Finnair Group financial statement bulletin 1 January–31 December 2016

Comparable full-year operating result more than doubled year on year; positive in Q4

October–December 2016

- Revenue increased by 0.4% year-on-year to 569.9 million euros (567.7)*. Excluding the sold travel agencies, revenue growth was 1.2%
- Available seat kilometres (ASK) grew by 3.5%.
- Comparable operating result was 1.6 million euros (0.8).
- Operating result was 18.2 million euros (85.0). The items affecting comparability were mainly related to foreign exchange gains.
- Comparable EBITDAR was 59.4 million euros (59.5).
- Net cash flow from operating activities totalled 30.5 million euros (7.1), and net cash flow from investing activities amounted to -264.7 million euros (-7.8).**
- Unit revenue (RASK) decreased by 3.0% year-on-year.***
- Unit cost (CASK) decreased by 3.2% and unit cost at constant currency excluding fuel decreased by 1.6% year-on-year.
- Ancillary and retail revenue per passenger grew by 10.3% year-on-year to 12.2 euros.
- Earnings per share were 0.08 euros (0.44).

January–December 2016

- Revenue increased by 2.8% year-on-year to 2,316.8 million euros (2,254.5) with 6.5% ASK growth. Excluding the sold travel agencies, revenue growth was 3.2%.
- Comparable operating result was 55.2 million euros (23.7).
- Operating result was 116.2 million euros (121.7) including the sales gain on one Airbus A350 widebody aircraft (two were sold and leased back in 2015).
- Comparable EBITDAR was 270.4 million euros (231.2).
- Net cash flow from operating activities stood at 219.7 million euros (171.0), and net cash flow from investing activities totalled -499.6 million euros (78.6).**
- Unit revenue (RASK) decreased by 3.5% year-on-year.***
- Unit cost (CASK) decreased by 4.8% and unit cost excluding fuel at constant currency increased by 0.3% year-on-year.
- Ancillary and retail revenue per passenger grew by 15.2% year-on-year to 11.6 euros.
- Earnings per share were 0.55 euros (0.57).
- Outlook: Finnair estimates that, in 2017, its capacity will grow 8–10 per cent, weighted towards the second half of 2017. Revenue is expected to grow more slowly than capacity, reflecting both the increasing capacity in the markets and on the other hand Finnair's efforts to grow the ancillary sales.
- The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share be distributed for 2016.

** Unless otherwise stated, figures in parentheses refer to the comparison period, i.e. the same period last year.*
*** Net cash flow from investing activities includes 168 million euro investments in money market funds and other financial assets maturing after more than three months. These investments are part of the Group's liquidity management*
**** 2015 revenue includes sales from divested subsidiaries; Estravel was sold in December 2015 and SMT in October 2016.*

Outlook

The demand outlook for passenger and cargo traffic in Finnair's main markets continues to involve uncertainty. Finnair estimates that, in 2017, due to the fleet renewal and introduction of new aircraft, its capacity will grow 8–10 per cent, weighted strongly towards the second half of 2017. Revenue is expected to grow more slowly than our capacity, reflecting increasing capacity in the relevant markets.

In keeping with its disclosure policy, Finnair will issue guidance for its expected full-year operational result in connection with the half-year report in July.

CEO Pekka Vauramo:

As a whole, 2016 was a year of growth for Finnair. We successfully launched several new destinations, including Fukuoka and Guangzhou, and added frequencies to key routes. We took delivery of four Airbus A350 widebody aircraft and carried half a million more passengers than a year earlier. Considerable progress was made for example in the digitalisation of our technical processes. Due to the growth, we have also recruited and trained considerable numbers of new personnel, mainly pilots and cabin crew, as previously anticipated. We are building a culture of growth.

In the last quarter, our comparable result was approximately 2 million euros positive, exceeding last year's result by one million euros; hence, we achieved our ninth consecutive quarterly result improvement. The front-loaded training and other expenses resulting from the accelerated growth programme amounted to over 20 million euros in 2016. During the last quarter, we had over 100 pilots tied up in trainings.

Considering the seasonality of our business and the headwinds we faced towards the end of the year, we can be fairly content with our result. Due to delays in some of the A350 deliveries, the training schedule of our pilots for the new aircraft type was interrupted, which forced us to wetlease additional capacity during the quarter in order to ensure the least amount of inconvenience to our customers. This caused additional expenses during the quarter. In addition, we were forced to cancel some flights towards the end of the year.

Finnair's revenue divided by the capacity, or RASK, showed more resilience than that of some of our peers. Ancillary sales continued healthy growth, and our plan to deploy more tourist capacity to Lapland was a success. As an example, Ivalo and Rovaniemi combined are currently the largest destination for our Chinese passengers.

We have specified a target to boost our revenues by 500 million euros by the end of 2019. Ancillary sales, with new revenues streams, will play a key role in achieving this target. We are also expecting the new cargo hub to be completed in 2017, which will enable increased revenue, particularly by providing better facilities for premium services for specialty goods.

This year will be an important leap of growth for us. There will be a tangible increase in capacity, four new A350s and active recruitments. At the same time, we are taking serious efforts to develop the customer experience and the internal people experience. I believe this will lay a solid foundation to launch into the year.

Strategic objectives and strategy implementation

In May, as part of the company's annual strategy work, Finnair's Board of Directors confirmed the company's strategic objectives, and decided on four new strategic focus areas aimed at reaching these objectives: profitable growth, improved customer experience, improved people experience, and digital transformation. During the year, Finnair's sustainability strategy was also revised. The strategy is crystallised in a three-pronged commitment: cleaner, caring and collaborative. It embeds sustainability even deeper in the group strategy and in the Finnair brand. The programme measures are geared to contribute to cost containment, risk mitigation and value creation.

The investments, recruitments and trainings necessitated by growth will also continue this year. The cost effectiveness programme introduced in the autumn has proceeded, and so far approximately 9 million euros of savings have been achieved. In addition, there are another 11 million of identified savings, for which we have planned actions starting from the second year-half.

Business environment

Traffic continued to grow in Finnair's main markets in the fourth quarter of 2016. Measured in available seat kilometres, scheduled market capacity between Helsinki and Finnair's European destinations grew by 3.1 per cent year-on-year, while direct market capacity between Finnair's Asian and European destinations grew by 2.4 per cent year-on-year. Finnair's market share increased in European traffic and decreased slightly to 5.6 per cent (5.7) in Asian traffic.*

The strong growth in market capacity weighed on long-haul load factors and unit revenue. Long-haul market capacity development was uneven, as China-Europe market capacity grew strongly while growth between Japan and Europe was negative. Leisure travel from Asia to certain European destinations still suffered from security concerns, while traffic to Nordic destinations was robust. Finland in general and Lapland in particular grew strongly as a destination towards the end of the year.

