | -0.1 |
| Income taxes | -3.7 | -2.3 | 23.6 |
| **EBITDA** | **10.3** | **25.9** | **270.2** |
| Non-cash transactions * | 0.0 | -31.0 | -137.5 |
| Changes in working capital | 1.6 | 19.5 | 43.1 |
| Interest expenses paid | -1.5 | -1.5 | -5.3 |
| Other financial expenses paid | -0.7 | -0.6 | -2.3 |
| Interest income received | 1.0 | 0.8 | 3.0 |
| Income taxes paid | -0.2 | -0.2 | -0.2 |
| **Net cash flow from operating activities** | **10.4** | **13.0** | **171.0** |
| | | | |
| **Cash flow from investing activities** | | | |
| Investments in intangible assets | -2.6 | -1.7 | -4.3 |
| Investments in tangible assets | -116.9 | -31.6 | -352.5 |
| Divestments of fixed assets and group shares | 15.0 | 147.4 | 448.1 |
| Net change in financial interest-bearing assets at fair value through profit or loss, maturing after more than three months | -143.2 | 29.0 | -14.4 |
| Change in non-current receivables | 0.3 | -0.4 | 1.7 |
| **Net cash flow from investing activities** | **-247.3** | **142.8** | **78.6** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from loans | 135.7 | 0.0 | 0.0 |
| Loan repayments and changes | -12.9 | -36.4 | -82.5 |
| Hybrid bond repayments | 0.0 | 0.0 | -81.7 |
| Proceeds from hybrid bond | 0.0 | 0.0 | 200.0 |
| Hybrid bond interests and expenses | 0.0 | 0.0 | -17.6 |
| Purchase of own shares | -4.3 | 0.0 | 0.0 |
| Dividends paid | 0.0 | -0.2 | -0.2 |
| **Net cash flow from financing activities** | **118.5** | **-36.5** | **18.1** |
| | | | |
| **Change in cash flows** | **-118.5** | **119.2** | **267.7** |
| Liquid funds, at beginning | 457.7 | 190.1 | 190.1 |
| Change in cash flows | -118.5 | 119.2 | 267.7 |
| **Liquid funds, at end ** ** | **339.3** | **309.3** | **457.7** |
| | | | |
| **Notes to consolidated cash flow statement** | | | |
| *** Non-cash transactions** | | | |
| Employee benefits | 3.5 | 3.1 | 15.6 |
| Fair value changes in derivatives | -1.3 | -3.4 | 2.1 |
| Other adjustments | -2.2 | -30.7 | -155.2 |
| **Total** | **0.0** | **-31.0** | **-137.5** |
| **** Liquid funds** | | | |
| Other financial assets | 551.1 | 363.2 | 427.7 |
| Cash and cash equivalents | 181.9 | 153.1 | 280.5 |
| **Liquid funds in balance sheet** | **733.0** | **516.3** | **708.2** |
| Maturing after more than three months | -393.7 | -207.0 | -250.5 |
| **Total** | **339.3** | **309.3** | **457.7** |

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASICS OF PREPARATION

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

### 2. ACCOUNTING PRINCIPLES

The accounting principles applied are disclosed in the 2015 Consolidated Financial Statements. The figures presented in this statement are not rounded; therefore, the total sum of individual figures does not necessarily match the corresponding sum stated herein. The key figures stated here are calculated using the exact figures.

Finnair has revised the calculation of revenue. From the beginning of 2016 onwards, revenue from non-core businesses, mainly including aircraft leasing income, is reclassified from revenue to other operating income. Comparative periods have been restated accordingly. The changes are described in more detail in Note 16. Restatement of operating income and key ratios.

Finnair is preparing for the adoption of the ESMA Guidelines on Alternative Performance Measures, effective from 3rd of July 2016 onwards. Therefore, in its Q1 reporting, Finnair has renamed non-recurring items as "Items affecting comparability" and reconciled them in the notes to the interim report. Finnair has also clarified the calculation of interest-bearing debt, net debt and adjusted gearing by inserting additional information to the balance sheet. Furthermore, Finnair will no longer present "Result for the period per share, EUR" as a supplementary indicator to the EPS. Finnair will continue to assess the impacts of the ESMA Guidelines on its financial statements and plans to fully adopt the guideline requirements in its Q2 interim report.

