Finnair Group interim report 1 January–30 September 2016

Improved comparable operating result in an increasingly difficult market; implementation of Finnair´s strategy continues

July–September 2016

- Revenue grew by 3.1% year-on-year to 640.9 million euros (621.7)*.
- Comparable operating result was 65.7 million euros (64.2).
- Operating result was 115.5 million euros (50.7) including gains on the sale of one A350 widebody aircraft.
- Comparable EBITDAR was 118.3 million euros (115.1).
- Net cash flow from operating activities totalled 59.1 million euros (62.6), and net cash flow from investing activities amounted to 161.5 million euros (-2.8).
- Unit revenue (RASK) decreased by 4.9% year-on-year.
- Unit cost (CASK) decreased by 4.8% and unit cost at constant currency excluding fuel increased by 1.2% year-on-year.
- Ancillary and retail revenue per passenger grew by 16.9% year-on-year to 11.31 euros.
- Earnings per share were 0.66 euros (0.29).

January–September 2016

- Revenue grew by 3.6% year-on-year to 1,746.9 million euros (1,686.8).
- Comparable operating result was 53.5 million euros (22.9).
- Operating result was 98.0 million euros (36.7).
- Comparable EBITDAR was 211.0 million euros (171.7).
- Net cash flow from operating activities stood at 189.2 million euros (164.0), and net cash flow from investing activities totalled -234.8 million euros (86.4).
- Unit revenue (RASK) decreased by 3.7% year-on-year.
- Unit cost (CASK) decreased by 5.3% and unit cost excluding fuel at constant currency increased by 1.1% year-on-year.
- Ancillary and retail revenue per passenger grew by 17.1% year-on-year to 11.34 euros.
- Earnings per share were 0.47 euros (0.13).

** Unless otherwise stated, figures in brackets refer to the comparison period, i.e. the same period last year.*

Outlook

<u>Outlook published on 17 August 2016</u>

The demand outlook for passenger and cargo traffic in Finnair’s main markets involves renewed uncertainty. Finnair’s new estimate of capacity growth is approximately 7 per cent, while the previous estimate was a growth of 8 per cent compared to 2015. The revision is due to delays in the deliveries of A350 aircraft. The rate of revenue growth is estimated to be slower than the rate of capacity growth. Uncertainty regarding the demand and yield prospects of the airline industry has increased during recent months. Finnair estimates that its comparable operating result for 2016 will increase from the previous year (2015: 23.7 million euros).

Outlook on 26 October 2016

The demand outlook for passenger and cargo traffic in Finnair's main markets continues to involve uncertainty. Finnair reiterates its previous assessment that its capacity will grow by approximately 7 per cent compared to 2015 and that revenue grows more slowly than capacity.

Market conditions are increasingly challenging; fuel price has turned upwards and market capacity growth continues to cause pressure on yields. Finnair estimates that its comparable operating result for 2016 will increase from the previous year (2015: 23.7 million euros).

CEO Pekka Vauramo:

Our comparable result for the third quarter exceeded last year´s record result by 1.5 million euros; hence, we achieved what was already the eighth consecutive quarterly result improvement. Our capacity as measured by available passenger kilometres increased by 8.4 per cent during the quarter, in line with our target for the next few years.

Considering the current market environment, we are satisfied about breaking the record result posted in the comparison period. Intense competition across the North Atlantic put pressure on our yields and affected our earnings performance somewhat. Furthermore, the flow of leisure travel – from China in particular – was impacted by concerns about the security conditions in Europe. This led to reduced materialisation of group reservations, which was reflected in our Asian load factors. We continue to believe that our full-year result will be in line with our previous guidance but point out that the rest of the year involves a lot of uncertainty and cost pressure.

During the third quarter, we succeeded in attracting more Asian tourists to the Nordic region rather than Southern or Central Europe; for example, Copenhagen recently surpassed Paris as the number one destination for our Chinese tourist groups. In addition, we are promoting Finland as a stopover or holiday destination, particularly during the winter months, when we are adding more capacity to Lapland. Furthermore, at the beginning of October, we also introduced an A350 service to London five times weekly, which provides both an attractive product for our Asian transfer passengers as well as an outstanding entry point from our home markets to the global network of our **one**world and joint business partners from London. In addition, it strengthens our cargo network considerably.

Our costs increased in the third quarter reflecting our preparation for traffic growth in line with our strategy, driven by our new A350 aircraft. However, due to changes in the delivery schedule of these aircraft, there is considerable uncertainty related to the training of our flight personnel. As a result, we are adjusting our traffic plan and leasing additional fleet with crew in order to be able to train our own staff as rapidly as possible. Our growth is also supported by the increase in the capacity of pilot training in Finland. Preparation for growth will cause extra costs over the next few years.

On the bright side, in Europe and in the domestic market, there were moderate increases in capacity utilisation and yields. Ancillary sales continued to be solid; we expect that they will be supported further in the near term by the renewal of our website and inflight sales system.

In connection with the release of our previous quarterly result, we announced a EUR 20 million efficiency-improvement programme. Preparation of the programme is proceeding, and recent changes in the overall market further highlight the importance of efficiency. At the same time it helps us keep our strategy and medium-term growth plan on course.

Business environment

Traffic continued to grow in Finnair's main markets in the third quarter of 2016. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations grew by approximately 1.3 per cent year-on-year, while direct market capacity between Finnair's Asian and European destinations grew by 3.1 per cent year-on-year. Finnair's July market share increased in European traffic (between Helsinki and Finnair's European destinations) to 59.7 per cent (58.1) and in Asian traffic (between AY operated European cities in Europe and in Asia) to 5.0 per cent (4.9).*

The strong growth in market capacity weighed on long-haul load factors and unit revenue somewhat. Long-haul market capacity development was uneven, with China-Europe market capacity growing strongly while growth between Japan and Europe was negative. Leisure travel from Asia to certain European destinations suffered from security concerns, while growth for the Nordic destinations was robust. Our North Atlantic business was affected by overcapacity, which resulted in lower yields. European demand-capacity growth was balanced, which was reflected in growing intra-European passenger numbers and yield.

The Atlantic Joint Business was affected by overcapacity between Europe and North America, and yields declined due to intensified competition. At the same time, the Siberian Joint Business strengthened its market share as market capacity between Europe and Japan continued to decrease in the third quarter.

The supply of packaged travel by tour operators active in Finland in late summer 2016 was mostly in balance with the demand. Unrest in Turkey continued to weigh on the demand for Turkish package tours, but at the same time there was strong demand for other destinations. Overall, the cargo market remained sluggish, though the downward trajectory seems to have levelled off somewhat.

The declining trend in the price of jet fuel that began in autumn 2014 ended in the first quarter. Nevertheless, the dollar price of jet fuel was still 13.0 per cent lower in the third quarter than in the comparison period. The US Dollar, the most significant expense currency after the euro, appreciated heavily from autumn 2014 until spring 2015. After that, however, the US Dollar has shown signs of stabilisation, and it depreciated by 0.4 per cent against the euro year-on-year. In regards to key income currencies, the Japanese yen has continued its appreciation since autumn 2015, strengthening by 18.9 per cent against the euro year-on-year, while the Chinese yuan depreciated by 5.8 per cent year-on-year. Finnair hedges its fuel purchases and key foreign currency items; hence, market fluctuations are not reflected one-for-one in its result.

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

Significant events in July–September 2016

At the end of September, Finnair took delivery of its seventh Airbus A350 and finalised an agreement to sell the aircraft to GE Capital Aviation Services Limited ("GECAS") and lease it back for its own operation. The arrangement had a positive one-time effect of approximately 40 million euro on Finnair's operating profit for the third quarter of 2016, including a gain on sale and currency gains on pre-delivery payments and hedges.

Financial performance

Revenue in July–September 2016

Finnair's revenue in the third quarter of 2016 grew by 3.1 per cent year-on-year to 640.9 million euros (621.7). Passenger revenue, ancillary and retail revenue and travel services grew, while cargo revenue was broadly unchanged and travel agency revenue decreased due to a business divestment. Unit revenue (RASK) decreased by 4.9 per cent year-on-year and amounted to 7.05 euro cents (7.42).