There continued to be overcapacity between Europe and North America towards the end of the year. Due to the challenging market environment, the Atlantic Joint Business was exposed to declining average yields and load factors. At the same time, the Siberian Joint Business continued to strengthen its market share in the last quarter. There was strong demand particularly in Europe, while demand in Japan was compressed by a decrease in the number of group travellers. The total market volume between Europe and Japan declined further.

The supply of packaged travel by tour operators active in Finland was mostly in balance with the demand. Tour operators increased their capacity in the Canary Islands and Thailand, and some price pressure emerged in these markets as a result. The unfavourable timing, from the consumers' perspective, of holidays around Christmas weighed on demand at the end of the year. The cargo market continued to be burdened by overcapacity, but the downward trajectory seems to have levelled off towards the end of the year and even bottomed out in certain areas.

The declining trend in the price of jet fuel that began in autumn 2014 ended in the first quarter and has since turned upwards. The dollar price of jet fuel was 10.6 per cent higher in the fourth quarter than in the comparison period. The US Dollar, the most significant expense currency after the euro, appreciated by 1.5 per cent against the euro year-on-year and is at a significantly stronger level than in 2014. In regards to key income currencies, the Japanese yen, which has been appreciating since autumn 2015, turned weaker in the fourth quarter. However the Japanese yen was still 12.7 per cent stronger against the euro than in the comparison period. The Chinese yuan depreciated by 5.0 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 Finnair-operated cities. Calculation method adjusted after the previous period.*

Significant events in October–December 2016

In November, as LSG announced it would not use its option to purchase the shares of LSG Sky Chefs Finland Oy. Finnair and the LSG Group entered into negotiations regarding new forms of cooperation in catering services. LSG Sky Chefs Finland Oy is Finnair's 100-per cent owned subsidiary, but fully under LSG's control since 2012, operating on the Helsinki Airport premises. The company prepares and supplies meals and other services for inflight sales products, primarily for Finnair but also for other airlines operating at Helsinki Airport. It currently employs 480 persons. Finnair is currently evaluating the structure of these services going forward.

Financial performance

Revenue in October–December 2016

Finnair's revenue in the fourth quarter of 2016 grew by 0.4 per cent year-on-year to 569.9 million euros (567.7). Passenger revenue as well as ancillary and retail revenue increased, while cargo revenue decreased and travel services revenue was broadly unchanged. Travel agency revenue decreased gradually to zero by the end of the period reflecting the divestment of Estravel in December 2015 and of SMT in November 2016. Unit revenue (RASK) decreased by 3.0 per cent year-on-year and amounted to 6.95 euro cents (7.17).

Revenue by product

EUR million	10–12/2016	10–12/2015	Change %
Passenger revenue	437.9	433.0	1.2
Ancillary and retail revenue	31.7	28.0	13.3
Cargo	46.2	48.0	-3.8
Travel services	52.3	52.7	-0.8
Travel agencies	1.7	6.0	-71.4
Total	**569.9**	**567.7**	**0.4**

Ticket revenue and traffic data by area, 10–12/2016

	Ticket revenue			ASK			RPK			PLF	
Traffic area	EUR mill.	Change %	Share %	Mill. km	Change %	Share %	Mill. km	Change %	Share '%	%	Change %-point
Asia	175.7	4.0	40.1	4,010.5	5.7	48.9	3,238.3	6.6	50.4	80.7	0.7
North Atlantic	22.8	-9.8	5.2	589.9	-1.3	7.2	453.5	-3.6	7.1	76.9	-1.8
Europe	182.1	0.8	41.6	3,178.9	2.2	38.8	2,441.7	1.4	38.0	76.8	-0.6
Domestic	45.6	2.1	10.4	415.1	0.8	5.1	286.8	3.8	4.5	69.1	2.0
Unallocated	11.7	-12.5	2.7								
Total	**437.9**	**1.2**		**8,194.3**	**3.5**		**6,420.3**	**3.7**		**78.3**	**0.1**

Passenger traffic capacity (measured in Available Seat Kilometres (ASK)) grew by 3.5 per cent overall in the fourth quarter, while traffic (measured in revenue passenger kilometres) grew by 3.7 per cent reflecting an improvement of 0.1 per cent in the passenger load factors (PLF). The overall ASK growth mostly stemmed from long-haul Asian traffic.

In Asian traffic, capacity in the fourth quarter grew by 5.7 per cent year-on-year. The increase was attributed to several factors, including the additional capacity due to the new A350s and an increase in average stage length due to higher frequencies on the Singapore and Shanghai routes. The Fukuoka and Guangzhou routes operated in the summer were discontinued for the winter during October. The passenger load factor in Asian traffic rose by 0.7 percentage points to 80.7 per cent. The capacity in North Atlantic traffic decreased by 1.3 per cent with the New York route being operated by a wetleased A340 aircraft at the end of the period. The passenger load factor in North Atlantic traffic decreased by 1.8 percentage points to 76.9 per cent.

Ancillary and retail revenue increased by 13.3 per cent year-on-year and amounted to 31.7 million euros. Growth was particularly strong in advance seat reservations, but all product categories performed positively. A new ERP system was introduced for the cargo business, and the implementation phase weighed on cargo towards the end of the year: revenue tonne kilometres increased by 0.4 per cent while available cargo tonne kilometres increased by 4.0 per cent. As a result of the weak market conditions, average cargo yields declined and cargo traffic revenue decreased by 3.8 per cent year-on-year, amounting to 46.2 million euros.

In Finnair's travel services (Aurinkomatkat Suntours) in the fourth quarter, the number of travellers increased by 3% from the comparison period, and the load factor in Suntour's fixed seat allotment was solid at (95%). Due to the market conditions and capacity growth, however, the average price fell below that of last year and revenue decreased by 0.8 per cent to 52.3 million euros (52.7).The year-on-year decrease in travel agencies' revenue is attributable to the divestment of SMT's Baltic subsidiary Estravel in December 2015 and the divestment of SMT, which was completed in November 2016.

Cost development and result October–December 2016

Despite the growth in capacity, Finnair's operating expenses remained at the previous year's level in the fourth quarter at 587.5 million euros (588.8). Unit cost (CASK) decreased by 3.2 per cent and totalled 6.93 euro cents (7.16).

Operating expenses excluding fuel increased by 4.2 per cent from the comparison period, and amounted to 472.6 million euros (453.7). The costs continued to be increased by various items related to the accelerated growth plan, including temporary wet lease arrangements, the roll-out of the A350 fleet, crew training and flight cancellations, estimated at some 10 million euros for the quarter distributed across various cost categories. Costs denominated in US dollar were realised at some 10 million euros higher than in the comparison period due to the expiry of old, more profitable currency hedges.

