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In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

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

Companies House

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

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COMPANIES HOUSE

Part 1 Corporate company name

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

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

All fields are mandatory unless specified or indicated by *

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

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

A1 Legislation

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

Legislation ❷	Finnish law

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

A2 Accounting principles

Accounts

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

Please tick the appropriate box

☐ **No** Go to **Section A3**

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

Name of organisation or body ❸	IFRS

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

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

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

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	PricewaterhouseCoopers Oy	

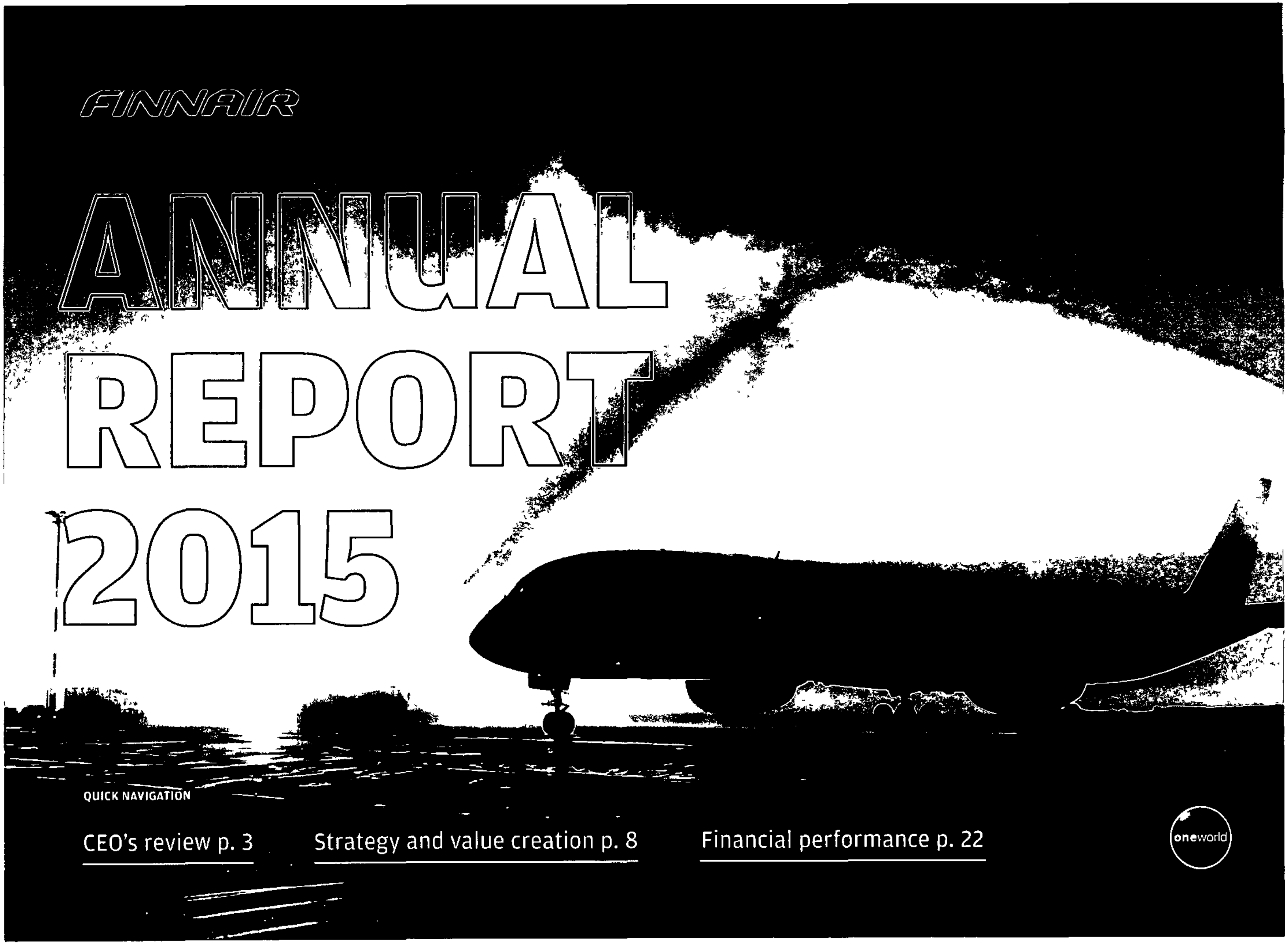
A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature X Andrew Fish X ANDREW FISH 22.6.16
	This form may be signed by Director, Secretary, Permanent representative



FINNAIR

ANNUAL REPORT 2015

QUICK NAVIGATION

oneworld

Contents

About this report

The Finnair Group's core business consists of airline business and travel services The purpose of the Annual Report and its GRI section under the G4 reporting framework, to be published at the end of February, is to account for the company's financial, economic, social and environmental impacts, and to explain their strategic business significance The report's intended audience consists of shareholders, investors, analysts, media, customers, employees, other interested stakeholders and the general public at large