Revenue by product

EUR million	7–9/2016	7–9/2015	Change %	2015
Passenger revenue	515.9	504.4	2.3	1,766.0
Ancillary and retail revenue	33.8	27.7	22.2	103.2
Cargo	45.5	45.9	-0.9	183.7
Travel services	42.0	38.3	9.8	177.8
Travel agencies	3.7	5.5	-31.9	23.8
Total	**640.9**	**621.7**	**3.1**	**2,254.5**

Ticket revenue and traffic data by area, 7–9/2016

	Ticket revenue			ASK			RPK			PLF	
Traffic area	EUR mill.	Change %	Share %	Mill. km	Change %	Share %	Mill. km	Change %	Share '%	%	Change %-point
Asia	224.9	1.2	43.6	4,332.1	12.6	47.7	3,770.5	8.4	49.3	87.0	-3.3
North Atlantic	38.4	15.5	7.4	798.5	22.0	8.8	648.4	12.2	8.5	81.2	-7.1
Europe	213.8	3.1	41.4	3,656.8	2.5	40.2	3,029.6	3.5	39.6	82.8	0.8
Domestic	31.1	-3.7	6.0	299.2	-4.8	3.3	204.8	-1.5	2.7	68.4	2.3
Unallocated	7.8	-16.3	1.5								
Total	**515.9**	**2.3**	**100**	**9,086.7**	**8.4**	**100**	**7,653.3**	**6.5**	**100**	**84.2**	**-1.5**

Passenger traffic capacity (measured in Available Seat Kilometres (ASK)) grew by 8.4 per cent overall, while traffic (measured in revenue passenger kilometres) grew by 6.5 per cent. The ASK growth mostly stemmed from long-haul traffic. Compared with the third quarter of 2015, Finnair operated two more widebody aircraft and the same number of narrowbody aircraft in the review period.

In Asian traffic, capacity in the third quarter grew by 12.6 per cent year-on-year. The increase was attributable to several factors, including the additional capacity due to the new A350 being larger than the aircraft they are replacing, increase in average stage length due to higher frequencies on the Singapore and Shanghai routes, and the launch of the Fukuoka and Guangzhou routes in May. The passenger load factor in Asian traffic decreased by 3.3 percentage points to 87.0 per cent. The capacity in North Atlantic traffic increased by 22.0 per cent as Finnair added a fourth and fifth weekly frequency to Chicago and operated to Miami instead of Toronto, which contributed to ASK growth through the longer stage length. The passenger load factor in Transatlantic traffic decreased by 7.1 percentage points to 81.2 per cent.

Ancillary and retail revenue increased by 22.2 per cent year-on-year and amounted to 33.8 million euros. Growth was particularly strong in advance seat reservations, as well as additional baggage fees. Cargo traffic grew considerably: revenue tonne kilometres increased by 13.8 per cent while available cargo tonne kilometres increased by 5.7 per cent. However, as a result of the weak market conditions, average cargo yields declined and cargo traffic revenue decreased by 0.9 per cent year-on-year, amounting to 45.5 million euros.

The revenue of Finnair's travel services (Aurinkomatkat Suntours) in July–September increased by 9.8 per cent from the previous year and amounted to 42.0 million euros (38.3).The number of travellers increased by 11.5% from the comparison period, and the load factor in Suntour's fixed seat allotment was 97.3%. The year-on-year decrease in travel agencies' revenue is attributable to the divestment of SMT's Baltic subsidiary Estravel in December 2015. Finnair signed an agreement in May to also sell SMT, and the transaction is expected to be completed in the fourth quarter.

Cost development and result July–September 2016

Finnair's operating expenses increased by 2.6 per cent in the third quarter and amounted to 591.4 million euros (576.2). Unit cost (CASK) decreased by 4.8 per cent and totalled 6.33 euro cents (6.65).

Operating expenses excluding fuel increased by 9.4 per cent from the comparison period, and amounted to 462.7 million euros (422.9). The costs in the review period were augmented by various growth measures relating, for example, to temporary wet lease arrangements, the roll-out of the A350 fleet, and crew training, estimated at some 8 million euros in total distributed across various cost categories.

Fuel costs, including hedging and emissions trading costs, decreased despite the capacity growth by 16.1 per cent to 128.7 million euros (153.4). Staff costs increased by 11.4 per cent to 87.4 million euros (78.5) while the number of personnel grew by 4.9 per cent. In the comparison period, there were positive one-time items in the staff costs. The increase in the number of employees primarily consisted of flight crew.

In April, Finnair concluded a transaction with its joint venture Norra, to take over the maintenance of ATR aircraft operated by Norra. Previously, their maintenance cost was part of the purchase traffic charge paid by Finnair to Norra, included in other rents. As a result, the change reduced other rents and increased both overhaul and staff costs. At the same time, volume growth and increased business class travel led to higher lounge and catering costs.

Other expenses increased by 9.1 million euros to 64.0 million euros. The increase in other expenses was partly attributable to the higher traffic volume, but also to the fact that the currency hedging result was more positive in the comparison period.

Finnair's comparable EBITDAR increased by 3.2 million euros to 118.3 million euros (115.1). The comparable operating result, which refers to the operating result excluding items affecting comparability, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves, increased by 1.4 million euros and amounted to 65.7 million euros (64.2).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 7.4 million euros (-10.9). The items affecting comparability amounted to 42.4 million euros (-2.7), mostly relating to the sale and leaseback of an A350 aircraft. The operating result was 115.5 million euros (50.7), the result before taxes was 109.9 million euros (48.9) and the result after taxes was 87.6 million euros (39.0).

Revenue in January–September 2016

Finnair's revenue in January–September 2016 grew by 3.6 per cent year-on-year to 1,746.9 million euros (1,686.8). Revenue was boosted by higher passenger revenue, ancillary and retail revenue and travel services revenue, and it was negatively affected by a decrease in cargo revenue as well as the elimination of revenue from businesses sold after the comparison period. Unit revenue (RASK) decreased by 3.7 per cent year-on-year and amounted to 6.79 euro cents (7.05).

Revenue by product

EUR million	1–9/2016	1–9/2015	Change %	2015
Passenger revenue	1,378.1	1,333.1	3.4	1,766.0
Ancillary and retail revenue	93.7	75.1	24.8	103.2
Cargo	127.7	135.7	-5.9	183.7
Travel services	135.2	125.1	8.1	177.8
Travel agencies	12.1	17.8	-32.1	23.8
Total	**1,746.9**	**1,686.8**	**3.6**	**2,254.5**

Ticket revenue and traffic data by area, 1–9/2016

	Ticket revenue			ASK			RPK			PLF	
Traffic area	EUR mill.	Change, %	Share %	Mill. km	Change, %	Share %	Mill. km	Change, %	Share %	%	Change, %-point
Asia	563.7	0.5	40.9	12,423.7	8.4	48.3	10,208.5	6.4	49.4	82.2	-1.5
North America	92.9	15.7	6.7	2,102.9	27.8	8.2	1,687.2	21.1	8.2	80.2	-4.4
Europe	578.9	3.9	42.0	10,069.0	3.0	39.1	7,972.1	3.4	38.6	79.2	0.3
Finland	119.4	7.4	8.7	1,124.3	8.6	4.4	777.2	9.9	3.8	69.1	0.8
Unallocated	23.2	-1.5	1.7								
Total	**1,378.1**	**3.4**	**100**	**25,719.9**	**7.5**	**100**	**20,645.0**	**6.4**	**100**	**80.3**	**-0.8**

Passenger traffic capacity measured in Available Seat Kilometres (ASK) grew by 7.5 per cent, while traffic measured in revenue passenger kilometres grew by 6.4 per cent. The growth in long-haul traffic was attributable to the additional capacity introduced by the A350 aircraft, operation to Fukuoka, Guangzhou and Miami in the summer, as well as increased frequencies on the Chicago route and longer stage lengths for new Asian routes. Capacity growth in European and domestic traffic particularly reflects the inclusion of flights previously operated at Norra’s risk as Finnair’s traffic starting from the second quarter of 2015.