Fuel costs, including hedging and emissions trading costs, decreased despite the capacity growth by 14.9 per cent to 114.9 million euros (135.1). Staff costs decreased by 7.3 per cent to 90.3 million euros (97.3) while the number of personnel grew by 1.6 per cent, mainly reflecting large negative one-time items in staff costs in the comparison period.

The increased rents largely reflect the cost of wetleased aircraft and crew used by Finnair during the period to operate its traffic due to a shortage of pilots. In addition, it includes the leases of the A350 aircraft sold and leased back. The increased maintenance expenses reflect the entry into service of the A350s, phasing out of the A340s and the takeover of ATR maintenance, which was previously included in other rents.

Other expenses increased by 11.6 million euros to 71.0 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. In addition, IT costs increased by some 4 million euros reflecting ongoing projects and completed enhancements.

Finnair's comparable EBITDAR remained at the previous year's level at 59.4 million euros (59.5). 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 0.8 million euros and amounted to 1.6 million euros (0.8).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 20.3 million euros (-15.4). The items affecting comparability amounted to -3.7 million euros (99.6), the largest items being a gain on the sale of SMT and one-off expenses related to the A340 aircraft to be redelivered to Airbus. In the comparison period, there were two A350 sale and leaseback transactions, which increased the items affecting comparability at the time. The operating result was 18.2 million euros (85.0), the result before taxes was 15.9 million euros (84.0) and the result after taxes was 13.7 million euros (66.5).

Revenue in January–December 2016

Finnair's revenue in January–December 2016 grew by 2.8 per cent year-on-year to 2,316.8 million euros (2,254.4). 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 3.5 per cent year-on-year and amounted to 6.83 euro cents (7.08).

Revenue by product

EUR million	1–12/2016	1–12/2015	Change %
Passenger revenue	1,816.1	1,766.0	2.8
Ancillary and retail revenue	125.5	103.2	21.6
Cargo	173.8	183.7	-5.4
Travel services	187.5	177.8	5.5
Travel agencies	13.8	23.8	-42.0
Total	**2,316.8**	**2,254.5**	**2.8**

Ticket revenue and traffic data by area, 1–12/2016

	Ticket revenue			ASK			RPK			PLF	
Traffic area	EUR mill.	Change, %	Share %	Mill. km	Change, %	Share %	Mill. km	Change, %	Share %	%	Change, %-point
Asia	739.5	1.3	40.7	16,434.2	7.7	48.5	13,446.8	6.5	49.7	81.8	-1,0
North America	115.7	9.6	6.4	2,692.7	20.1	7.9	2,140.7	14.9	7.9	79.5	-3,6
Europe	761.0	3.1	41.9	13,247.9	2.8	39.1	10,413.8	2.9	38.5	78.6	0,1
Finland	165.1	5.9	9.1	1,539.4	6.4	4.5	1,064.0	8.2	3.9	69.1	1,1
Unallocated	34.9	-5.5	1.9								
Total	**1,816.1**	**2.8**		**33,914.2**	**6.5**		**27,065.3**	**5.8**		**79.8**	**-0,6**

Passenger traffic capacity measured in Available Seat Kilometres (ASK) grew by 6.5 per cent, while traffic measured in revenue passenger kilometres grew by 5.8 per cent. Capacity growth in European and domestic traffic partly reflects the inclusion of flights previously operated at Norra's risk as Finnair's traffic starting from the April 2015.

On the long-haul side, in Asian traffic, capacity grew by 7.7 per cent from the previous 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, the new Fukuoka and Guangzhou routes operated in the summer, and an increase in average stage length due to higher frequencies on the Singapore and Shanghai routes. The passenger load factor in Asian traffic declined by 1.0 percentage points to 81.8 per cent. The capacity in North Atlantic traffic rose by 20.1 per cent year-on-year, in particular due to the year-round operation of the Miami route and higher frequencies on the Chicago route. The passenger load factor for the traffic area decreased by 3.6 percentage points to 79.5 per cent.

Ancillary and retail revenue increased by 21.6 per cent year-on-year and amounted to 125.5 million euros. Growth was particularly strong in advance seat reservations as well as additional baggage fees. Cargo traffic increased considerably: revenue cargo tonne kilometres increased by 11.0 per cent while available cargo tonne kilometres increased by 6.1 per cent. However, due to weak market conditions, average cargo yields declined and cargo revenue decreased by 5.4 per cent year-on-year, amounting to 173.8 million euros.

The revenue of Finnair's travel services (Aurinkomatkat Suntours) increased by 5.5 per cent from the previous year and amounted to 187.5 million euros (177.8).The number of travellers increased by 6% from the comparison period, and the load factor in Suntour's fixed seat allotment was solid at 96%. The year-on-year decrease in travel agencies' revenue is attributed to the divestment of SMT's Baltic subsidiary Estravel in December 2015 and the divestment of SMT completed in November 2016.

Cost development and result January–December 2016

Finnair's operating costs increased by 0.9 per cent in 2016 and amounted to 2,337.1 million euros (2,316.0). Unit cost (CASK) decreased by 4.8 per cent and totalled 6.67 euro cents (7.01).

Fuel costs decreased by 17.5 per cent and amounted to 491.5 million euros, while operating costs excluding fuel increased by 7.3 per cent and amounted to 1,845.6 million euros. The review period was affected by various costs relating to the implementation of accelerated growth, including temporary wet lease arrangements, roll-out of the A350 fleet and related flight crew training. In January–December, these cost items totalled some 23 million euros. Costs paid in US dollar were realised at some 20 million euros higher than in the comparison period due to the expiry of old, more profitable currency hedges.

Finnair's comparable EBITDAR grew by 39.3 million euros and amounted to 270.4 million euros (231.2). 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 31.4 million euros and amounted to 55.2 million euros (23.7).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 32.0 million euros (-12.3). The items affecting comparability amounted to 29.0 million euros (110.2), 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 116.2 million euros (121.7), the result before taxes was 105.8 million euros (113.3) and the result after taxes was 85.1 million euros (89.7).

Balance sheet on 31 December 2016

The Group's balance sheet totalled 2,528.7 million euros at the end of the period under review (31 Dec 2015: 2,050.3). The balance sheet grew in January–December mainly due to debt-financed aircraft purchases, the sale and leaseback of one A350 aircraft, and positive operating cash flow. Shareholders' equity was 857,0 million euros (31 Dec 2015: 727.5), or 6.73 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 December 2016 was 33.9 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 2016, net cash flow from operating activities amounted to 219.7 million euros (171.0). 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 -499.6 million euros (78.6) and was particularly attributable to the acquisition of new A350 aircraft and additions to money market investments with maturities exceeding three months as part of the Group's liquidity management.