Finnair considers sustainability a critical and strategic aspect of business performance, thus sustainability reporting is an integral part of its annual reporting framework The report describes the Finnair Group's material activities in 2015 across all its units Material aspects are listed on page 20

Finnair has made efforts to facilitate reading its financial statements and to clarify the overall picture that can derived from them Firstly, the notes of Finnair's financial statements have been combined to business related sections in order to give a more relevant and less complex picture of the whole Each section sets out the accounting principles applied in producing these notes together with any critical accounting estimates and sources of uncertainty Secondly, interesting figures have been highlighted by circling them, and these as well as other highlights are explained in a text box marked with a star Thirdly, illustrating charts have been inserted in various sections of the financial statements so as to facilitate understanding the figures

CEO's review

Pekka Vauramo

CEO

@pekkavau

The year 2015 marked the beginning of a new era for Finnair in many ways. We maintained a steady angle of attack in spite of the turbulence in the global economy: we improved our year-on-year performance each quarter, and achieved a positive operational result for the full year. At the same time, our share price more than doubled.

Our revenues grew by 1 7 per cent during the year, although we focused on our core business and let go of several non-core functions During the last quarter, our rate of growth was bordering on six percent, driven by passenger traffic One of the financial highlights of the year was the growth of ancillary revenues by a whopping third to slightly above 100 million euros

We carried a record number of passengers in 2015 more than 10 million, along with well over 100 million kilogrammes of cargo Despite a significant increase in seats, we saw continued improvement in our passenger load factor and punctuality, and while our customer satisfaction scores also remained good, our sights are set even higher

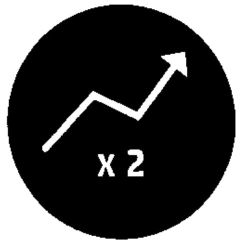
Last year we worked together with our personnel to crystallise the values that inspire everyone at Finnair Our new values are Courage, Simplicity and Commitment to Care I am delighted to see how these values are already being reflected in our day-to-day operations

In 2015, we showed Courage in launching the next phase of growth in our long-haul traffic by becoming the first European airline to operate the new A350 aircraft We also stated this move would need to be supported by increasing our feeder traffic capacity and recruiting more personnel for flight operations in particular, but also in ground services At the same time, we have worked to introduce Simplicity for instance to our processes and pricing for cargo, and by introducing a Light ticket product for passengers who do not travel with checked bags Meanwhile, our Commitment to Care is reflected, besides our customer service, also in the way we all pull in the same direction

Our direction is clear we want to offer the smoothest, fastest connections in the northern hemisphere via Helsinki, and the best network to the world from our home market Our vision is a unique Nordic experience for our passengers In 2015, we have made significant progress towards these goals

The aviation industry competes on a global scale and is continuously evolving some legacy carriers have fallen by the wayside, while many others are undergoing significant renewal programs or actively participating in the current process of consolidation in the industry, of which there were many examples last year, too We actively monitor the competitive landscape, and strive to develop our strengths to ensure our ability to succeed in an intensely compet-

We became the first European airline to operate the new A350 aircraft.



In 2015, our share price more than doubled.

itive industry For example, in 2015 we focused on refining our brand and improving the profitability of domestic traffic

Finnair is emerging from a dramatic transformation, as the company focused on its core business and the achievement of cost savings to ensure its competitiveness and viability The goal of these moves was to create a sustainable foundation for future growth We must continue to keep our eyes on costs now, while our growth is yet accelerating for take-off, in order to reach sustainable growth

A growth organisation requires a new type of DNA, which is why we are taking determined steps to develop our management practices and investing in the wellbeing of our personnel We have a number of programs already underway as well as in development in these areas Growth and new aircraft exhilarate and inspire our personnel I have seen this with my own eyes, both on the ground and in the air, including dozens of A350 flights that I hosted last year as part of our marketing activities

In the long run, financial success is based on sustainability We are committed to implementing the sustainability principles of the UN Global Compact initiative in our operations In 2015, our corporate social responsibility efforts focused on equality and non-discrimination, as well as promoting responsibility in the supply chain Our environmental reporting was again recognised in the form of our inclusion in the CDP Nordic Disclosure Leadership index Also notable with regard to our sustainability reporting is the adoption of the GRI G4 framework

I would like to take this opportunity to express my warmest thanks to our passengers, partners and shareholders for the successful year we had in 2015 Special thanks must be extended to our personnel for their good work and uncompromising commitment to Finnair's renewal We are well positioned to keep moving forward with vigour and unity!

Want to know more?