Cost development and result January–September 2016

Finnair’s operating costs increased by 1.3 per cent in the first nine months of 2016 and amounted to 1,749.5 million euros (1,727.2). Unit cost (CASK) decreased by 5.3 per cent and totalled 6.58 euro cents (6.96).

Fuel costs decreased by 18.2 per cent and amounted to 376.6 million euros. Hence, operating costs excluding fuel increased by 8.4 per cent and amounted to 1,372.9 million euros. The result for the review period was impacted by exceptionally high cancellations of domestic flights in the beginning of the year, temporary wet lease arrangements, the roll-out of the A350 fleet and related crew training. In January–September, these cost items totalled up to 20 million euros.

Finnair’s comparable EBITDAR grew by 39.3 million euros and amounted to 211.0 million euros (171.7). The comparable operating result, which refers to the operating result excluding items affecting comparability, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves, increased by 30.6 million euros and amounted to 53.5 million euros (22.9).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 11.7 million euros (3.2). The items affecting comparability amounted to 32.7 million euros (10.6), positive items being primarily related to the sale and leaseback of an A350 and negative items to the phasing out of A340 aircraft. The operating result was 98.0 million euros (36.7), the result before taxes was 89.9 million euros (29.4) and the result after taxes was 71.5 million euros (23.2).

Balance sheet on 30 September 2016

The Group’s balance sheet totalled 2,465.2 million euros at the end of the period under review (31 Dec 2015: 2,050.3). The balance sheet grew in January–September mainly due to debt-financed aircraft purchases, the sale and leaseback of one A350 aircraft, and positive operating cash flow. Shareholders’ equity was 828.5 million euros (31 Dec 2015: 727.5), or 6.51 euros per share (31 Dec 2015: 5.69). Shareholders’ equity increased primarily due to the company’s profitable comprehensive income.

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 September 2016 was -33.1 million euros (31 Dec 2015: -67.9) after deferred taxes, and it was affected particularly by changes in the fair value of the aforementioned hedging instruments. In addition, pension liability increased primarily due to a change in the discount rate reflecting the decline in the general interest rate level.

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments. In January–September 2016, net cash flow from operating activities amounted to 189.2 million euros (164.0). The year-on-year increase in cash flow was primarily attributable to the improvement of comparable operating result. Net cash flow from investments amounted to -234.8 million euros (86.4) and was particularly attributable to the acquisition of new A350 aircraft and an decrease in money market investments with maturities exceeding three months and therefore classified as investments.

The equity ratio on 30 September 2016 stood at 33.6 per cent (31 Dec 2015: 35.5) and gearing was negative at -26.1 per cent (31 Dec 2015: -49.8). The adjusted gearing was 67.7 per cent (31 Dec 2015: 45.8). At the end of September, interest-bearing debt amounted to 655.0 million euros (31 Dec 2015: 346.5) and interest-bearing net debt was negative at -216.5 million euros (31 Dec 2015: -362.0). During the first nine months of the year, Finnair secured three JOLCO financing arrangements for its new A350 aircraft and finalised a sale and leaseback agreement on an A350 aircraft, with the total acquired financing amounting to approximately 507 million euros.

The company's liquidity was strong in the review period. The Group's cash funds amounted to 874.3 million euros (31 Dec 2015: 708.2) at the end of September. 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 175-million-euro syndicated credit facility, which is intended as reserve funding and was signed in June as the previous corresponding agreement matured. The new arrangement has a maturity of three years with two optional one-year extensions. Finnair prepaid all of its bank debt, approximately 67 million euros during the period.

Finnair has a 200-million-euro short-term commercial paper program, which was unused at the end of the review period. Net cash flow from financing in January–September amounted to 270.2 million euros (-78.2). Financial expenses were -9.4 million euros (-8.2) and financial income stood at 1.2 million euros (0.8).

Capital expenditure

In January–September, capital expenditure excluding advance payments totalled 424.0 million euros (38.2) and was primarily related to fleet investments. Net cash flow from investments (capital expenditure) totalled -443.1 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 560 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 390 million euros, taking into account the sale and leaseback agreement for the A350 aircraft finalised in the third quarter.

Cash flow from investments for 2017 is estimated at approximately 510 million euros, or 260 million net, if the sale and leaseback agreement signed for the A350 aircraft scheduled for delivery in 2017 will be finalised as planned. The investment financing need in 2016–2017 may potentially be reduced by sales of aircraft to be carried out 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 investment 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 in spring 2017. Finnair will also introduce wireless Internet connectivity to the majority of its current wide-body and narrow-body fleet in 2017–2018.

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 33 unencumbered aircraft, the balance sheet value of which corresponds to approximately 57 per cent of the value of the entire fleet of 1.0 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 September 2016, Finnair itself operated 49 aircraft, of which 19 are wide-body and 30 narrow-body aircraft. Of the aircraft, 26 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 second quarter. The aircraft was financed with a sale and leaseback arrangement announced on 29 September 2016.

The average age of the fleet operated by Finnair was 10.0 years at the end of the third quarter of 2016.

Fleet operated by Finnair on 30 September 2016*	Seats	#	Change from 31.12.2015	Own**	Leased (Operating lease)	(Finance lease)	Average age 30.9.2016	Ordered
Narrow-body fleet								
Airbus A319	138	9		7	2		15.2	
Airbus A320	165	10	1	7	3		14.1	
Airbus A321	209/196	11		4	7		9.8	
Wide-body fleet								
Airbus A330	289/263	8		0	5	3	6.9	
Airbus A340	263/257	4	-1	4***			8.8	
Airbus A350	297	7	3	4	3		0.5	12
Total		**49**	**3**	**26**	**20**	**3**	**10.0**	**12**

* Finnair's Air Operator Certificate (AOC).
** Includes JOLCO-financed A350 aircraft.
*** Only two of the A340s were in operation at end-September.

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 four in 2016. According to the current delivery schedule, Finnair will receive four new A350 aircraft also in 2017 and the remaining eight between 2018–2023. Finnair's investment commitments for property, plant and equipment, totalling 1,542 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 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 are owned by Finnair and 13 are leased. On 29 June 2016, Finnair signed an agreement on the sale of one ATR 72 aircraft. The disposal of the aircraft from the fleet has been postponed to the first half of 2017.

Fleet operated by Norra on 30 September 2016*	Seats	#	Change from 31.12.2015	Aircraft owned by Finnair	Leased** (Operating lease)	Average age 30.9.2016	Ordered
ATR 72	68–72	12		6	6	7.2	
Embraer 170	76	0	-2	0			
Embraer 190	100	12		5	7	8.3	
Total		**24**	**0**	**11**	**13**	**7.7**	**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 maximum weekly number of flights to Asia was 78 in the winter season 2015/2016, 80 in the summer season 2016 and 78 in the winter season 2016/2017.

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. The joint businesses are agreements on revenue sharing and price coordination for flights to the route areas in question. In autumn 2016, Iberia joined Finnair, Japan Airlines and British Airways as a member of the SBJ.

Finnair's new scheduled flight destinations for the summer season 2016 from Helsinki were 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. In Asia, Finnair introduced three weekly flights to Fukuoka and four to Guangzhou for the summer.

For the coming winter season, Finnair will increase flights to Lapland by approximately 10%. For summer 2017, Finnair will add frequencies to Tokyo and Hong Kong and introduce new routes from Helsinki to San Francisco, Alicante, Ibiza, Korfu, Menorca and Reykjavik.

Other renewals and services

In April, Finnair began to offer stopovers in Finland for its passengers travelling between Asia and Europe. The stopover flights can be booked on the new stopover.finnair.com website, which also includes information on various stopover activities and destination information on Finland. StopOver Finland is a project led by Visit Finland, and the travel packages are implemented by an external travel agency partner. The duration of the stopover travel packages ranges from five hours to five days.

In July, Finnair and Alitrip, a Chinese travel agency, signed a long-term strategic partnership aiming to bring approximately 3,000 Chinese tourists to the Finnish Lapland during the winter months. Finnair is the first strategic European airline partner for Alitrip with a project of this magnitude. Alitrip is a fast-growing travel platform in China owned by the Alibaba Group, listed on the New York Stock Exchange.