The equity ratio on 31 December 2016 stood at 33.9 per cent (31 Dec 2015: 35.5) and gearing was negative at -11.2 per cent (31 Dec 2015: -49.8). The adjusted gearing was 78.3 per cent (31 Dec 2015: 45.8). At the end of December, adjusted interest-bearing debt amounted to 701.5 million euros (31 Dec 2015: 346.3) and interest-bearing net debt was negative at -95.8 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 at year-end amounted to 797.3 million euros (31 Dec 2015: 708.2). 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 third quarter and redeemed the outstanding principal of its hybrid bond issued in 2012, amounting to 38.3 million euros.

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–December amounted to 200.5 million euros (18.1). Financial expenses were -11.5 million euros (-9.7) and financial income stood at 1.0 million euros (1.3).

Capital expenditure

In 2016, capital expenditure excluding advance payments totalled 518.9 million euros (329.7) and was primarily related to fleet investments. Net cash flow from investments (capital expenditure) totalled -475.7 million euros, including advance payments.

Cash flow from investments for 2017 is estimated at approximately 530 million euros, or 300 million net, if the sale and leaseback agreement signed for the A350 aircraft scheduled for delivery in 2017 will be finalised as planned. Current estimate of the sales and foreign exchange gain on the transaction is unchanged at 40–45 million euros depending on the EUR/USD rate at the time of transaction. The cash flow from investments includes, in addition to investment commitments, also an estimate of investments which have been decided on, but not yet concluded with a counterparty. The investment financing need in 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 concerns 23 narrow-body Airbus.

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 2016–2018. The first installations in A330 aircraft were made already in 2016.

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 34 unencumbered aircraft, the balance sheet value of which corresponds to approximately 57 per cent of the value of the entire fleet of 933 million euros. The balance sheet value includes seven finance-leased 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 December 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, 16 were on operating lease and 7 on finance lease.

The average age of the fleet operated by Finnair was 10.1 years at the end of the fourth quarter of 2016.

Fleet operated by Finnair on 31 December 2016*	Seats	#	Change from 31.12.2015	Own**	Leased (Operating lease)	Leased (Finance lease)	Average age 31.12.2016	Ordered
Narrow-body fleet								
Airbus A319	138	9		7	2		15.4	
Airbus A320	165	10		7	1	2	14.4	
Airbus A321	209/196	11		4	5	2	10.1	
Wide-body fleet								
Airbus A330	289/263	8			5	3	7.2	
Airbus A340	263/257	4	-1	4***			9.0	
Airbus A350	297	7	4	4	3		0.8	12
Total		**49**	**3**	**26**	**16**	**7**	**10.1**	**12**

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

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 in 2017 and the remaining eight between 2018 and 2023. Finnair's investment commitments for property, plant and equipment, totalling 1,601 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. 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, 14 are owned by Finnair and 10 are leased. The planned disposal of one ATR 72 from the fleet was postponed to the first half of 2017.

Fleet operated by Norra on 31 December 2016*	Seats	#	Change from 31.12.2015	Aircraft owned by Finnair	Leased** (Operating lease)	Average age 31.12.2016	Ordered
ATR 72	68–72	12		6	6	7.4	
Embraer 170	76		-2				
Embraer 190	100	12		8	4	8.5	
Total		**24**	**0**	**14**	**10**	**8.0**	**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 covering revenue sharing and coordination of prices and capacity for the route areas in question. In autumn 2016, Iberia joined Finnair, Japan Airlines and British Airways as a member of the SJB.

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 winter season 2016/2017, Finnair increased 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.

Finnair also announced several new leisure-focused destinations for winter 2017/2018, including Havana, Puerto Vallarta and Goa.

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 in the winter season 2016/2017 and over 10,000 tourists the next winter. 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. Skytrax also awarded Finnair the overall rating of a four-star airline.

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.

In April, Aurinkomatkat - Suntours was found to be Finland's most sustainable travel service company by Sustainable Brands Index, which is the largest brand study focused on sustainability and corporate responsibility in Scandinavia. The study is made annually by interviewing consumers in four Nordic countries. The survey is based on the 10 principles of the UN Global Compact initiative.

Changes in senior management

Finnair announced on 16 February 2016 the acceleration its growth and renewal of its organisation as of 1 March 2016 in line with its growth strategy. Piia Karhu, Senior Vice President in charge of Customer Experience, Katri Harra-Salonen, Chief Digitalisation Officer, and Jaakko Schildt, SVP Operations were introduced as new Executive Board members.

Ville Iho, Finnair's Deputy CEO and SVP for Strategy and Resource Management, left the company as of December 31, 2016.

Personnel

Finnair employed an average of 5,045 (4,906) people in January–December 2016, which is 2.8 per cent more than in the comparison period. The number of employees in an employment relationship on 31 December 2016 was 4,937 (31 Dec 2015: 4,817). During the review period, the net number of personnel increased by 120, primarily due to an increase in the number of cabin crew and pilots. The increase in total headcount was offset by the divestment of SMT in November. 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. Collective labour agreements were renewed with the cabin crew union SLSY in autumn 2017, and a preliminary agreement with the pilots' union SLL was reached in early 2017.

Own shares

In January 2016, Finnair used its authorisation granted by the AGM to buy back its own shares. In total, Finnair acquired 800,000 shares. In February, 277,596 shares were transferred as incentive bonuses to members of the FlyShare employee share savings plan, and a further 3,450 shares in October. In June, a total of 28,464 shares were transferred to the 31 participants of Finnair's share-based incentive scheme 2013–2015 as a reward payment, and a further 26,641 shares in December.

On 31 December 2016, Finnair held a total of 788,964 of its own shares (325,205), representing 0.62 per cent of the total share capital.

Share price development and trading

At the end of December 2016, Finnair's market value stood at 516.4 million euros (694.5), and the closing price of the share was 4.03 euros (5.42). In 2016, the highest price for the Finnair Plc share on the NASDAQ Helsinki Stock Exchange was 5.92 euros (5.50), the lowest price 3.80 euros (2.49) and the average price 4.74 euros (3.54). Some 28.1 million (25.5) of the company's shares, with a total value of 133.2 million euros (90.1), 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 (9.0) 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 (so-called Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)). Sixty-five ICAO member states, including Finland, have agreed to join the agreement 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.

During the year, Finnair revised its sustainability strategy, which was crystallised in a three-pronged commitment: cleaner, caring, collaborative, and it embeds sustainability even deeper in the group strategy and brand. The programme measures are geared to contribute to cost containment, risk mitigation as well as value creation.

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 sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variation and economic trends. In the implementation of its strategy, Finnair is faced with various risks and opportunities. Finnair has 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 variations in fuel price and how these are passed on to ticket prices or affect capacity growth in Finnair's main markets pose for Finnair's revenue development, as do sudden adverse changes in foreign exchange rates and slowing demand growth.

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 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 growth plan 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 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 and market conditions, 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 krona.