Visit Finnair.com

Finnair in brief

Finnair is a network airline specialising in passenger and cargo traffic between Asia and Europe Helsinki's geographical location gives Finnair a competitive advantage, since the fastest connections between many European destinations and Asian megacities fly over Finland Currently, Finnair serves 15 Asian destinations across 9 countries, to a mix of financial centres and leisure destinations In addition, from summer 2016 onwards, Finnair will launch new services to Fukuoka in Japan and Guangzhou in China Finnair also serves 3 North American destinations and approximately 60 destinations in Europe

Finnair's vision is to offer its passengers a unique Nordic experience, and its mission is to offer the smoothest, fastest connections in the northern hemisphere via Helsinki and the best network to the world from its home markets Finnair is the only Nordic carrier with a 4-star Skytrax ranking and a member of the oneworld alliance In 2015, Finnair's revenues amounted to 2,324 million euros and it had personnel of 4,817 at the year-end

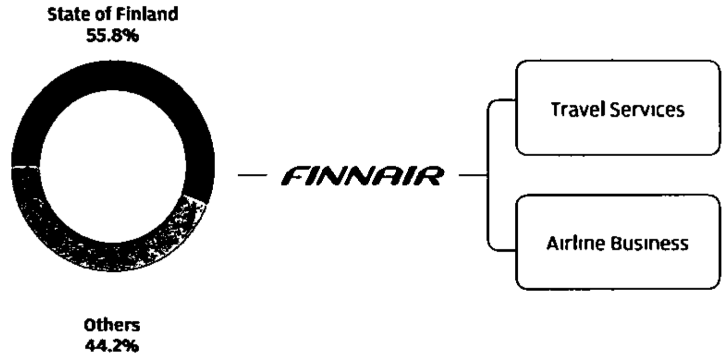
Organisation set-up and key shareholders

Finnair Plc's shares are quoted on Nasdaq Helsinki The State of Finland holds 55 8 per cent of the company's shares The business is divided into two business segments Airline Business and Travel Services

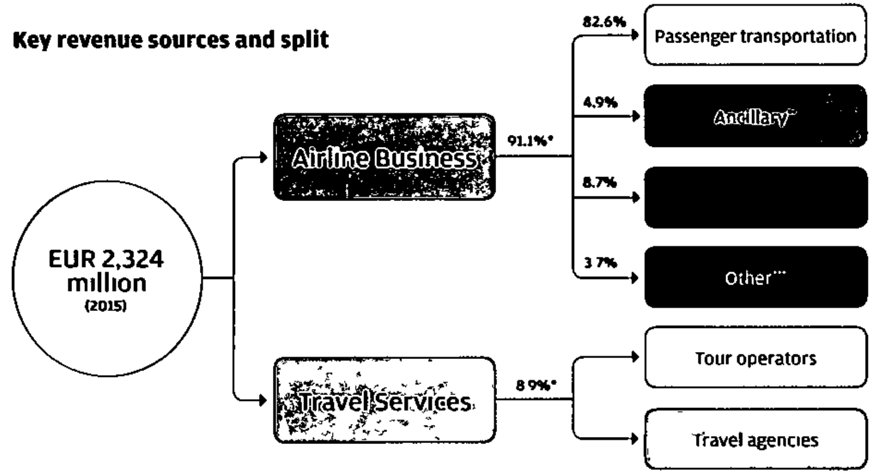
Airline Business area is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft In 2015, the segment generated 91 per cent of Finnair's revenue Largest share of the revenue comes from passenger ticket sales and belly cargo, but the importance and share of acillary revenues is growing fast, at a rate of 32 per cent in 2015

Travel Services (Tour Operators and Travel Agencies) area consists of the tour operator Aurinkomatkat (Suntours), its subsidiary operating in Estonia, the business travel agency Finland Travel Bureau (FTB), and Amadeus Finland, which produces travel sector software and solutions The segment comprises 9 per cent of Finnair's annual revenue

Business areas and key shareholders



Key revenue sources and split



* Based on total revenue excluding Group eliminations.
** Includes, extra baggage fees, advance seat selection, upgrade options, Economy comfort product in long-haul Sky Bistro in short haul economy
*** In 2014 included Travel Retail Store operations, Finncatering business, in 2015 other revenues consisted primarily of aircraft leases.

Year 2015 Highlights

Strategy update

In May, as a part of its annual strategy review, Finnair's Board of Directors approved a new vision and updated the company's mission and strategic targets Finnair's new vision is to offer its passengers a unique Nordic experience and its mission is to offer the smoothest, fastest connections in the northern hemisphere via Helsinki, and the best network to the world from its home markets The updated strategic objectives are to double Asian traffic by 2020 from the 2010 level, deliver a unique customer experience and achieve world-class operations as well as to create shareholder value In addition, commitment to care, simplicity and courage were adopted as the company's values

A350s kicked off Finnair's growth

The first of the 19 state-of-the-art A350-900 XWB aircraft ordered by Finnair arrived to Finland on 7 October These aircraft will substantially increase Finnair's passenger and cargo capacity, reduce fuel consumption and improve travel comfort