### 3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the interim report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. The actual outcome may differ from the estimates made. The critical accounting estimates and sources of uncertainty are disclosed in the financial statements 2015.

### 4. SEGMENT INFORMATION, REVENUE AND ITEMS AFFECTING COMPARABILITY

Due to Finnair's recent business developments and restructuring of organisation, Finnair Executive Board, defined as the chief operative decision maker according to IFRS 8 Segment reporting, considers the business as one operating segment. Therefore, segment information is no longer reported. The previous operational segment Travel Services is combined with the Airline Business segment.

**Revenue by product**

| in mill. EUR | Q1 2016 | Q1 2015 | Change % | 2015 |
|---|---|---|---|---|
| Passenger revenue | 404.0 | 394.3 | 2.5 | 1,766.0 |
| Ancillary and retail revenue | 29.7 | 23.1 | 28.4 | 103.2 |
| Cargo | 39.6 | 44.8 | -11.4 | 183.7 |
| Travel services | 59.1 | 53.3 | 10.8 | 177.8 |
| Travel agencies | 4.0 | 5.8 | -31.2 | 23.8 |
| **Total** | **536.4** | **521.3** | **2.9** | **2,254.5** |

**Passenger revenue by traffic area**

| | Passenger revenue, mill. EUR | | | | PLF, % | | |
|---|---|---|---|---|---|---|---|
| | Q1 2016 | Q1 2015 | Change % | Share % | Q1 2016 | Q1 2015 | Change % |
| Asia | 165.0 | 160.9 | 2.5 | 40.8 | 82.8 | 80.8 | 1.9 %-p |
| North Atlantic | 25.8 | 26.6 | -3.0 | 6.4 | 80.4 | 78.7 | 1.8 %-p |
| Europe | 160.9 | 150.9 | 6.6 | 39.8 | 74.3 | 75.1 | -0.8 %-p |
| Domestic | 48.7 | 42.1 | 15.8 | 12.1 | 71.4 | 71.4 | 0.1 %-p |
| Unallocated revenue | 3.7 | 13.8 | -73.5 | 0.9 | | | |
| **Total** | **404.0** | **394.3** | **2.5** | **100.0** | **78.8** | **78.1** | **0.8 %-p** |

| | ASK, mill. km | | | | RPK, mill. km | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 2016 | Q1 2015 | Change % | Share % | Q1 2016 | Q1 2015 | Change % | Share % |
| Asia | 4,021 | 3,887 | 3.5 | 49.5 | 3,328 | 3,142 | 5.9 | 52.0 |
| North Atlantic | 632 | 586 | 8.0 | 7.8 | 509 | 461 | 10.4 | 7.9 |
| Europe | 2,999 | 2,853 | 5.1 | 36.9 | 2,229 | 2,142 | 4.0 | 34.8 |
| Domestic | 468 | 389 | 20.5 | 5.8 | 334 | 277 | 20.6 | 5.2 |
| **Total** | **8,121** | **7,715** | **5.3** | **100.0** | **6,400** | **6,022** | **6.3** | **100.0** |

**Items affecting comparability**

Finnair has renamed items previously called "Non-recurring" to "Items affecting comparability" and provides reconciliation of the item in the notes. Items affecting comparability are classified into three categories: Gains and losses on aircraft transactions, Gains and losses on other transactions and Restructuring costs. Gains and losses on transactions include sales gains and losses and other items that can be considered to be directly related to the sale of the asset. As an example, write-down that might occur when item is classified as assets held for sale according IFRS 5, is reported as gains and losses on transactions. Restructuring costs include termination benefits and other costs that are directly linked to restructurings of operations.

| in mill. EUR | Q1 2016 | Q1 2015 | Change % | 2015 |
|---|---|---|---|---|
| **Fair value changes in derivatives and changes in exchange rates of fleet overhauls** | **4.4** | **-6.8** | **> 200 %** | **-12.3** |
| Unrealized changes in foreign currencies of fleet overhaul provisions | 3.0 | -10.2 | > 200 % | -10.1 |
| Fair value changes of derivatives where hedge accounting is not applied | 1.3 | 3.4 | -61.0 | -2.1 |
| **Items affecting comparability** | **-6.7** | **26.9** | **<-200 %** | **110.2** |
| Gains and losses on aircraft transactions | -5.8 | 31.4 | <-200 % | 101.7 |
| Gains and losses on other transactions | -0.4 | 0.0 | - | 19.8 |
| Restructuring costs | -0.5 | -4.5 | 88.8 | -11.3 |