Awards

In August, the Finnair mobile app was awarded a Red Dot Award in the Communications Design category. The Finnair app, which is available for iOS and Android devices was also recognized by the European Design organization with a Silver Award in the Mobile Apps category earlier this year. Celebrating the best in design, the Red Dot Awards are selected by a jury of well-known experts in the design industry.

In July, the Skytrax World Airline Awards chose Finnair as the best airline in Northern Europe for the seventh consecutive time. The award is based on an independent Skytrax survey of some 19 million travellers from more than 160 countries. The survey covers more than 40 criteria including check-in, seat comfort, cabin cleanliness and service.

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.

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.

The German ESG rating company oekom research AG updated its analysis of Finnair's responsibility in February. Finnair's current ESG rating is B-, which is the highest rating in its category comprising 77 companies in the transport and logistics sector. Finnair was also awarded *Prime* status indicating the suitability of Finnair's securities for responsible investors.

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.

Changes in senior management

In a stock exchange release published on 16 February 2016, Finnair announced the acceleration its growth and renewal of its organisation as of 1 March 2016 in line with its growth strategy. Piia Karhu, who was appointed Senior Vice President in charge of Customer Experience, and Katri Harra-Salonen, appointed SVP, Digitalisation, were introduced as new Executive Board members. Jaakko Schildt, who was appointed SVP, Operations, took office on 1 August 2016. Until then, the unit was led by Ville Iho, appointed SVP, Strategy and Resource Management, together with Mikko Tainio, VP, Ground Services.

Personnel

Finnair employed an average of 5,055 (4,896) people in January–September 2016, which is 3.2 per cent higher than in the comparison period. The number of employees in an employment relationship on 30 September 2016 was 5,180 (30 Sep 2015: 5,000; 31 Dec 2015: 4,817). During the review period (1–9/2016), the number of personnel increased by 363, primarily due to an increase in the number of cabin crew and pilots. In addition, 50 maintenance employees were transferred from Norra to Finnair in conjunction with a transaction in May.

Representing Finnair, Service Sector Employers PALTA reached an agreement with office personnel, customer service personnel and technical personnel, represented by FINTO, PRO and IAU, on terms of employment in accordance with the framework of the national competitiveness pact, within the timeframe set by the central labour market organisations. Negotiations on collective labour agreements will be held with the flight crew during the second half of the year.

Own shares

Finnair acquired a total of 800,000 of its own shares on the Helsinki Stock Exchange in the first quarter of 2016 and transferred 277,596 of its own shares as incentive bonuses to members of the Fly Share employee share savings plan. In June, Finnair transferred a total of 28,464 of its own shares to the 31 participants of Finnair's share-based incentive scheme 2013–2015 as a reward payment.

On 30 September 2016, Finnair held a total of 819,145 of its own shares (326,985), representing 0.64 per cent of the total share capital.

Share price development and trading

At the end of September 2016, Finnair's market value stood at 562.5 million euros (393.4), and the closing price of the share was 4.39 euros (3.07). During the January–September period, the highest price for the Finnair Plc share on the NASDAQ Helsinki Stock Exchange was 5.92 euros (3.30), the lowest price 4.11 euros (2.49) and the average price 4.94 euros (3.01). Some 20.8 million (14.0) of the company's shares, with a total value of 102.9 million euros (42.1), were traded.

The number of Finnair shares recorded in the Trade Register was 128,136,115 at the end of the period. The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 8.9 per cent (7.7) were held by foreign investors or in the name of a nominee.

Corporate responsibility

Economic, social and environmental sustainability is integral to Finnair's overall business strategy and operations. Finnair wants to be a responsible global citizen and respond to its stakeholders' needs, also from the perspective of corporate responsibility.

Finnair is cooperating with industry operators and the authorities in areas such as reducing the climate impacts of aviation and promoting the use of biofuels. Finnair's corporate responsibility is reflected in its strategy and vision as well as its values of commitment to care, simplicity and courage. Responsibility is integral to all Finnair operations. The purpose of the responsibility strategy is to reduce environmental impacts and generate financial and social utility for society.

The assembly of the International Civil Aviation Organization (ICAO) concluded a historic agreement in the autumn on market-based measure to help stabilize airline emissions at the level of 2020. Sixty-five ICAO member states, including Finland, have agreed to join the so-called Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) from the outset. This means an obligation for airlines to compensate their emissions exceeding the target by purchasing emission reduction units primarily from other sectors. These units will be sold by projects reducing greenhouse gas emissions. The CORSIA agreement is one element in the aviation sector's actions on climate change. Other environmental improvement measures include the use of modern technology, the adoption of sustainable alternative fuels, efficient operational practices and improvements in infrastructure. The countries participating in the scheme in the first stage as of 2021 cover approximately 85% of the world's aviation activity. From 2027 onwards, it will be mandatory on a global scale.

In June 2016, Finnair signed a cooperation agreement with UNWomen to support women's rights. Finnair also signed the United for Wildlife Transport Taskforce Buckingham Palace Declaration, which denounces the illegal transportation and trade of wildlife and wildlife products. The pledge also aims to increase partnerships with government authorities and conservation organisations in the fight against traffickers and smugglers of endangered animals. For several years, Finnair has refused to carry any animals or wildlife products that are contrary to the Convention on International Trade in Endangered Species of Wildlife Fauna and Flora (CITES). In 2015, Finnair took the extra step of prohibiting the transport of hunting trophies or memorabilia originating from endangered species in its cargo network.

The key performance indicators for corporate responsibility are presented under "Key Figures" in the tables section.

Significant near-term risks and uncertainties

Aviation is an industry that is sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variation and economic trends. In the implementation of its strategy, Finnair and its operations are faced with 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 and yield of Finnair's services. In addition, joint operations involving closer cooperation than airline alliances, and joint businesses, are expected to develop further.

The achievement of the 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 delivery schedule and 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. Finnair's capacity expansion programme and its resourcing could generate further cost pressure and operational challenges in the short term.

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

Geopolitical uncertainty, the elevated threat of terrorism and other potential external disruptions may, if they materialise, significantly affect the demand for air travel and Finnair's operations.

The upcoming exit of the United Kingdom from the European Union involves general economic uncertainty that may also be reflected in the demand for air travel.

The construction work associated with the extension of Helsinki Airport, which will continue until 2020, may cause traffic disruptions. Finnair is engaged in close cooperation with Finavia to 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 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.

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)	**1 percentage (point)change**
Passenger load factor (PLF)	EUR 22 million
Average yield of passenger traffic	EUR 19 million
Unit cost (CASK ex. fuel)	EUR 18 million

Fuel sensitivities	**10% change without hedging**	**10% change, taking hedging into account**	**Hedging ratio**	
(rolling 12 months from date of financial statements)			H2/2016	H1/2017
Fuel	EUR 41 million	EUR 21 million	72%	66%

Currency distribution %	**7–9 2016**	**7–9 2015**	**1–9 2016**	**1–9 2015**	**2015**	**Currency sensitivities USD and JPY** (rolling 12 months from date of financial statements)		**Hedging ratio for operational cash flows** (rolling 12 m from date of financial statements)
Sales currencies						10% change without hedging	10% change, taking hedging into account	
EUR	48	50	55	56	48	-	-	
USD*	6	3	4	2	6	see below	see below	see below
JPY	12	11	9	9	12	EUR 11 million	EUR 8 million	70%
CNY	10	11	7	8	10	-	-	
KRW	4	3	3	3	4	-	-	
SEK	4	4	5	5	4	-	-	
Other	16	18	17	17	16	-	-	
Purchase currencies								
EUR	55	52	54	51	55	-	-	
USD*	38	40	39	41	38	EUR 53 million	EUR 17 million	68%
Other	7	8	7	8	7			

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

Financial reporting

The publication dates of Finnair's financial reports for 2016 are as follows:

Financial Statements Bulletin 1 January – 31 December 2016: 15 February 2017

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a press conference related to the announcement of its result on 26 October 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 + 44 20 3059 8125 and quoting "Finnair" to the operator. To join the live webcast, please register at: http://www.investis-live.com/finnair/57fb74bf0397821c00021187/7w2r2

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Key figures	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Revenue and result							
Revenue, EUR million *	640.9	621.7	3.1	1,746.9	1,686.8	3.6	2,254.5
Comparable operating result, EUR million	65.7	64.2	2.3	53.5	22.9	133.2	23.7
Comparable operating result, % of revenue *	10.3	10.3	-0.1 %-p	3.1	1.4	1.7 %-p	1.1
Operating result, EUR million	115.5	50.7	127.8	98.0	36.7	166.7	121.7
Comparable EBITDAR, EUR million	118.3	115.1	2.8	211.0	171.7	22.9	231.2
Result before taxes, EUR million	109.9	48.9	124.8	89.9	29.4	> 200 %	113.3
Net result, EUR million	87.6	39.0	124.3	71.5	23.2	> 200 %	89.7
Balance sheet and cash flow							
Equity ratio, %				33.6	28.5	5.1 %-p	35.5
Gearing, %				-26.1	-32.9	6.7 %-p	-49.8
Adjusted gearing, %				67.7	82.9	-15.2 %-p	45.8
Gross capital expenditure, EUR million	104.9	18.4	> 200 %	424.0	38.2	> 200 %	329.7
Return on capital employed (ROCE), LTM, %				15.4	-0.4	15.8 %-p	12.2
Return on equity (ROE), LTM, %				19.9	-4.0	23.9 %-p	14.4
Net cash flow from operating activities, EUR million	59.1	62.6	-5.5	189.2	164.0	15.4	171.0
Share							
Share price at the end of quarter, EUR				4.39	3.07	43.0	5.42
Earnings per share (EPS), EUR	0.66	0.29	128.7	0.47	0.13	> 200 %	0.57
Traffic data and responsibility indicators							
Passengers, 1,000	2,987	2,856	4.6	8,267	7,762	6.5	10,294
Available seat kilometres (ASK), million	9,087	8,383	8.4	25,720	23,920	7.5	31,836
Revenue passenger kilometres (RPK), million	7,653	7,189	6.5	20,645	19,399	6.4	25,592
Passenger load factor, %	84.2	85.8	-1.5 %-p	80.3	81.1	-0.8 %-p	80.4
Unit revenue per available seat kilometre, (RASK), cents/ASK *	7.05	7.42	-4.9	6.79	7.05	-3.7	7.08
RASK at constant currency, cents/ASK	7.11	7.42	-4.1	6.85	7.05	-2.9	7.08
Unit revenue per revenue passenger kilometre (yield), cents/RPK *	6.74	7.02	-3.9	6.68	6.87	-2.9	6.90
Unit cost per available seat kilometre (CASK), cents/ASK *	6.33	6.65	-4.8	6.58	6.96	-5.3	7.01
CASK excluding fuel, cents/ASK *	4.91	4.82	2.0	5.12	5.03	1.8	5.14
CASK excluding fuel at constant currency, cents/ASK	4.88	4.82	1.2	5.08	5.03	1.1	5.14
Ancillary and retail revenue per passenger (PAX)	11.31	9.68	16.9	11.34	9.68	17.1	10.02
Available tonne kilometres (ATK), million	386	365	5.7	1,112	1,042	6.7	1,380
Revenue tonne kilometres (RTK), million	236	207	13.8	663	577	14.8	787
Cargo and mail, tonnes	38,839	33,487	16.0	109,816	95,391	15.1	130,697
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK *	19.27	22.13	-12.9	19.26	23.51	-18.1	23.34
Overall load factor, %	68.5	69.9	-1.4 %-p	66.1	66.4	-0.2 %-p	66.4
Flights, number	27,878	28,712	-2.9	83,050	80,672	2.9	108,471
Arrival punctuality, %	87.3	91.3	-4.0 %-p	86.7	89.2	-2.5 %-p	89.5
Fuel consumption, tonnes/ASK	0.0256	0.0270	-5.36	0.0259	0.0260	-0.71	0.0262
CO^2 emissions, tonnes/ASK	0.0805	0.0851	-5.36	0.0814	0.0820	-0.71	0.0826
Customer satisfaction on a scale of 1 (very poor) - 10 (very good)	8.2	8.1	1.2	8.1	8.1	0.4	8.1
Personnel							
Average number of employees	5,161	4,919	4.9	5,055	4,896	3.2	4,906

* Revenue, unit revenue per available seat kilometre (RASK), unit cost per available seat kilometre (CASK), unit revenue per revenue passenger kilometre (yield) and Cargo traffic unit revenue per revenue tonne kilometre have been restated for the comparison year 2015. 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.

CONSOLIDATED INCOME STATEMENT

in mill. EUR	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015	LTM
Revenue	**640.9**	**621.7**	**3.1**	**1,746.9**	**1,686.8**	**3.6**	**2,254.5**	**2,314.6**
Other operating income	16.2	18.8	-13.8	56.2	63.3	-11.3	85.2	78.1
Operating expenses								
Staff costs	-87.4	-78.5	11.4	-272.2	-255.9	6.4	-353.2	-369.6
Fuel costs	-128.7	-153.4	-16.1	-376.6	-460.4	-18.2	-595.5	-511.7
Other rents	-42.1	-40.3	4.5	-121.3	-119.0	2.0	-159.4	-161.7
Aircraft materials and overhaul	-39.1	-30.1	29.8	-113.3	-92.7	22.2	-118.9	-139.5
Traffic charges	-70.6	-67.7	4.3	-198.0	-196.0	1.0	-258.5	-260.5
Ground handling and catering expenses	-65.8	-64.2	2.4	-193.2	-183.6	5.2	-250.3	-259.9
Expenses for tour operations	-22.1	-18.0	22.7	-64.6	-57.1	13.0	-79.6	-87.1
Sales and marketing expenses	-19.0	-18.3	3.8	-57.2	-53.9	6.1	-74.0	-77.3
Other expenses	-64.0	-54.9	16.7	-195.6	-159.9	22.3	-219.3	-255.0
Comparable EBITDAR	**118.3**	**115.1**	**2.8**	**211.0**	**171.7**	**22.9**	**231.2**	**270.5**
Lease payments for aircraft	-27.0	-24.9	8.7	-82.7	-71.0	16.5	-99.3	-111.0
Depreciation and impairment	-25.6	-26.0	-1.5	-74.8	-77.7	-3.8	-108.1	-105.2
Comparable operating result	**65.7**	**64.2**	**2.3**	**53.5**	**22.9**	**133.2**	**23.7**	**54.3**
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	7.4	-10.9	> 200 %	11.7	3.2	> 200 %	-12.3	-3.7
Items affecting comparability	42.4	-2.7	> 200 %	32.7	10.6	> 200 %	110.2	132.3
Operating result	**115.5**	**50.7**	**127.8**	**98.0**	**36.7**	**166.7**	**121.7**	**183.0**
Financial income	0.2	0.0	> 200 %	1.2	0.8	45.4	1.3	1.6
Financial expenses	-5.8	-1.8	<-200 %	-9.4	-8.2	-14.2	-9.7	-10.9
Share of results in associates and joint ventures	0.0	0.0	-	0.0	0.0	100.0	0.1	0.1
Result before taxes	**109.9**	**48.9**	**124.8**	**89.9**	**29.4**	**> 200 %**	**113.3**	**173.8**
Income taxes	-22.3	-9.8	-126.8	-18.4	-6.1	<-200 %	-23.6	-35.9
Result for the period	**87.6**	**39.0**	**124.3**	**71.5**	**23.2**	**> 200 %**	**89.7**	**137.9**
Attributable to								
Owners of the parent company	87.6	38.9	125.1	71.5	23.0	> 200 %	89.4	137.9
Non-controlling interests	0.0	0.1	-100.0	0.0	0.3	-100.0	0.3	0.0
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.66	0.29	128.7	0.47	0.13	> 200 %	0.57	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in mill. EUR	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015	LTM
Result for the period	**87.6**	**39.0**	**124.3**	**71.5**	**23.2**	**> 200 %**	**89.7**	**137.9**
Other comprehensive income items Items that may be reclassified to profit or loss in subsequent periods								
Change in fair value of hedging instruments	11.1	-46.1	> 200 %	82.8	14.3	> 200 %	-14.1	54.5
Translation differences	0.0	0.0	> 200 %	0.0	0.3	-95.9	0.6	0.3
Tax effect	-2.2	9.2	<-200 %	-16.6	-2.9	<-200 %	2.8	-10.9
Items that will not be reclassified to profit or loss in subsequent periods								
Actuarial gains and losses from defined benefit plans	-16.2	0.4	<-200 %	-39.4	15.6	<-200 %	37.7	-17.3
Tax effect	3.2	-0.1	> 200 %	7.9	-3.1	> 200 %	-7.5	3.5
Other comprehensive income items total	**-4.1**	**-36.6**	**88.8**	**34.8**	**24.3**	**43.2**	**19.5**	**30.0**
Comprehensive income for the period	**83.5**	**2.5**	**> 200 %**	**106.2**	**47.5**	**123.6**	**109.2**	**167.9**
Attributable to								
Owners of the parent company	83.5	2.3	> 200 %	106.2	47.3	124.8	108.9	167.9
Non-controlling interests	0.0	0.1	-100.0	0.0	0.3	-100.0	0.3	0.0