Before moving to long-haul routes the first A350 was operated for a couple of weeks on European and domestic routes, receiving overwhelming publicity and positive feedback By the end of the year, Finnair had three new A350s, flying to Shanghai, Beijing and Bangkok

In order to implement its growth plans, Finnair launched the recruitment of 200 new pilots and over 400 cabin crew In addition, 50 extra personnel will be needed for ground services

Finnair shed light on its feeder fleet development plan

In November, Finnair announced it would lease two A321 narrowbody aircraft on a tempory basis in its European traffic due to the capacity increase resulting from the new A350s In December, Finnair announced having ordered four aircraft of the same type with longer lease periods At the same time, Finnair stated it would sell two small Embraer jet aircraft and one ATR propeller aircraft

Investments in cargo terminal and WiFi connections

In March Finnair announced and began the construction of a new COOL Nordic Cargo Hub terminal at Helsinki Airport The terminal will include special cargo handling areas for pharmaceutical and life science products (Pharma) as well as perishable products, including fish and seafood The new state-of-the-art terminal will have a high level of warehouse automation to ensure high quality air freight service and competitive handling cost The terminal is to be opened during spring 2017

In addition Finnair announced it would install WiFi connections in its Airbus fleet The first wireless services on Finnair aircraft were seen already by the end of 2015, as the new A350 XWB aircraft joined the fleet In 2016, Finnair will begin to install WiFi connections in its long-haul A330 aircraft and in the Airbus narrowbody aircraft used in its European traffic

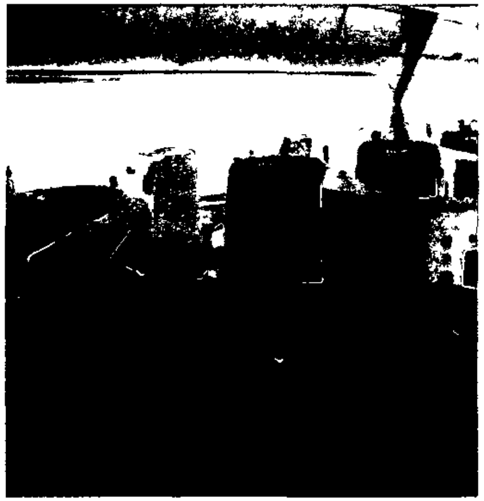
Norra ownership arrangements

In January Finnair entered into a Memorandum of Understanding with StaffPoint and GWS on ownership arrangements concerning Norra (formerly Flybe Nordic), which operates Finnair s regional traffic Hence, the joint venture received a new majority owner in lieu of Flybe UK The negotiations were protracted but in the end an agreement was reached at the beginning of November, when StaffPoint and Kilco became Norra s joint majority owners

IATA Environmental and Pharma certificates

In January, Finnair became the first airline in Europe and second in the world to be certified in the second phase of the IATA IEnvA environmental programme Meanwhile, Finnair Cargo was the first in the world to pass IATA CEIV Pharma certification programme, which is a testament to top-notch standardised service for perishable pharmaceutical products

© P Pigeyre/Airbus



Finnair bolstered its balance sheet for fleet renewal

At the beginning of October, Finnair issued a 200 million euro hybrid bond This marked the largest corporate hybrid bond in Finland to-date, and it would enable Finnair to fund its fleet renewal, valued approximately at 2 billion euros, on competitive terms as a whole, and to keep its liquidity and capital structure on a solid basis Towards the end of the year, Finnair also announced the sale and leaseback of four A350 aircraft, which was estimated to result in one-time gains totalling 160 million euros between 2015 and 2017

Finnair received several awards during the year

FlightStats named Finnair as the most punctual European airline in 2014 The World Airline Awards chose Finnair as the best airline in Northern Europe for the sixth time in a row The cabin design of Finnair's Airbus A350 XWB aircraft won first prize in the Commercial Aviation - Economy/ Business Class category at the International Yacht & Aviation Awards 2015 Furthermore, CDP, an organisation promoting sustainability reporting, identified Finnair as a Nordic leader in reporting climate change related information to investors and other stakeholders, and awarded Finnair a position on the Nordic Disclosure Leadership Index (CDLI) Finnair s disclosure score in 2015 was 99/100

New routes and product reforms

In spring, Finnair expanded its purchased traffic agreement with Norra, and its number of destinations increased thus by eight as of 1 May 2015 In addition, Finnair announced it would open new routes to Gdansk Luleå and Umeå These routes are also operated by Norra as purchased traffic New seasonal routes for the summer season 2015 were Athens, Dublin, Malta, Split and Chicago Miami was established as a new year-round destination

In March, Finnair introduced Light, a new ticket type for passengers travelling with hand baggage only on European or Middle-Eastern scheduled routes A completely new Nordic Sky in-flight entertainment system was introduced in the A350s, whose diverse offering, services and WiFi keep the passengers better entertained and more comfortable during long-haul flights During the year, Suntravels focused particularly on digital services and vacation concepts tailored specifically for different customer segments