### 5. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with the information presented in the Group's 2015 financial statements. The tables below present the nominal value or the amount and net fair value of derivative contracts used in Group's hedge accounting.

| Derivatives, in mill. EUR | 31 Mar 2016 | | 31 Mar 2015 | | 2015 | |
|---|---|---|---|---|---|---|
| | Nominal value | Fair net value | Nominal value | Fair net value | Nominal value | Fair net value |
| **Currency derivatives** | | | | | | |
| Hedge accounting items (forward contracts): | | | | | | |
| Jet fuel currency hedging | 285.7 | 0.7 | 386.9 | 68.0 | 331.6 | 23.1 |
| Fair value hedging of aircraft acquisitions | 495.3 | 42.4 | 742.1 | 146.0 | 782.4 | 81.0 |
| Currency hedging of lease payments | 178.6 | 6.5 | 169.2 | 30.5 | 171.2 | 18.1 |
| Hedge accounting items total | 959.6 | 49.6 | 1,298.2 | 244.5 | 1,285.3 | 122.2 |
| Items outside hedge accounting: | | | | | | |
| Operational cash flow hedging (forward contracts) | 227.1 | 3.7 | 348.4 | 33.0 | 307.5 | 14.8 |
| Operational cash flow hedging (options) | | | | | | |
| Bought options | 181.3 | 2.1 | 119.1 | 3.4 | 180.4 | 3.7 |
| Sold options | 311.4 | -4.3 | 272.7 | -7.8 | 318.5 | -4.1 |
| Balance sheet hedging (forward contracts) | 56.9 | -1.2 | 13.1 | -0.2 | 11.5 | 0.4 |
| Items outside hedge accounting total | 776.6 | 0.3 | 753.3 | 28.4 | 817.8 | 14.7 |
| **Currency derivatives total** | **1,736.2** | **49.9** | **2,051.5** | **272.9** | **2,103.1** | **136.9** |
| **Commodity derivatives** | | | | | | |
| Hedge accounting items: | | | | | | |
| Jet fuel forward contracts, tonnes | 552,000 | -99.6 | 500,500 | -139.0 | 559,000 | -140.7 |
| Electricity derivatives, MWh | 13,141 | -0.1 | 30,538 | -0.1 | 13,140 | 0.0 |
| Hedge accounting items total | | -99.7 | | -139.0 | | -140.8 |
| Items outside hedge accounting: | | | | | | |
| Jet fuel forward contracts, tonnes | 18,000 | -2.4 | 35,500 | -6.8 | 26,000 | -4.2 |
| Options | | | | | | |
| Bought options, jet fuel, tonnes | 137,000 | 0.8 | 144,000 | 0.8 | 178,000 | 0.6 |
| Sold options, jet fuel, tonnes | 344,000 | -14.2 | 186,000 | -33.4 | 329,000 | -26.2 |
| Electricity derivatives, MWh | 19,804 | -0.2 | 34,700 | -0.3 | 26,352 | -0.3 |
| Items outside hedge accounting total | | -16.1 | | -39.6 | | -30.2 |
| **Commodity derivatives total** | | **-115.7** | | **-178.6** | | **-170.9** |
| **Currency and interest rate swaps and options** | | | | | | |
| Hedge accounting items: | | | | | | |
| Interest rate swaps | 150.0 | 5.3 | 150.0 | 6.0 | 150.0 | 5.2 |
| Interest rate options | | | | | | |
| Bought options | 0.0 | 0.0 | 139.4 | 1.3 | 0.0 | 0.0 |
| Sold options | 0.0 | 0.0 | 139.4 | -8.0 | 0.0 | 0.0 |
| Hedge accounting items total | 150.0 | 5.3 | 428.8 | -0.7 | 150.0 | 5.2 |
| Items outside hedge accounting: | | | | | | |
| Cross currency Interest rate swaps | 102.6 | -4.2 | 11.8 | -0.5 | 7.1 | -0.2 |
| Items outside hedge accounting total | 102.6 | -4.2 | 11.8 | -0.5 | 7.1 | -0.2 |
| **Interest rate derivatives total** | **252.6** | **1.1** | **440.6** | **-1.2** | **157.1** | **5.0** |
| **Equity derivatives** | | | | | | |
| Hedge accounting items: | | | | | | |
| Stock options | | | | | | |
| Bought options | 3.0 | 5.5 | 3.0 | 1.5 | 3.0 | 5.6 |
| Sold options | 3.0 | -1.4 | 3.0 | -0.2 | 3.0 | -1.4 |
| Hedge accounting items total | 6.0 | 4.1 | 6.0 | 1.3 | 6.0 | 4.1 |
| **Equity derivatives total** | **6.0** | **4.1** | **6.0** | **1.3** | **6.0** | **4.1** |
| **Derivatives total** | | **-60.5** | | **94.3** | | **-24.9** |