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 approved 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 (rolling 12 months from date of financial statements)	**10% change without hedging**	**10% change, taking hedging into account**	**Hedging ratio** H1/2017	H2/2017
Fuel	EUR 50 million	EUR 23 million	72%	66%

Currency distribution %	**10–12 2016**	**10–12 2015**	**2016**	**2015**	**Currency sensitivities USD and JPY** (rolling 12 months from date of financial statements for operational cash flows) 10% change without hedging	10% change, taking hedging into account	**Hedging ratio for operational cash flows** (rolling 12 months from date of financial statements)
Sales currencies							
EUR	61	64	56	59	-	-	
USD*	4	2	4	3	see below	see below	see below
JPY	8	7	9	8	EUR 19 million	EUR 9 million	69%
CNY	5	5	7	7	-	-	
KRW	2	2	3	3	-	-	
SEK	5	5	5	5	-	-	
Other	15	15	16	15	-	-	
Purchase currencies							
EUR	57	54	54	53	-	-	
USD*	36	37	38	40	EUR 56 million	EUR 19 million	72%
Other	8	9	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.

Publication of the Financial Statements and Report of the Board of Directors 2016 and the Annual General Meeting 2017

The Report of Finnair Plc's Board of Directors, the financial statements for 2016 and other final accounts referred to in the Limited Liability Companies Act as well as sustainability disclosures in accordance with the GRI G4 reporting framework will be published in their entirety on the company website on 15 February 2017 as part of the company's Annual Report.

Finnair Plc's Annual General Meeting will be held on 16 March 2017 at 3:00 p.m. at the Helsinki Exhibition & Convention Centre, located at Messuaukio 1, Helsinki.

Corporate Governance Statement

Finnair Plc's Corporate Governance Statement will be published on 15 February 2017 as a document separate from the Report of the Board of Directors, and it will also be available on the company's website.

Financial reporting

The publication dates of Finnair's financial reports for 2017 are as follows:

Interim Report 1 January – 31 March 2017:	28 April 2017
Half-Year Report 1 January – 30 June 2017:	20 July 2017
Interim Report 1 January – 31 September 2017:	25 October 2017

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a result press conference on 15 February 2017 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 0800 915 597 (Finland), 0850 510 036 (Sweden), 020 3059 8125 (UK) or +44 20 3059 8125 (all other countries) and quoting "Finnair" to the operator. To join the live webcast, please register at: http://www.investis-live.com/finnair/5889c7ff04323f1100d219ce/7y2ua

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Key figures	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue and result						
Revenue, EUR million *	569.9	567.7	0.4	2,316.8	2,254.5	2.8
Comparable operating result, EUR million	1.6	0.8	105.6	55.2	23.7	132.3
Comparable operating result, % of revenue *	0.3	0.1	0.1 %-p	2.4	1.1	1.3 %-p
Operating result, EUR million	18.2	85.0	-78.6	116.2	121.7	-4.5
Comparable EBITDAR, EUR million	59.4	59.5	-0.1	270.4	231.2	17.0
Net result, EUR million	13.7	66.5	-79.4	85.1	89.7	-5.1
Balance sheet and cash flow						
Equity ratio, %				33.9	35.5	-1.6 %-p
Gearing, %				-11.2	-49.8	38.6 %-p
Adjusted gearing, %				78.3	45.8	32.4 %-p
Interest-bearing net debt, EUR million				-95.8	-362.0	73.5
Adjusted net debt, EUR million				670.6	333.2	101.3
Adjusted net debt / Comparable EBITDAR, LTM				2.5	1.4	1.0%-p
Gross capital expenditure, EUR million	94.9	291.5	-67.4	518.9	329.7	57.4
Return on capital employed (ROCE), LTM, %				8.9	12.2	-3.3 %-p
Return on equity (ROE), LTM, %				10.7	14.4	-3.7 %-p
Net cash flow from operating activities, EUR million	30.5	7.1	> 200 %	219.7	171.0	28.4
Share						
Share price at the end of quarter, EUR				4.03	5.42	-25.6
Earnings per share (EPS), EUR	0.08	0.44	-82.1	0.55	0.57	-3.9
Traffic data and responsibility indicators						
Passengers, 1,000	2,599	2,532	2.7	10,867	10,294	5.6
Available seat kilometres (ASK), million	8,194	7,915	3.5	33,914	31,836	6.5
Revenue passenger kilometres (RPK), million	6,420	6,192	3.7	27,065	25,592	5.8
Passenger load factor, %	78.3	78.2	0.1 %-p	79.8	80.4	-0.6 %-p
Unit revenue per available seat kilometre, (RASK), cents/ASK *	6.95	7.17	-3.0	6.83	7.08	-3.5
RASK at constant currency, cents/ASK	6.97	7.17	-2.8	6.88	7.08	-2.9
Unit revenue per revenue passenger kilometre (yield), cents/RPK *	6.82	6.99	-2.4	6.71	6.90	-2.8
Unit cost per available seat kilometre (CASK), cents/ASK *	6.93	7.16	-3.2	6.67	7.01	-4.8
CASK excluding fuel, cents/ASK *	5.53	5.46	1.4	5.22	5.14	1.6
CASK excluding fuel at constant currency, cents/ASK	5.37	5.46	-1.6	5.15	5.14	0.3
Ancillary and retail revenue per passenger (PAX)	12.21	11.07	10.3	11.55	10.02	15.2
Available tonne kilometres (cargo ATK), million	352	339	4.0	1,464	1,380	6.1
Revenue tonne kilometres (cargo RTK), million	211	210	0.4	873	787	11.0
Cargo and mail, tonnes	34,780	35,306	-1.5	144,596	130,697	10.6
Cargo traffic unit revenue per revenue tonne kilometre, cents/cargo RTK *	21.93	22.89	-4.2	19.90	23.34	-14.7
Overall load factor, %	64.0	66.5	-2.5 %-p	65.6	66.4	-0.8 %-p
Flights, number	27,148	27,799	-2.3	110,198	108,471	1.6
Arrival punctuality, %	79.3	90.4	-11.1 %-p	85.3	89.5	-4.2 %-p
Fuel consumption, tonnes/ASK	0.0255	0.0267	-4.54	0.0258	0.0262	-1.67
CO^2 emissions, tonnes/ASK	0.0804	0.0842	-4.54	0.0812	0.0826	-1.67
Customer satisfaction on a scale of 1 (very poor) - 10 (very good)	8.1	8.1	0.0	8.1	8.1	0.3
Personnel						
Average number of employees	5,015	4,935	1.6	5,045	4,906	2.8