STRATEGY AND VALUE CREATION

Megatrends affecting Finnair

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

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

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

Urbanisation

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

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

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

Airlines must anticipate changes, adapt to them and provide opportunities for buying, using services and sending feedback online Consumers want network access before, during and after their flights They increasingly want digital entertainment services during flights

More advanced customer identification will also allow airlines to offer tailored services and a personalised customer experience

Increasing significance of sustainability

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

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

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

A changing operating environment

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

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

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

Management measures must ensure competitiveness

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

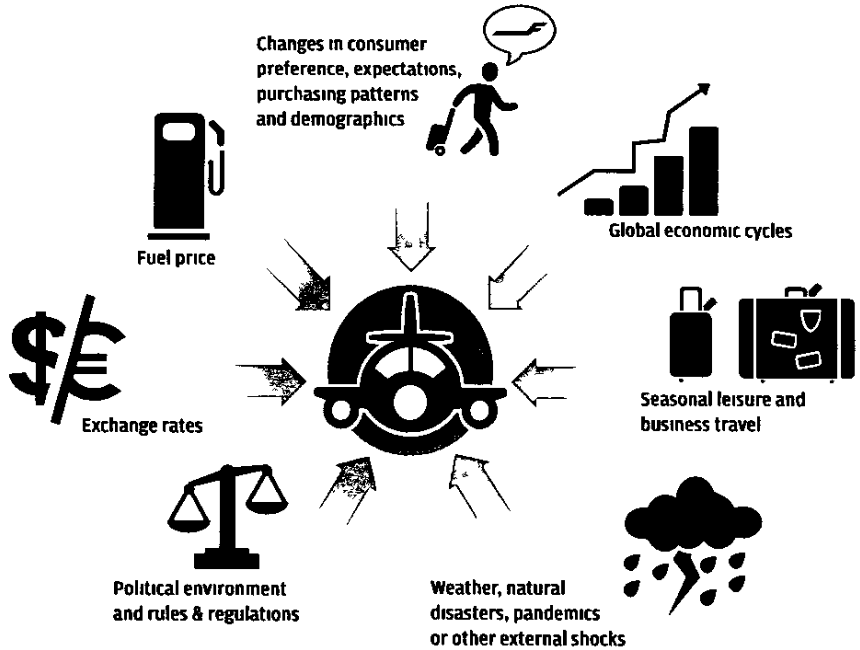
Finnair's financial performance is described on page 22 onwards and Finnair's governance is described on page 84 onwards.

Competitive, growing industry

Based on ICAO statistics and Airbus' forecast, revenue passenger kilometres have doubled every 15 years and are expected to continue to do so.* Airbus further forecasts that air traffic between emerging Asia and Western Europe will grow at an average rate of 4 per cent annually between 2013 and 2033, and between China and Western Europe at an average rate of 5.6 per cent annually over the same period. This will provide substantial opportunities for growth.

Today, approximately 23 million people travel between Finnair's current Asian and European destinations every year, and an estimated 45 per cent of these are transfer

External factors influencing airlines



* Source: ICAO, Airbus Global Market Forecast 2014

passengers without direct connections to their final destination ** Asian traffic already represents approximately half of Finnair's passenger traffic, and Japan is currently Finnair's second-largest market after Finland In the future, the share of traffic to and from China is expected to grow

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

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

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

Strategy and value creation

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

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

A strong position on the domestic market and punching above its weight in Asian traffic

Finnair holds a solid position in Finnish air traffic. Due to the small size of its domestic market, the focus of the company's growth has, for several decades, been on the rapidly growing market of Asian traffic. Asia has been one of the fastest-growing air traffic markets in recent years, and its importance is expected to increase further in the short and medium term. The share of Asian traffic is higher at Finnair than at its competitors, which puts the company in an ideal position to benefit from these growing markets. In 2015, Asian traffic accounted for approximately 50 per cent of Finnair's traffic. In spite of its small size, the company was among the largest airlines in terms of market share on the routes it operates.

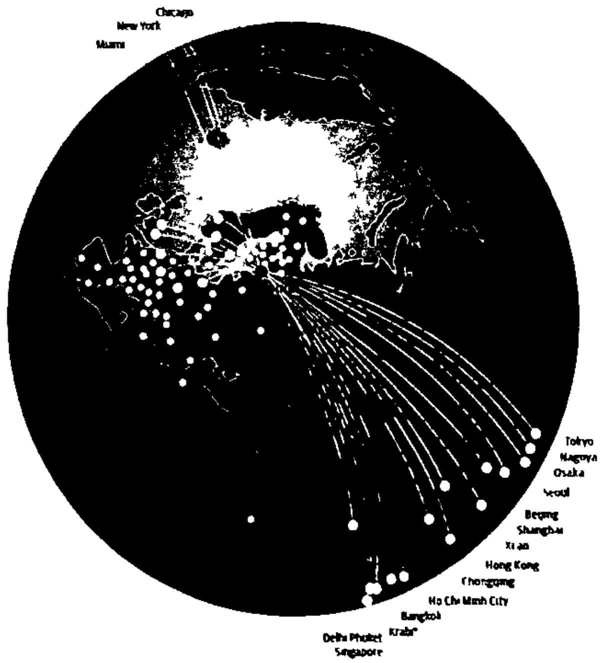
Finnair's network – the smoothest connections between Asia and Europe