## 6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

| Fair value hierarchy of financial assets and liabilities valued at fair value | | | |
|---|---|---|---|
| Fair values at the end of the reporting period, in mill. EUR | 31 Mar 2016 | Level 1 | Level 2 |
| **Financial assets at fair value through profit and loss** | | | |
| Securities held for trading | 551.1 | 35.7 | 515.3 |
| Derivatives held for trading | | | |
| Currency and interest rate swaps and options | 5.4 | | 5.4 |
| - of which in fair value hedge accounting | 5.4 | | 5.4 |
| Currency derivatives | 70.0 | | 70.0 |
| - of which in fair value hedge accounting | 45.7 | | 45.7 |
| - of which in cash flow hedge accounting | 15.1 | | 15.1 |
| Commodity derivatives | 1.4 | | 1.4 |
| - of which in cash flow hedge accounting | 0.7 | | 0.7 |
| Equity derivatives | 5.5 | | 5.5 |
| - of which in fair value hedge accounting | 5.5 | | 5.5 |
| **Total** | **633.4** | **35.7** | **597.6** |

| Financial liabilities recognised at fair value through profit and loss | | | |
|---|---|---|---|
| Derivatives held for trading | | | |
| Currency and interest rate swaps and options | 4.2 | | 4.2 |
| Currency derivatives | 20.1 | | 20.1 |
| - of which in fair value hedge accounting | 3.3 | | 3.3 |
| - of which in cash flow hedge accounting | 7.9 | | 7.9 |
| Commodity derivatives | 117.2 | | 117.2 |
| - of which in cash flow hedge accounting | 100.4 | | 100.4 |
| Equity derivatives | 1.4 | | 1.4 |
| - of which in fair value hedge accounting | 1.4 | | 1.4 |
| **Total** | **142.8** | **0.0** | **142.8** |

During the reporting period no significant transfers took place between fair value hierarchy Levels 1 and 2.

The fair values of hierarchy Level 1 are based fully on quoted (unadjusted) prices in active markets of the same assets and liabilities. The fair values of Level 2 instruments are based to a significant extent on input data other than the quoted prices included in Level 1, but however on data that are observable either directly (price) or indirectly (derived from price) for the said asset or liability.

The fair value hierarchy level, to which a certain item valued at fair value is classified in its entirety, is determined in accordance with the requirements of IFRS 7 based on the lowest level of input significant to the overall fair value of the said item. The significance of the input data has been assessed in its entirety in relation to said item valued at fair value.

## 7. COMPANY ACQUISITIONS AND SALES

The Group did not acquire or sold any companies or businesses during the first quarter of 2016.

At the end of the first quarter of 2015, Flybe Nordic group, the joint venture of Finnair and Flybe Group plc was transferred temporarily to Finnair's ownership as Finnair acquired Flybe Group plc's 60% share of Flybe Nordic with one euro on an interim basis. Later on Flybe Nordic was renamed as Nordic Regional Airlines (Norra). Norra was classified as assets held for sale until Finnair further sold the 60% share to Staffpoint Holding Oy and Kilco Oy in Q4 2015. Due to the sale Norra became a joint venture of Finnair and the new owners.

At the end of 2015, Finnair sold its ownership in the Estonian subsidiary Estravel AS, including Estravel's Lithuanian subsidiary Estravel Vilnius UAB. The transaction did not have significant effect to Finnair's results.

## 8. INCOME TAXES

The tax rate for Q1 2016 was -19.7% (-18.7%).