* 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	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	**569.9**	**567.7**	**0.4**	**2,316.8**	**2,254.5**	**2.8**
Other operating income	19.3	21.9	-11.8	75.5	85.2	-11.4
Operating expenses						
Staff costs	-90.3	-97.3	-7.3	-362.5	-353.2	2.6
Fuel costs	-114.9	-135.1	-14.9	-491.5	-595.5	-17.5
Other rents	-46.1	-40.4	14.2	-167.4	-159.4	5.1
Aircraft materials and overhaul	-34.0	-26.2	29.6	-147.3	-118.9	23.9
Traffic charges	-64.8	-62.5	3.8	-262.8	-258.5	1.7
Ground handling and catering expenses	-65.8	-66.7	-1.4	-258.9	-250.3	3.5
Expenses for tour operations	-23.2	-22.5	3.3	-87.8	-79.6	10.3
Sales and marketing expenses	-19.7	-20.1	-2.0	-76.9	-74.0	3.9
Other expenses	-71.0	-59.4	19.6	-266.6	-219.3	21.6
Comparable EBITDAR	**59.4**	**59.5**	**-0.1**	**270.4**	**231.2**	**17.0**
Lease payments for aircraft	-26.8	-28.3	-5.4	-109.5	-99.3	10.2
Depreciation and impairment	-31.0	-30.4	2.1	-105.8	-108.1	-2.1
Comparable operating result	**1.6**	**0.8**	**105.6**	**55.2**	**23.7**	**132.3**
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	20.3	-15.4	> 200 %	32.0	-12.3	> 200 %
Items affecting comparability	-3.7	99.6	<-200 %	29.0	110.2	-73.7
Operating result	**18.2**	**85.0**	**-78.6**	**116.2**	**121.7**	**-4.5**
Financial income	-0.2	0.4	<-200 %	1.0	1.3	-16.9
Financial expenses	-2.1	-1.5	-42.5	-11.5	-9.7	-18.6
Share of results in associates and joint ventures	0.0	0.1	-100.0	0.0	0.1	-100.0
Result before taxes	**15.9**	**84.0**	**-81.1**	**105.8**	**113.3**	**-6.7**
Income taxes	-2.2	-17.5	87.4	-20.6	-23.6	12.6
Result for the period	**13.7**	**66.5**	**-79.4**	**85.1**	**89.7**	**-5.1**
Attributable to						
Owners of the parent company	13.7	66.5	-79.4	85.1	89.4	-4.8
Non-controlling interests	0.0	0.0	-100.0	0.0	0.3	-100.0
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.08	0.44	-82.1	0.55	0.57	-3.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in mill. EUR	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Result for the period	**13.7**	**66.5**	**-79.4**	**85.1**	**89.7**	**-5.1**
Other comprehensive income items						
Items that may be reclassified to profit or loss in subsequent periods						
Change in fair value of hedging instruments	62.4	-28.4	> 200 %	145.2	-14.1	> 200 %
Translation differences	0.0	0.2	-98.9	0.0	0.6	-97.2
Tax effect	-12.5	5.7	<-200 %	-29.0	2.8	<-200 %
Items that will not be reclassified to profit or loss in subsequent periods						
Actuarial gains and losses from defined benefit plans	21.3	22.1	-3.5	-18.1	37.7	<-200 %
Tax effect	-4.3	-4.4	3.5	3.6	-7.5	> 200 %
Other comprehensive income items total	**67.0**	**-4.8**	**> 200 %**	**101.7**	**19.5**	**> 200 %**
Comprehensive income for the period	**80.7**	**61.7**	**30.7**	**186.9**	**109.2**	**71.1**
Attributable to						
Owners of the parent company	80.7	61.7	30.8	186.9	108.9	71.6
Non-controlling interests	0.0	0.0	-100.0	0.0	0.3	-100.0

CONSOLIDATED BALANCE SHEET

in mill. EUR		31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	O	12.4	9.5
Tangible assets	O	1,166.5	811.6
Investments in associates and joint ventures	O	2.5	2.6
Loan and other receivables	O	7.4	8.7
Deferred tax assets	O	0.0	9.1
Non-current assets total		**1,188.7**	**841.5**
Current assets			
Inventories	O	14.9	11.8
Trade and other receivables	O	211.9	208.5
Derivative financial instruments	O/IA*	176.6	155.8
Other financial assets	IA	727.9	427.7
Cash and cash equivalents	IA	69.4	280.5
Current assets total		**1,200.7**	**1,084.3**
Assets held for sale	O	139.3	124.5
Assets total		**2,528.7**	**2,050.3**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	E	75.4	75.4
Other equity	E	781.6	652.0
Equity total		**857.0**	**727.5**
Non-current liabilities			
Deferred tax liabilities	O	32.7	0.0
Interest-bearing liabilities	IL	617.3	271.0
Pension obligations	O	31.9	4.4
Provisions	O	63.6	55.7
Other liabilities	O	4.9	15.8
Non-current liabilities total		**750.4**	**346.9**
Current liabilities			
Provisions	O	22.2	38.3
Interest-bearing liabilities	IL	100.4	75.2
Trade payables	O	94.4	67.5
Derivative financial instruments	O/IL*	25.2	180.5
Deferred income and advances received	O	424.6	374.8
Liabilities related to employee benefits	O	93.4	91.0
Other liabilities	O	161.1	148.7
Current liabilities total		**921.3**	**976.0**
Liabilities total		**1,671.7**	**1,322.9**
Equity and liabilities total		**2,528.7**	**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 Dec 2016	31 Dec 2015
Interest-bearing liabilities	717.7	346.0
Cross currency Interest rate swaps *	-16.1	0.2
Adjusted interest-bearing liabilities	**701.5**	**346.3**
Other financial assets	-727.9	-427.7
Cash and cash equivalents	-69.4	-280.5
Interest-bearing net debt	**-95.8**	**-362.0**
Lease payments for aircraft for the last twelve months (LTM) * 7	766.4	695.2
Adjusted interest-bearing net debt	**670.6**	**333.2**
Equity total	857.0	727.5
Adjusted gearing, %	**78.3 %**	**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					85.1		85.1		85.1
Change in fair value of hedging instruments			116.2				116.2		116.2
from defined benefit plans			-14.4				-14.4		-14.4
Comprehensive income for the period	**0.0**	**0.0**	**101.7**	**0.0**	**85.1**	**0.0**	**186.9**	**0.0**	**186.9**
Hybrid bond repayments						-38.3	-38.3		-38.3
Hybrid bond interests and expenses					-15.7	0.3	-15.3		-15.3
Purchase of own shares					-4.3		-4.3		-4.3
Share-based payments				0.6			0.6		0.6
Equity 31 Dec 2016	**75.4**	**168.1**	**33.9**	**248.6**	**132.8**	**198.2**	**857.0**	**0.0**	**857.0**