Finnair's business model is that of a network carrier, and it specialises in traffic between Asia and Europe. Helsinki's geographical location provides Finnair with a structural competitive advantage, as geographical proximity allows it to offer the fastest and most direct connections to the growing Asian markets.

Finnair is also the only European airline that can operate flights to most Asian destinations in a 24-hour aircraft rotation, which means that the routes can be operated as round trips within 24 hours at regular times using a single aircraft. This enables very high aircraft utilisation in long-haul traffic, reduces the need for additional crews due to flight time restrictions, and decreases fuel consumption and emissions thanks to shorter flight times.

Helsinki's geographical proximity means that travel times are more than two hours shorter on average compared to one-stop flights via European hubs, and more than four hours shorter compared to flights via hubs located in the Middle East. Helsinki Airport also supports the growth of traffic between Asia and Europe: its three runways, connection times as short as 35 minutes, and uncongested airspace make Helsinki Airport a good airport for connecting flights.

Finnair gains a competitive advantage from Helsinki's geographical location.



* Seasonal destination

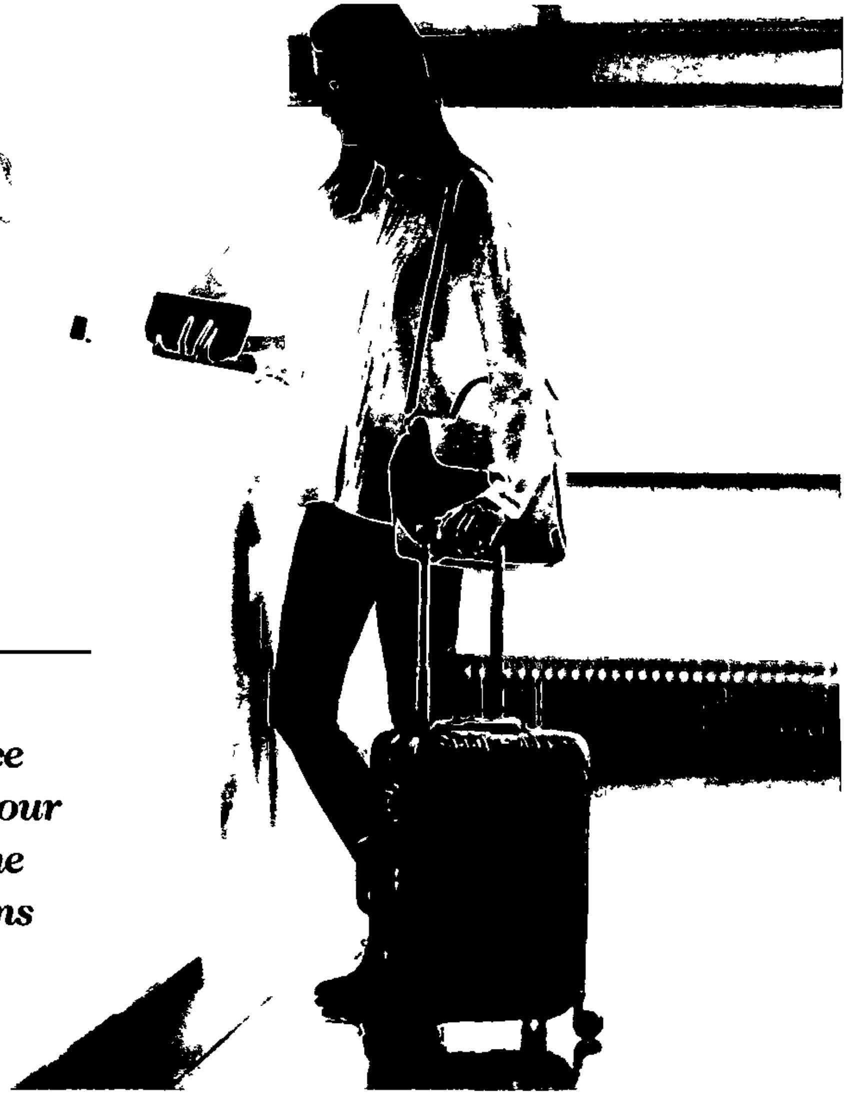
Finnair's strategic objective is to double its Asian traffic by 2020 compared to 2010 Finnair currently operates flights to fifteen Asian destinations in nine different countries, including financial hubs as well as holiday destinations Finnair's next Asian destinations are Fukuoka in Japan and Guangzhou in China, both to be launched in summer 2016 Finnair also operates flights to three cities in North America and approximately 60 destinations in Europe