## 9. DIVIDEND PER SHARE

The Annual General Meeting on 17 March 2016 decided that no dividend was paid for 2015.
The Annual General Meeting on 25 March 2015 decided that no dividend was paid for 2014.

## 10. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

| in mill. EUR | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Carrying amount at the beginning of period | 821.0 | 916.2 | 916.2 |
| Additions | 111.1 | 12.4 | 329.7 |
| Change in advances | 26.9 | 19.8 | 28.9 |
| Currency hedging of aircraft acquisitions | 38.6 | -79.7 | -14.7 |
| Disposals and reclassifications | -0.8 | -27.2 | -290.6 |
| Depreciation | -22.9 | -26.6 | -108.1 |
| Depreciation included in items affecting comparability | -5.1 | -7.5 | -40.4 |
| **Carrying amount at the end of period** | **968.9** | **807.3** | **821.0** |
| | | | |
| Proportion of assets held for sale at the beginning of period | 123.0 | 119.8 | 119.8 |
| Proportion of assets held for sale at the end of period | 101.7 | 35.8 | 123.0 |

## 11. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include mainly aircraft that have been classified as held for sale during 2015. Aircraft classified as held for sale include three A340 aircraft that are expected to be sold to Airbus during 2016. These wide-body aircraft are going to be replaced by new A350 aircraft. In addition, aircraft held for sale include one ATR 72 scheduled for divestment in second quarter of 2016. At the end of 2015, assets held for sale also included two Embraer E170, which were sold at the first quarter of 2016.

At the end of the first quarter of 2015 Flybe Nordic Group, the joint venture of Finnair and Flybe Group plc, was transferred temporarily to Finnair's ownership as Finnair acquired Flybe Group plc's 60% share of Flybe Nordic with one euro on an interim basis. The ownership interest acquired was classified as assets held for sale. Later on Flybe Nordic was renamed as Nordic Regional Airlines (Norra). The 60% share of Norra was further sold to Staffpoint Holding Oy and Kilco Oy in Q4 2015.

| Non-current assets held for sale | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Intangible and tangible assets | 101.7 | 35.8 | 123.0 |
| Inventories | 1.5 | 0.2 | 1.6 |
| Assets from subsidiary held for sale | 0.0 | 33.8 | 0.0 |
| **Total** | **103.3** | **69.7** | **124.5** |

| Liabilities of non-current assets held for sale | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Liabilities from subsidiary held for sale | 0.0 | 36.8 | 0.0 |
| **Total** | **0.0** | **36.8** | **0.0** |

## 12. INTEREST-BEARING LIABILITIES

During the first quarter of 2016, Finnair secured financing for its Airbus A350 aircraft using a Japanese Operating Lease with Call Option (JOLCO) structure. The transaction is treated as a loan and the owned aircraft in Finnair's accounting. Loans were amortized according to the loan instalment program.

### 13. CONTINGENT LIABILITIES

| in mill. EUR | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Pledges on own behalf | 157.7 | 187.5 | 160.1 |
| Guarantees on behalf of group undertakings | 70.3 | 66.3 | 67.0 |
| Guarantees on behalf of others | 0.1 | 0.2 | 0.1 |
| **Total** | **228.1** | **253.9** | **227.2** |

Investment commitments for property, plant and equipment as at 31 March 2016 totalled 1,775 million euros (2015: 1,818).

### 14. OPERATING LEASE COMMITMENTS

| in mill. EUR | 31 Mar 2016 | 31 Mar 2015 | 2015 |
|---|---|---|---|
| Lease commitments for fleet payments | 956.8 | 816.5 | 1,040.3 |
| Other lease commitments | 304.2 | 241.1 | 305.2 |
| **Total** | **1,261.0** | **1,057.5** | **1,345.5** |