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					89.4		89.4	0.3	89.7
Change in fair value of hedging instruments			-11.3				-11.3		-11.3
from defined benefit plans			30.2		-0.1		30.1		30.1
Translation differences			0.6				0.6		0.6
Comprehensive income for the period	**0.0**	**0.0**	**19.5**	**0.0**	**89.3**	**0.0**	**108.8**	**0.3**	**109.1**
Proceeds from hybrid bond						198.2	198.2		198.2
Hybrid bond repayments						-81.7	-81.7		-81.7
Hybrid bond interests and expenses					-13.0	0.7	-12.2		-12.2
Dividend					0.0		0.0	-0.2	-0.2
Share-based payments				0.6			0.6		0.6
Changes in non-controlling interests							0.0	-0.7	-0.7
Equity 31 Dec 2015	**75.4**	**168.1**	**-67.9**	**248.1**	**67.6**	**236.2**	**727.5**	**0.0**	**727.5**

CONSOLIDATED CASH FLOW STATEMENT

in mill. EUR	Q4 2016	Q4 2015	2016	2015
Cash flow from operating activities				
Result for the period	13.7	66.5	85.1	89.7
Depreciation and impairment	23.9	55.2	102.9	148.5
Other adjustments to result for the period				
Financial income and expenses	2.3	1.1	10.5	8.4
Share of results in associates and joint ventures	0.0	-0.1	0.0	-0.1
Income taxes	2.2	17.5	20.6	23.6
EBITDA	**42.1**	**140.1**	**219.2**	**270.2**
Non-cash transactions *	-9.3	-111.3	-50.0	-137.5
Changes in working capital	6.9	-20.3	55.5	43.1
Financial expenses paid, net	-9.2	-1.5	-5.0	-4.6
Income taxes paid	0.0	0.0	0.0	-0.2
Net cash flow from operating activities	**30.5**	**7.1**	**219.7**	**171.0**
Cash flow from investing activities				
Investments in intangible assets	-3.1	0.2	-10.3	-4.3
Investments in tangible assets	-39.7	-236.0	-475.7	-352.5
Divestments of fixed assets and group shares	3.8	295.9	153.2	448.1
Net change in financial assets maturing after more than three months	-226.9	-69.8	-168.4	-14.4
Change in non-current receivables	1.2	1.7	1.6	1.7
Net cash flow from investing activities	**-264.7**	**-7.8**	**-499.6**	**78.6**
Cash flow from financing activities				
Proceeds from loans	0.0	0.0	377.4	0.0
Loan repayments and changes	-13.9	-9.8	-115.1	-82.5
Hybrid bond repayments	-38.3	-81.7	-38.3	-81.7
Proceeds from hybrid bond	0.0	200.0	0.0	200.0
Hybrid bond interests and expenses	-17.4	-12.2	-19.1	-17.6
Purchase of own shares	0.0	0.0	-4.3	0.0
Dividends paid	0.0	0.0	0.0	-0.2
Net cash flow from financing activities	**-69.7**	**96.3**	**200.5**	**18.1**
Change in cash flows	**-303.9**	**95.5**	**-79.3**	**267.7**
Liquid funds, at beginning	682.3	362.3	457.7	190.1
Change in cash flows	-303.9	95.5	-79.3	267.7
Liquid funds, at end **	**378.4**	**457.7**	**378.4**	**457.7**
Notes to consolidated cash flow statement				
*** Non-cash transactions**				
Employee benefits	4.6	6.4	15.1	15.6
Fair value changes in derivatives	-24.3	11.7	-34.0	2.1
Gains and losses on aircraft and other transactions	3.0	-103.0	-30.4	-121.5
Other adjustments	7.3	-26.4	-0.6	-33.7
Total	**-9.3**	**-111.3**	**-50.0**	**-137.5**
**** Liquid funds**				
Other financial assets	727.9	427.7	727.9	427.7
Cash and cash equivalents	69.4	280.5	69.4	280.5
Liquid funds in balance sheet	**797.3**	**708.2**	**797.3**	**708.2**
Maturing after more than three months	-418.9	-250.5	-418.9	-250.5
Total	**378.4**	**457.7**	**378.4**	**457.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS BULLETIN

1. BASICS OF PREPARATION

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

2. ACCOUNTING PRINCIPLES

The accounting principles applied are disclosed in the 2016 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 Financial Statements Bulletin 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 2016.

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	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Passenger revenue	437.9	433.0	1.2	1,816.1	1,766.0	2.8
Ancillary and retail revenue	31.7	28.0	13.3	125.5	103.2	21.6
Cargo	46.2	48.0	-3.8	173.8	183.7	-5.4
Travel services	52.3	52.7	-0.8	187.5	177.8	5.5
Travel agencies	1.7	6.0	-71.4	13.8	23.8	-42.0
Total	**569.9**	**567.7**	**0.4**	**2,316.8**	**2,254.5**	**2.8**

Passenger revenue by traffic area

Passenger revenue, mill. EUR	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Asia	175.7	168.9	4.0	739.5	729.7	1.3
North Atlantic	22.8	25.3	-9.8	115.7	105.6	9.6
Europe	182.1	180.7	0.8	761.0	738.0	3.1
Domestic	45.6	44.7	2.1	165.1	155.9	5.9
Unallocated revenue	11.7	13.3	-12.5	34.9	36.9	-5.5
Total	**437.9**	**433.0**	**1.2**	**1,816.1**	**1,766.0**	**2.8**

PLF, %	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Asia	80.7	80.1	0.7 %-p	81.8	82.8	-1.0 %-p
North Atlantic	76.9	78.7	-1.8 %-p	79.5	83.1	-3.6 %-p
Europe	76.8	77.4	-0.6 %-p	78.6	78.5	0.1 %-p
Domestic	69.1	67.1	2.0 %-p	69.1	68.0	1.1 %-p
Total	**78.3**	**78.2**	**0.1 %-p**	**79.8**	**80.4**	**-0.6 %-p**

ASK, mill. km	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Asia	4,010.5	3,794.8	5.7	16,434.2	15,256.5	7.7
North Atlantic	589.9	597.5	-1.3	2,692.7	2,242.5	20.1
Europe	3,178.9	3,111.5	2.2	13,247.9	12,890.3	2.8
Domestic	415.1	411.6	0.8	1,539.4	1,446.5	6.4
Total	**8,194.3**	**7,915.4**	**3.5**	**33,914.2**	**31,835.7**	**6.5**

RPK, mill. km	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Asia	3,238.3	3,038.2	6.6	13,446.8	12,629.3	6.5
North Atlantic	453.5	470.2	-3.6	2,140.7	1,863.0	14.9
Europe	2,441.7	2,407.6	1.4	10,413.8	10,115.9	2.9
Domestic	286.8	276.1	3.8	1,064.0	983.4	8.2
Total	**6,420.3**	**6,192.1**	**3.7**	**27,065.3**	**25,591.6**	**5.8**