CONSOLIDATED BALANCE SHEET

in mill. EUR		30 Sep 2016	30 Sep 2015	2015
ASSETS				
Non-current assets				
Intangible assets	O	8.6	17.8	9.5
Tangible assets	O	1,106.8	836.4	811.6
Investments in associates and joint ventures	O	2.5	4.9	2.6
Loan and other receivables	O	8.3	9.2	8.7
Deferred tax assets	O	0.0	20.7	9.1
Non-current assets total		**1,126.2**	**889.0**	**841.5**
Current assets				
Inventories	O	13.0	12.2	11.8
Trade and other receivables	O	225.5	250.7	208.5
Derivative financial instruments	O/IA*	85.5	173.1	155.8
Other financial assets	IA	447.5	355.3	427.7
Cash and cash equivalents	IA	426.9	187.7	280.5
Current assets total		**1,198.3**	**979.0**	**1,084.3**
Assets held for sale	O	140.7	87.7	124.5
Assets total		**2,465.2**	**1,955.8**	**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	753.0	481.5	652.0
Total		**828.5**	**557.0**	**727.5**
Non-controlling interests	E	0.0	0.7	0.0
Equity total		**828.5**	**557.7**	**727.5**
Non-current liabilities				
Deferred tax liabilities	O	17.2	0.0	0.0
Interest-bearing liabilities	IL	577.9	295.4	271.0
Pension obligations	O	53.8	18.6	4.4
Provisions	O	58.2	56.8	55.7
Other liabilities	O	5.0	18.2	15.8
Non-current liabilities total		**712.1**	**389.0**	**346.9**
Current liabilities				
Provisions	O	27.3	43.7	38.3
Interest-bearing liabilities	IL	77.2	64.4	75.2
Trade payables	O	90.6	92.0	67.5
Derivative financial instruments	O/IL*	54.3	154.6	180.5
Deferred income and advances received	O	446.7	415.6	374.8
Liabilities related to employee benefits	O	87.5	76.4	91.0
Other liabilities	O	132.7	145.8	148.7
Current liabilities total		**916.3**	**992.6**	**976.0**
Liabilities related to assets held for sale	O	8.3	16.6	0.0
Liabilities total		**1,636.7**	**1,398.1**	**1,322.9**
Equity and liabilities total		**2,465.2**	**1,955.8**	**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	30 Sep 2016	30 Sep 2015	2015
Other financial assets	-447.5	-355.3	-427.7
Cash and cash equivalents	-426.9	-187.7	-280.5
Interest-bearing liabilities	655.0	359.3	346.5
Cross currency Interest rate swaps *	2.8	0.5	-0.2
Interest-bearing net debt	**-216.5**	**-183.2**	**-362.0**
Lease payments for aircraft for the last twelve months (LTM) * 7	777.1	645.4	695.2
Interest-bearing net debt used for calculating adjusted gearing	**560.6**	**462.2**	**333.2**
Equity total	828.5	557.7	727.5
Adjusted gearing, %	**67.7 %**	**82.9 %**	**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					71.5		71.5	0.0	71.5
Change in fair value of hedging instruments			66.3				66.3		66.3
from defined benefit plans			-31.5				-31.5		-31.5
Comprehensive income for the period	**0.0**	**0.0**	**34.8**	**0.0**	**71.5**	**0.0**	**106.2**	**0.0**	**106.2**
Hybrid bond interests and expenses					-1.4		-1.4		-1.4
Purchase of own shares					-4.3		-4.3		-4.3
Share-based payments				0.4			0.4		0.4
Equity 30 Sep 2016	**75.4**	**168.1**	**-33.1**	**248.5**	**133.4**	**236.2**	**828.5**	**0.0**	**828.5**

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					23.0		23.0	0.3	23.2
Change in fair value of hedging instruments			11.4				11.4		11.4
from defined benefit plans			12.5				12.5		12.5
Translation differences			0.3				0.3		0.3
Comprehensive income for the period	**0.0**	**0.0**	**24.3**	**0.0**	**23.0**	**0.0**	**47.3**	**0.3**	**47.5**
Dividend							0.0	-0.2	-0.2
Share-based payments				0.2			0.2		0.2
Hybrid bond interests and expenses					-4.3		-4.3		-4.3
Equity 30 Sep 2015	**75.4**	**168.1**	**-63.1**	**247.7**	**9.9**	**118.9**	**557.0**	**0.7**	**557.7**

CONSOLIDATED CASH FLOW STATEMENT

in mill. EUR	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015	LTM
Cash flow from operating activities						
Result for the period	87.6	39.0	71.5	23.2	89.7	137.9
Depreciation and impairment	26.4	27.1	79.1	93.3	148.5	134.2
Other adjustments to result for the period						
Financial income	-0.2	0.0	-1.2	-0.8	-1.3	-1.6
Financial expenses	5.8	1.8	9.4	8.2	9.7	10.9
Share of results in associates and joint ventures	0.0	0.0	0.0	0.0	-0.1	-0.1
Income taxes	22.3	9.8	18.4	6.1	23.6	35.9
EBITDA	**141.8**	**77.8**	**177.1**	**130.1**	**270.2**	**317.2**
Non-cash transactions *	-45.3	21.9	-40.6	-26.2	-137.5	-151.9
Changes in working capital	-42.1	-36.8	48.5	63.3	43.1	28.3
Financial expenses paid, net	1.5	-1.5	-1.9	-5.8	-7.6	-3.8
Financial income received	3.2	1.1	6.2	2.7	3.0	6.5
Income taxes paid	0.0	0.0	0.0	-0.2	-0.2	0.0
Net cash flow from operating activities	**59.1**	**62.6**	**189.2**	**164.0**	**171.0**	**196.3**
Cash flow from investing activities						
Investments in intangible assets	-2.5	-2.3	-7.1	-4.5	-4.3	-6.9
Investments in tangible assets	-124.3	-40.4	-436.0	-116.6	-352.5	-671.9
Divestments of fixed assets and group shares	132.3	-0.3	149.4	152.2	448.1	445.3
Net change in financial interest-bearing assets at fair value through profit or loss, maturing after more than three months	156.3	40.2	58.5	55.3	-14.4	-11.3
Change in non-current receivables	-0.3	0.1	0.4	0.0	1.7	2.1
Net cash flow from investing activities	**161.5**	**-2.8**	**-234.8**	**86.4**	**78.6**	**-242.7**
Cash flow from financing activities						
Proceeds from loans	0.0	0.0	377.4	0.0	0.0	377.4
Loan repayments and changes	-71.6	-8.8	-101.2	-72.7	-82.5	-111.0
Hybrid bond repayments	0.0	0.0	0.0	0.0	-81.7	-81.7
Proceeds from hybrid bond	0.0	0.0	0.0	0.0	200.0	200.0
Hybrid bond interests and expenses	0.0	0.0	-1.7	-5.3	-17.6	-13.9
Purchase of own shares	0.0	0.0	-4.3	0.0	0.0	-4.3
Dividends paid	0.0	0.0	0.0	-0.2	-0.2	0.0
Net cash flow from financing activities	**-71.6**	**-8.8**	**270.2**	**-78.2**	**18.1**	**366.5**
Change in cash flows	**149.0**	**51.0**	**224.6**	**172.2**	**267.7**	**320.0**
Liquid funds, at beginning	533.3	311.2	457.7	190.1	190.1	362.3
Change in cash flows	149.0	51.0	224.6	172.2	267.7	320.0
Liquid funds, at end **	**682.3**	**362.3**	**682.3**	**362.3**	**457.7**	**682.3**
Notes to consolidated cash flow statement						
*** Non-cash transactions**						
Employee benefits	3.2	2.9	10.5	9.2	15.6	16.9
Fair value changes in derivatives	-6.6	11.1	-9.7	-9.6	2.1	2.0
Gains and losses on aircraft and other transactions	-42.2	1.7	-33.5	-18.6	-121.5	-136.4
Other adjustments	0.4	6.1	-7.9	-7.3	-33.7	-34.3
Total	**-45.3**	**21.9**	**-40.6**	**-26.2**	**-137.5**	**-151.9**
**** Liquid funds**						
Other financial assets	447.5	355.3	447.5	355.3	427.7	447.5
Cash and cash equivalents	426.9	187.7	426.9	187.7	280.5	426.9
Liquid funds in balance sheet	**874.3**	**543.0**	**874.3**	**543.0**	**708.2**	**874.3**
Maturing after more than three months	-192.0	-180.7	-192.0	-180.7	-250.5	-192.0
Total	**682.3**	**362.3**	**682.3**	**362.3**	**457.7**	**682.3**