### 15. RELATED PARTY TRANSACTIONS

| in mill. EUR | Q1 2016 | Q1 2015 | 2015 |
|---|---|---|---|
| **Sales of goods and services** | | | |
| Associates | 0.0 | 0.2 | 0.2 |
| Joint ventures | 10.8 | 13.7 | 49.3 |
| **Purchases of goods and services** | | | |
| Associates | 0.0 | 3.3 | 2.5 |
| Joint ventures | 30.2 | 44.9 | 126.7 |
| Pension fund | 0.8 | 1.2 | 4.5 |
| **Receivables** | | | |
| Current receivables from associates | 0.0 | 1.7 | 0.5 |
| Current receivables from joint ventures | 11.5 | 0.0 | 12.1 |
| **Liabilities** | | | |
| Non-current liabilities to pension fund | 12.2 | 31.3 | 2.6 |
| Current liabilities to associates | 0.0 | 4.6 | 0.9 |
| Current liabilities to joint ventures | 0.7 | 0.0 | 0.1 |

### 16. RESTATEMENT OF OPERATING INCOME AND KEY RATIOS

Finnair has revised the calculation of revenue. From the beginning of 2016 onwards revenue from non-core businesses, mainly including aircraft leasing income, are reclassified from revenue to other operating income.

As of 1 January 2016, Finnair has adjusted calculation methods of unit revenue (RASK, unit revenue per available seat kilometre) and unit cost (CASK, unit cost per available seat kilometre). The previous calculation formulas included internal items which could not be derived straight from the group's income statement. The purpose of this change is to improve transparency and the usability of these key figures for investors.

Revenue, other operating income, RASK and CASK of comparative periods have been restated to correspond to the changed calculation methods, the restated quarterly 2015 key ratios are presented in the tables below. The adjusted formulas for RASK and CASK are described in note 18. Calculation of key ratios.

| Consolidated Income Statement | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Periodic in mill. EUR | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
| **Revenue** | **567.7** | **621.7** | **543.9** | **521.3** | **585.5** | **637.1** | **561.0** | **540.4** |
| Other operating income | 21.9 | 18.8 | 21.5 | 23.0 | 4.1 | 3.4 | 4.4 | 3.8 |

| Consolidated Income Statement | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Cumulative in mill. EUR | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 |
| **Revenue** | **2,254.5** | **1,686.8** | **1,065.2** | **521.3** | **2,324.0** | **1,738.5** | **1,101.4** | **540.4** |
| Other operating income | 85.2 | 63.3 | 44.5 | 23.0 | 15.7 | 11.6 | 8.2 | 3.8 |

| | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Periodic key figures | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
| **Revenue and result** | | | | | | | | |
| Comparable operating result, % of revenue | 0.1 | 10.3 | -2.4 | -5.4 | 0.1 | 10.1 | -2.3 | -5.2 |
| **Traffic data and responsibility indicators** | | | | | | | | |
| Unit revenue per available seat kilometre, (RASK), cents/ASK | 7.17 | 7.42 | 6.95 | 6.76 | 6.30 | 6.73 | 6.29 | 6.05 |
| Unit cost per available seat kilometre (CASK), cents/ASK | 7.16 | 6.65 | 7.12 | 7.12 | 6.50 | 6.12 | 6.74 | 6.75 |
| CASK excluding fuel, cents/ASK | 5.46 | 4.82 | 5.13 | 5.16 | 4.81 | 4.31 | 4.74 | 4.82 |

| | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Cumulative key figures | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 |
| **Revenue and result** | | | | | | | | |
| Comparable operating result, % of revenue | 1.1 | 1.4 | -3.9 | -5.4 | 1.0 | 1.3 | -3.7 | -5.2 |
| **Traffic data and responsibility indicators** | | | | | | | | |
| Unit revenue per available seat kilometre, (RASK), cents/ASK | 7.08 | 7.05 | 6.86 | 6.76 | 6.35 | 6.39 | 6.17 | 6.05 |
| Unit cost per available seat kilometre (CASK), cents/ASK | 7.01 | 6.96 | 7.12 | 7.12 | 6.52 | 6.55 | 6.75 | 6.75 |
| CASK excluding fuel, cents/ASK | 5.14 | 5.03 | 5.15 | 5.16 | 4.67 | 4.63 | 4.78 | 4.82 |