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	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	**20.3**	**-15.4**	**> 200 %**	**32.0**	**-12.3**	**> 200 %**
Unrealized changes in foreign currencies of fleet overhaul provisions	-4.0	-3.7	-9.0	-2.0	-10.1	80.5
Fair value changes of derivatives where hedge accounting is not applied	24.3	-11.7	> 200 %	34.0	-2.1	> 200 %
Items affecting comparability	**-3.7**	**99.6**	**<-200 %**	**29.0**	**110.2**	**-73.7**
Gains and losses on aircraft transactions	-6.7	84.5	<-200 %	26.6	101.7	-73.8
Gains and losses on other transactions	3.6	18.5	-80.4	3.8	19.8	-80.9
Restructuring costs	-0.7	-3.4	80.7	-1.4	-11.3	87.8

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 2016 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 Dec 2016		31 Dec 2015	
	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives				
Hedge accounting items (forward contracts):				
Jet fuel currency hedging	307.3	16.5	331.6	23.1
Fair value hedging of aircraft acquisitions	377.1	74.6	782.4	81.0
Currency hedging of lease payments	172.4	9.6	171.2	18.1
Hedge accounting items total	856.8	100.7	1,285.3	122.2
Items outside hedge accounting:				
Operational cash flow hedging (forward contracts)	157.4	3.3	307.5	14.8
Operational cash flow hedging (options)				
Bought options	173.2	5.9	180.4	3.7
Sold options	245.4	-2.4	318.5	-4.1
Hedges of aircraft sales transactions	123.7	-7.3		
Balance sheet hedging (forward contracts)	118.3	1.5	11.5	0.4
Items outside hedge accounting total	818.0	0.9	817.8	14.7
Currency derivatives total	**1,674.8**	**101.6**	**2,103.1**	**136.9**
Commodity derivatives				
Hedge accounting items:				
Jet fuel forward contracts, tonnes	650,000	18.9	559,000	-140.7
Electricity derivatives, MWh	13,140	0.0	13,140	0.0
Hedge accounting items total		18.9		-140.8
Items outside hedge accounting:				
Jet fuel forward contracts, tonnes	24,000	0.6	26,000	-4.2
Options				
Bought options, jet fuel, tonnes	236,000	13.3	178,000	0.6
Sold options, jet fuel, tonnes	472,000	-4.4	329,000	-26.2
Electricity derivatives, MWh	0	0.0	26,352	-0.3
Items outside hedge accounting total		9.4		-30.2
Commodity derivatives total		**28.4**		**-170.9**
Currency and interest rate swaps and options				
Hedge accounting items:				
Interest rate swaps	150.0	3.6	150.0	5.2
Items outside hedge accounting:				
Cross currency Interest rate swaps	291.8	16.1	7.1	-0.2
Interest rate derivatives total	**441.8**	**19.8**	**157.1**	**5.0**
Equity derivatives				
Hedge accounting items:				
Stock options				
Bought options	3.0	1.8	3.0	5.6
Sold options	3.0	-0.2	3.0	-1.4
Hedge accounting items total	6.0	1.6	6.0	4.1
Equity derivatives total	**6.0**	**1.6**	**6.0**	**4.1**
Derivatives total		**151.4**		**-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 Dec 2016	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	727.9	466.6	261.2
Derivatives held for trading			
Currency and interest rate swaps and options	19.8		19.8
- of which in fair value hedge accounting	3.7		3.7
Currency derivatives	114.0		114.0
- of which in fair value hedge accounting	74.6		74.6
- of which in cash flow hedge accounting	26.2		26.2
Commodity derivatives	41.0		41.0
- of which in cash flow hedge accounting	26.9		26.9
Equity derivatives	1.8		1.8
- of which in fair value hedge accounting	1.8		1.8
Total	**904.4**	**466.6**	**437.8**
Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency derivatives	12.4		12.4
- of which in cash flow hedge accounting	0.1		0.1
Commodity derivatives	12.6		12.6
- of which in cash flow hedge accounting	8.0		8.0
Equity derivatives	0.2		0.2
- of which in fair value hedge accounting	0.2		0.2
Total	**25.2**	**0.0**	**25.2**

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

During Q4, Finnair sold its subsidiary SMT to American Express Global Business Travel (GBT). There were no business acquisitions during Q4.

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 in 2016 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 2016 was 19.5% (20.8%).

9. DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euro per share be paid for 2016.
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 Dec 2016	31 Dec 2015
Carrying amount at the beginning of period	821.0	916.2
Additions	518.9	329.7
Change in advances	80.4	28.9
Currency hedging of aircraft acquisitions	6.4	-14.7
Disposals and reclassifications	-139.9	-290.6
Depreciation	-105.8	-108.1
Depreciation included in items affecting comparability	-2.2	-40.4
Carrying amount at the end of period	**1,178.8**	**821.0**
Proportion of assets held for sale at the beginning of period	123.0	119.8
Proportion of assets held for sale at the end of period	139.3	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 which are expected to be sold to Airbus 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. A subsidiary SMT Oy that was classified as assets held for sale during 2016 was 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	31 Dec 2016	31 Dec 2015
Intangible and tangible assets	139.3	123.0
Inventories	0.0	1.6
Total	**139.3**	**124.5**

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.

During the fourth quarter interest-bearing liabilities increased, when the lease-term of four operating leased aircraft were extended and the lease arrangements were reclassified as finance leases. Interest-bearing liabilities were amortized according to the loan installment program.

13. CONTINGENT LIABILITIES

in mill. EUR	31 Dec 2016	31 Dec 2015
Pledges on own behalf		160.1
Guarantees on behalf of group undertakings	69.0	67.0
Guarantees on behalf of others	0.0	0.1
Total	**69.0**	**227.2**

Investment commitments for property, plant and equipment as at 31 December 2016 totalled 1,601 million euros (31 December 2015: 1,818).

14. OPERATING LEASE COMMITMENTS

in mill. EUR	31 Dec 2016	31 Dec 2015
Lease commitments for fleet payments	1,069.9	1,040.3
Other lease commitments	290.0	305.2
Total	**1,359.8**	**1,345.5**

15. RELATED PARTY TRANSACTIONS

in mill. EUR	2016	2015
Sales of goods and services		
Associates	0.0	0.2
Joint ventures	42.9	49.3
Pension fund	0.1	0.0
Purchases of goods and services		
Associates		2.5
Joint ventures	106.8	126.7
Pension fund	3.2	4.5
Receivables		
Current receivables from associates		0.5
Current receivables from joint ventures	9.3	12.1
Liabilities		
Non-current liabilities to pension fund	29.7	2.6
Current liabilities to associates		0.9
Current liabilities to joint ventures	0.2	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/cargo 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/cargo 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	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

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

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

Liquid funds:
Cash and cash equivalents + other financial assets

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

Interest-bearing net debt:
Adjusted interest-bearing liabilities - liquid funds

Adjusted interest-bearing net debt:
Interest-bearing net debt + lease payments for aircraft, LTMx7

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:

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

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, %:

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

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

Revenue tonne kilometres (cargo 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).

The figures of the Financial Statements Bulletin are unaudited.