Our membership of the oneworld alliance increases the size of our network to nearly one thousand destinations around the world Close cooperation with alliance partners in North American and Japanese traffic in particular is a priority for Finnair Membership of the oneworld alliance and joint businesses *strengthen Finnair's market position and reduce the* risks related to growth For customers, they provide an even broader choice of destinations as well as more flexible routing and pricing options For airlines, joint businesses are a way to gain benefits typically associated with consolidation in a highly competitive industry without actual mergers, acquisitions or equity transfers between partners Alliance partnerships and joint businesses have a significant impact on Finnair's revenue

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

service

Our membership of the oneworld alliance increases the size of our network to nearly one thousand destinations around the world.



Finnair entered a new phase in 2015:

Finnair's direction: a unique Nordic experience
Finnair's new vision is to offer its passengers a unique Nordic experience

Finnair's route network connects Asia, North America and the northern regions of Europe and beyond through its hub at Helsinki Airport The operations are based on quality, reliability, safety and design inspired by Nordic pure nature Finnair's vision is expressed for example in easy-to-use digital services and in the enhancement of Business Class services The goal is that, as a result of the service offered at the airport, in lounges and on board, customers arrive at their destinations relaxed and with peace of mind

Finnair's vision gives direction to all Finnair employees and partners in the areas of customer service, operations and the development of the company's operations and services

Finnair's mission: fast and smooth connections
Finnair's mission is to offer the smoothest, fastest connections in the northern hemisphere via Helsinki, and the best network to the world from its home markets

Updated strategic objectives:

- Double Asian traffic by 2020 from the 2010 level
- Deliver a unique customer experience and achieve world-class operations
- Create shareholder value

The core of Finnair's strategy is taking advantage of the growing demand for traffic between Europe and Asia The strategy is based on the growing markets in Asia, fast connections between Europe and Northeast Asia, quality service and cost-efficient, punctual operations Helsinki's geographical location provides Finnair with a natural competitive advantage, as the fastest routes between many destinations in Europe and megacities in Asia go through Helsinki

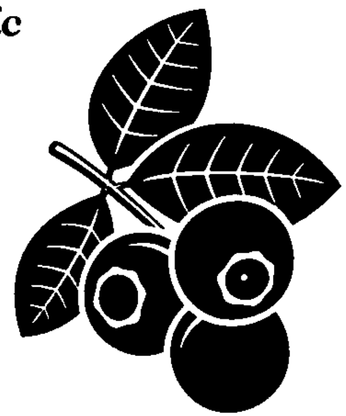
To achieve these strategic objectives, the company's Board of Directors has approved six strategic implementation areas for 2015–2017

- Intercontinental growth with a focus on Northeast Asia
- A unique customer experience
- People and the Finnair culture
- Digitalisation
- Funding and capital structure
- World-class operations

Finnair's values: Commitment to Care, Simplicity and Courage

- We care about our customers and each other We take responsibility and operate responsibly
- Simplification means clear processes, openness, transparency, clarity, efficiency and the professional development of operations
- Courage means a broadminded attitude about the future It involves inspiration, creativity, persistence, the courage to ask, and the courage to give feedback

Finnair's vision is to offer its passengers a unique Nordic experience.



Airbus A350 XWB aircraft started a new era

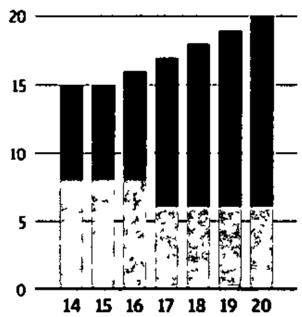
Finnair's fleet strategy is critically important to both revenue growth and cost management For an operator of Finnair's size, an all-Airbus fleet increases operational efficiency and flexibility through optimised crew utilisation, centralised spare parts purchasing and more streamlined maintenance programs It also enables efficient fleet utilisation and flexibility in scheduled traffic

The introduction of new Airbus A350 XWB aircraft provides the foundation for Finnair's growth strategy and enables controlled and profitable growth The next-generation A350 aircraft were introduced in our scheduled traffic in October 2015, marking the beginning of a new era for Finnair Finnair was the first European airline to operate these aircraft A350 aircraft substantially improve travel comfort and enable the company to offer new value-added services to customers The improved fuel efficiency and lower emissions of the new aircraft increase cost competitiveness and meet the growing demand for more environmentally friendly and sustainable air traffic The new aircraft also increase Finnair's passenger and cargo capacity in long-haul traffic