| Revenue by product | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Periodic in mill. EUR | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
| Passenger revenue | 433.0 | 504.4 | 434.4 | 394.3 | 430.4 | 503.5 | 433.6 | 382.1 |
| Ancillary and retail revenue | 28.0 | 27.7 | 24.4 | 23.1 | 28.4 | 28.0 | 24.7 | 23.4 |
| Cargo | 48.0 | 45.9 | 45.1 | 44.8 | 48.0 | 45.9 | 45.1 | 44.8 |
| Other revenue | | | | | 18.5 | 14.9 | 16.3 | 29.3 |
| Travel Services segment | | | | | 60.1 | 44.8 | 41.2 | 60.8 |
| Travel services | 52.7 | 38.3 | 33.5 | 53.3 | | | | |
| Travel agencies | 6.0 | 5.5 | 6.5 | 5.8 | | | | |
| **Total** | **567.7** | **621.7** | **543.9** | **521.3** | **585.5** | **637.1** | **561.0** | **540.4** |

| Revenue by product | Restated | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| Cumulative in mill. EUR | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 | 2015 | Q1-Q3 2015 | Q1-Q2 2015 | Q1 2015 |
| Passenger revenue | 1,766.0 | 1,333.1 | 828.7 | 394.3 | 1,749.7 | 1,319.3 | 815.7 | 382.1 |
| Ancillary and retail revenue | 103.2 | 75.1 | 47.5 | 23.1 | 104.6 | 76.2 | 48.2 | 23.4 |
| Cargo | 183.7 | 135.7 | 89.9 | 44.8 | 183.7 | 135.7 | 89.9 | 44.8 |
| Other revenue | | | | | 79.1 | 60.5 | 45.7 | 29.3 |
| Travel Services segment | | | | | 206.9 | 146.8 | 102.0 | 60.8 |
| Travel services | 177.8 | 125.1 | 86.8 | 53.3 | | | | |
| Travel agencies | 23.8 | 17.8 | 12.3 | 5.8 | | | | |
| **Total** | **2,254.5** | **1,686.8** | **1,065.2** | **521.3** | **2,324.0** | **1,738.5** | **1,101.4** | **540.4** |

### 17. EVENTS AFTER THE CLOSING DATE

In April, Finnair secured financing for its fourth A350-900 XWB aircraft, delivered in March 2016. The transaction amounts to approximately 115 million euros and it was implemented using a Japanese Operating Lease with a Call Option (JOLCO) structure arranged by Credit Agricole, where the transaction amount is treated in Finnair's IFRS accounting as a loan and the aircraft as owned.

## 18. CALCULATION OF KEY RATIOS

**Comparable operating result:**
Operating result excluding fair value changes in derivatives, changes in the exchange rates of fleet overhauls and items affecting comparability

**Items affecting comparability:**
Gains and losses on transactions and restructuring costs

**Comparable EBITDAR:**
Comparable operating 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

**Liquid funds:**
Cash and cash equivalents + other financial assets

**Interest-bearing liabilities:**
Interest-bearing liabilities + cross currency interest rate swaps in derivative financial instruments

**Interest-bearing net debt:**
Interest-bearing liabilities - liquid funds

**Average capital employed:**
Equity + interest-bearing liabilities (average)

**Earnings per share:**

$$\frac{\text{Result for the period - hybrid bond expenses net of tax}}{\text{Average number of shares during the period, adjusted for share issues}}$$

**Equity/share:**

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

**LTM:**
Last twelve months

**Equity ratio, %:**

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

**Gearing, %:**

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

**Adjusted gearing, %:**

$$\frac{\text{Interest-bearing net debt + lease payments for aircraft, LTM x 7}}{\text{Shareholders' equity + non-controlling interest}} \times 100$$

The figures of the interim report are unaudited.

**Return on equity (ROE), %:**

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

**Return on capital employed (ROCE), %:**

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

**Available seat kilometres (ASK):**
Total number of seats available × kilometres flown

**Revenue passenger kilometres (RPK):**
Number of revenue passengers × kilometres flown

**Passenger load factor, %:**
Share of revenue passenger kilometres of available seat kilometres

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

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

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

**Revenue per available seat kilometre (RASK):**
Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK).

Unit revenue (RASK) with constant currency aims to provide a comparative, currency neutral measurement for unit revenues. All the currency changes and currency hedging results are excluded from the measurement.

**Cost per available seat kilometre (CASK):**
Unit cost (CASK) represents the Group's operational costs divided by available seat kilometres. Other operating income is deducted from operational costs.

Unit cost (CASK) with constant currency aims to provide a comparative, currency neutral measurement for unit costs. All the currency changes and currency hedging results are excluded from the measurement.