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 has adopted the Guidelines on Alternative Performance Measures published by the European Securities Markets Authority (ESMA), effective from 3rd of July 2016 onwards. Finnair uses alternative performance measures referred to in the Guidelines to describe its operational and financial performance, to provide a comparable view of its business and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators. With a view to the Guidelines, in the interim report for the first quarter, Finnair renamed its non-recurring items as "Items affecting comparability" and from there on, it reconciles them in Note 4, "Segment information, revenue and items affecting comparability". In the same context, Finnair also clarified the calculation of interest-bearing debt, net debt and adjusted gearing by inserting additional information to the balance sheet. Furthermore, Finnair no longer presents "Result for the period per share, EUR" as a supplementary indicator to the EPS (Earnings per Share).

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	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Passenger revenue	515.9	504.4	2.3	1,378.1	1,333.1	3.4	1,766.0
Ancillary and retail revenue	33.8	27.7	22.2	93.7	75.1	24.8	103.2
Cargo	45.5	45.9	-0.9	127.7	135.7	-5.9	183.7
Travel services	42.0	38.3	9.8	135.2	125.1	8.1	177.8
Travel agencies	3.7	5.5	-31.9	12.1	17.8	-32.1	23.8
Total	**640.9**	**621.7**	**3.1**	**1,746.9**	**1,686.8**	**3.6**	**2,254.5**

Passenger revenue by traffic area

Passenger revenue, mill. EUR	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Asia	224.9	222.3	1.2	563.7	560.7	0.5	729.7
North Atlantic	38.4	33.2	15.5	92.9	80.3	15.7	105.6
Europe	213.8	207.3	3.1	578.9	557.3	3.9	738.0
Domestic	31.1	32.3	-3.7	119.4	111.2	7.4	155.9
Unallocated revenue	7.8	9.3	-16.3	23.2	23.6	-1.5	36.9
Total	**515.9**	**504.4**	**2.3**	**1,378.1**	**1,333.1**	**3.4**	**1,766.0**

PLF, %	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Asia	87.0	90.4	-3.3 %-p	82.2	83.7	-1.5 %-p	82.8
North Atlantic	81.2	88.3	-7.1 %-p	80.2	84.7	-4.4 %-p	83.1
Europe	82.8	82.0	0.8 %-p	79.2	78.8	0.3 %-p	78.5
Domestic	68.4	66.1	2.3 %-p	69.1	68.3	0.8 %-p	68.0
Total	**84.2**	**85.8**	**-1.5 %-p**	**80.3**	**81.1**	**-0.8 %-p**	**80.4**

ASK, mill. km	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Asia	4,332.1	3,848.1	12.6	12,423.7	11,461.7	8.4	15,256.5
North Atlantic	798.5	654.4	22.0	2,102.9	1,645.0	27.8	2,242.5
Europe	3,656.8	3,566.5	2.5	10,069.0	9,778.7	3.0	12,890.3
Domestic	299.2	314.5	-4.8	1,124.3	1,034.9	8.6	1,446.5
Total	**9,086.7**	**8,383.4**	**8.4**	**25,719.9**	**23,920.3**	**7.5**	**31,835.7**

RPK, mill. km	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Asia	3,770.5	3,477.2	8.4	10,208.5	9,591.1	6.4	12,629.3
North Atlantic	648.4	577.7	12.2	1,687.2	1,392.8	21.1	1,863.0
Europe	3,029.6	2,926.1	3.5	7,972.1	7,708.3	3.4	10,115.9
Domestic	204.8	207.9	-1.5	777.2	707.3	9.9	983.4
Total	**7,653.3**	**7,188.9**	**6.5**	**20,645.0**	**19,399.5**	**6.4**	**25,591.6**

Items affecting comparability

Finnair renamed in Q1 2016 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	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	**7.4**	**-10.9**	**> 200 %**	**11.7**	**3.2**	**> 200 %**	**-12.3**
Unrealized changes in foreign currencies of fleet overhaul provisions	0.8	0.2	> 200 %	2.0	-6.5	> 200 %	-10.1
Fair value changes of derivatives where hedge accounting is not applied	6.6	-11.1	> 200 %	9.7	9.6	1.0	-2.1
Items affecting comparability	**42.4**	**-2.7**	**> 200 %**	**32.7**	**10.6**	**> 200 %**	**110.2**
Gains and losses on aircraft transactions	41.5	-3.0	> 200 %	33.3	17.2	93.3	101.7
Gains and losses on other transactions	0.8	1.3	-41.3	0.2	1.3	-88.2	19.8
Restructuring costs	0.1	-0.9	> 200 %	-0.7	-7.9	90.9	-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	**30 Sep 2016**		**30 Sep 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	290.7	0.8	338.1	26.0	331.6	23.1
Fair value hedging of aircraft acquisitions	361.7	52.7	712.6	96.5	782.4	81.0
Currency hedging of lease payments	152.1	4.2	156.2	17.2	171.2	18.1
Hedge accounting items total	804.5	57.8	1,207.0	139.7	1,285.3	122.2
Items outside hedge accounting:						
Operational cash flow hedging (forward contracts)	188.6	-2.8	240.9	16.1	307.5	14.8
Operational cash flow hedging (options)						
Bought options	150.3	1.8	79.0	5.3	180.4	3.7
Sold options	236.5	-8.5	39.5	-4.8	318.5	-4.1
Balance sheet hedging (forward contracts)	211.9	-0.8	10.4	0.1	11.5	0.4
Items outside hedge accounting total	787.2	-10.4	369.8	16.6	817.8	14.7
Currency derivatives total	**1,591.7**	**47.4**	**1,576.8**	**156.3**	**2,103.1**	**136.9**
Commodity derivatives						
Hedge accounting items:						
Jet fuel forward contracts, tonnes	641,000	-22.2	538,000	-114.3	559,000	-140.7
Electricity derivatives, MWh	13,141	0.0	14,245	-0.1	13,140	0.0
Hedge accounting items total		-22.2		-114.3		-140.8
Items outside hedge accounting:						
Jet fuel forward contracts, tonnes	24,000	-0.6	17,000	-2.3	26,000	-4.2
Options						
Bought options, jet fuel, tonnes	195,000	5.2	170,500	0.8	178,000	0.6
Sold options, jet fuel, tonnes	390,000	-3.1	-276,500	-19.5	329,000	-26.2
Electricity derivatives, MWh	6,628	0.0	33,865	-0.4	26,352	-0.3
Items outside hedge accounting total		1.5		-21.4		-30.2
Commodity derivatives total		**-20.8**		**-135.7**		**-170.9**
Currency and interest rate swaps and options						
Hedge accounting items:						
Interest rate swaps	150.0	4.4	150.0	5.3	150.0	5.2
Interest rate options						
Bought options	0.0	0.0	133.9	-5.6	0.0	0.0
Sold options	0.0	0.0	133.9	-2.8	0.0	0.0
Hedge accounting items total	150.0	4.4	417.8	-3.1	150.0	5.2
Items outside hedge accounting:						
Cross currency Interest rate swaps	280.0	-2.8	9.3	-0.5	7.1	-0.2
Items outside hedge accounting total	280.0	-2.8	9.3	-0.5	7.1	-0.2
Interest rate derivatives total	**430.0**	**1.6**	**427.1**	**-3.6**	**157.1**	**5.0**
Equity derivatives						
Hedge accounting items:						
Stock options						
Bought options	3.0	2.9	3.0	1.2	3.0	5.6
Sold options	3.0	-0.4	3.0	-0.2	3.0	-1.4
Hedge accounting items total	6.0	2.5	6.0	1.0	6.0	4.1
Equity derivatives total	**6.0**	**2.5**	**6.0**	**1.0**	**6.0**	**4.1**
Derivatives total		**30.8**		**18.0**		**-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	30 Sep 2016	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	438.1	36.0	402.1
Derivatives held for trading			
Currency and interest rate swaps and options	5.1		5.1
- of which in fair value hedge accounting	4.5		4.5
Currency derivatives	64.5		64.5
- of which in fair value hedge accounting	53.0		53.0
- of which in cash flow hedge accounting	6.8		6.8
Commodity derivatives	13.0		13.0
- of which in cash flow hedge accounting	7.7		7.7
Equity derivatives	2.9		2.9
- of which in fair value hedge accounting	2.9		2.9
Total	**523.6**	**36.0**	**487.6**

Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency and interest rate swaps and options	3.4		3.4
Currency derivatives	17.1		17.1
- of which in fair value hedge accounting	0.3		0.3
- of which in cash flow hedge accounting	1.8		1.8
Commodity derivatives	33.8		33.8
- of which in cash flow hedge accounting	29.9		29.9
Equity derivatives	0.4		0.4
- of which in fair value hedge accounting	0.4		0.4
Total	**54.8**	**0.0**	**54.8**

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 DIVESTMENTS

Finnair did not have any business acquisitions nor divestments during third quarter. During the second quarter of 2016 the Group acquired ATR maintenance business from Nordic Regional Airlines Oy and divested its ownership in associated company Amadeus Eesti AS. The transactions did not have material effect to Finnair's results.

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 material effect to Finnair's results.

8. INCOME TAXES

The effective tax rate for Q1-Q3 2016 was 20.5% (20.9%).

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	30 Sep 2016	30 Sep 2015	2015
Carrying amount at the beginning of period	821.0	916.2	916.2
Additions	424.0	38.2	329.7
Change in advances	50.9	80.6	28.9
Currency hedging of aircraft acquisitions	28.2	-30.3	-14.7
Disposals and reclassifications	-132.0	-57.2	-290.6
Depreciation	-74.8	-77.7	-108.1
Depreciation included in items affecting comparability	-1.9	-15.6	-40.4
Carrying amount at the end of period	**1,115.5**	**854.2**	**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	132.0	63.3	123.0

11. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include mainly aircraft. Aircraft classified as held for sale include four A340 aircraft of which two are expected to be sold to Airbus during 2016 and two during 2017. These wide-body aircrafts have been replaced or are going to be replaced by new A350 aircraft. In addition, assets held for sale include one ATR 72 aircraft, expected to be sold in the first half of 2017, and a subsidiary SMT Oy that is expected to be sold during Q4 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	30 Sep 2016	30 Sep 2015	2015
Intangible and tangible assets	132.0	63.3	123.0
Inventories	1.4	0.1	1.6
Trade receivables and other receivables	7.2	0.0	0.0
Assets from subsidiary held for sale	0.0	24.3	0.0
Total	**140.7**	**87.7**	**124.5**

Liabilities of non-current assets held for sale	30 Sep 2016	30 Sep 2015	2015
Trade payables and other liabilities	8.3	0.0	0.0
Liabilities from subsidiary held for sale	0.0	16.6	0.0
Total	**8.3**	**16.6**	**0.0**

12. INTEREST-BEARING LIABILITIES

During the first quarter of 2016, Finnair secured financing for its third 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.

During the second quarter of 2016, Finnair financed the acquisitions of the fourth and fifth A350 aircraft using a similar type of Japanese Operating Lease with Call Option (JOLCO) structure.

During the third quarter Finnair prepaid its bank loans with total amount of 67 million euro.

13. CONTINGENT LIABILITIES

in mill. EUR	30 Sep 2016	30 Sep 2015	2015
Pledges on own behalf	53.8	158.6	160.1
Guarantees on behalf of group undertakings	73.0	69.6	67.0
Guarantees on behalf of others	0.1	0.1	0.1
Total	**126.8**	**228.3**	**227.2**

Investment commitments for property, plant and equipment as at 30 September 2016 totalled 1,542 million euros (31 December 2015: 1,818).

14. OPERATING LEASE COMMITMENTS

in mill. EUR	30 Sep 2016	30 Sep 2015	2015
Lease commitments for fleet payments	1,040.6	741.0	1,040.3
Other lease commitments	296.7	308.8	305.2
Total	**1,337.3**	**1,049.9**	**1,345.5**

15. RELATED PARTY TRANSACTIONS

in mill. EUR	Q1-Q3 2016	Q1-Q3 2015	2015
Sales of goods and services			
Associates	0.0	0.2	0.2
Joint ventures	32.1	13.7	49.3
Purchases of goods and services			
Associates	0.0	3.0	2.5
Joint ventures	82.1	44.9	126.7
Pension fund	2.4	3.5	4.5
Receivables			
Current receivables from associates	0.0	0.1	0.5
Current receivables from joint ventures	9.0	0.0	12.1
Liabilities			
Non-current liabilities to pension fund	51.6	18.6	2.6
Current liabilities to associates	0.0	2.1	0.9
Current liabilities to joint ventures	0.3	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 2016, Finnair has adjusted calculation methods of unit revenue (RASK, unit revenue per available seat kilometre), unit cost (CASK, unit cost per available seat kilometre), unit revenue per revenue passenger kilometre (yield) and cargo unit revenue (Cargo traffic unit revenue per revenue tonne 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								
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
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK	22.89	22.13	23.77	24.82	21.22	20.39	21.95	23.28
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.99	7.02	7.02	6.55	6.88	6.92	6.97	6.59

	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								
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
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK	23.34	23.51	24.28	24.82	21.64	21.80	22.60	23.28
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.90	6.87	6.79	6.55	6.85	6.84	6.78	6.59

Revenue by product Periodic in mill. EUR	Restated Q4 2015	Q3 2015	Q2 2015	Q1 2015	Reported 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 Cumulative in mill. EUR	Restated 2015	Q1-Q3 2015	Q1-Q2 2015	Q1 2015	Reported 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

There has not been any material events after the closing date.

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 aircraft and other transactions and restructuring costs

Comparable EBITDAR:
Comparable operating result + depreciation and impairment + lease payments for aircraft

EBITDA:
Operating result + depreciation and impairment

Shareholders' equity:
Equity attributable to owners of the parent

Gross capital expenditure:
Investments in intangible and tangible assets excluding advance payments

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 of reporting period and comparison period)

Earnings per share:

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

Equity/share:

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

Last twelve months (LTM):
Twelve months preceding the reporting date

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), %:

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

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

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

Passenger load factor, %:
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.

Unit revenue per revenue passenger kilometre (yield):
Passenger Revenue by product divided by Revenue passenger kilometres (RPK).

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