Finnair has ordered a total of 19 Airbus A350-900 XWB aircraft from Airbus By the end of 2015, Finnair had taken delivery of three A350 aircraft According to the current delivery schedule, Finnair will have five of these aircraft by mid-2016, seven by the end of 2016, 11 by the end of 2017, and 19 by the end of 2023

The growth of Finnair's long-haul fleet from 2016 onwards

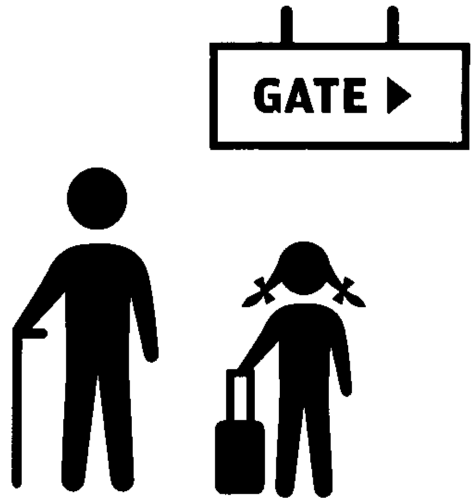
Aircraft



* First deliveries in Q4 2015 last deliveries in 2023

To proceed with its growth strategy, Finnair will also expand and modernise its European fleet by selling its older and smallest narrow-body aircraft and replacing them with new, larger aircraft With a view to the growing long-haul traffic, feeder capacity will also be increased by adding seats to existing narrow-body aircraft The company further plans to replace its smallest aircraft with larger ones over the next few years Increasing aircraft sizes and the number of seats allows Finnair to create additional capacity as cost-efficiently as possible

The Finnair fleet is described in more detail on pages 27 and 28



A record number of passengers: Finnair flew more than 10.3 million customers in 2015.

Finnair's strategic strengths are:

- Solid position in the domestic market
- Ideally positioned to benefit from the growing Asian markets,
  - Asian traffic represents roughly 50 per cent of Finnair's traffic
  - The company is among the largest airlines in traffic between Asia and Europe
- Favourable geographical location,
  - Shortest distance to Northeast Asian destinations enables the fastest routes and 24-hour rotation of aircraft
- The introduction of next-generation Airbus A350 XWB aircraft brings significant financial advantages and enables controlled and profitable growth
- Increasing aircraft sizes in the European fleet will improve cost efficiency
- Strong cash flow and disciplined use of capital
- Excellent operational quality and efficiency
- Top-class service – Northern Europe's best airline*

* Source Skytrax World Airline Awards report published in summer 2015

We take pride in our committed personnel

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

Finnair's personnel, wellbeing at work and key projects affecting personnel are described in the GRI section

Environmental impacts

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

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

The environmental impacts of Finnair's operations are described in the GRI section

Helsinki – a permanent geographical competitive advantage

Our home airport plays an important role in the creation of value for customers and Finnish society Combined with our own expertise, it ensures the punctuality of flights, good customer service and a reliability rating of over 98 per cent for connecting flights

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

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

Value creation at Finnair

Inputs / Key capitals

Human capital
4,817 personnel, training hrs 33.9/ employee, expertise

Financial
Interest-bearing debt EUR 346.3 million
Equity capital EUR 727.5 million

Immaterial
Traffic rights, overflight rights, customer data, quality certifications, route network, brand and customer preferences

Natural
834,517 tons of jet fuel

Social and partnerships
Suppliers and partners, AJB/SJB joint business distribution network, alliance cooperation, public affairs

Fleet and infra
Over 70 aircraft

Business Model

Our vision, mission, strategy

Our governance

Our values

Business processes:

- Production process (network, fleet and traffic planning, resource allocation, ground services, flying, procurement)
- Customer process
- Commercial process

Products/outputs

- Passenger transportation (10.3 million passengers)
- Cargo transportation (131 million kilos)
- Travel packages
- Customer experience and service
- Other

Support processes
Finance, HR, Legal, Communications, public affairs and corporate responsibility

Value created and impacts

Fastest connections between Europe and Asia

Customer value
Customer satisfaction 8.1/10

Financial
Operating result EUR 121.7 million, taxes, traffic charges, return on equity and debt investments

Natural
Emissions 2,920,810 ton CO_2, noise, waste

Social
Traffic connections, direct and indirect employment, employee experience 3.63/5, added value to partners, brand value, innovative and sustainable products

Stakeholder engagement

How Finnair communicates and cooperates with its stakeholders

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

Sustainability review – Leave no one behind

Kati Ihamäki

Director
Corporate Sustainability

@Katiihamaki

In recent years, commitment to sustainable development and social responsibility has increased substantially and globally among both private sector and countries. The best results for sustainable development can be achieved through cooperation between governments, businesses, associations and citizens to pursue shared goals.

Cooperation and the role of the private sector was also emphasised in the launch of Sustainable Development Goals and agenda introduced by the UN in September 2015 The goals guide sustainable development efforts from the present until 2030, and their purpose is to end extreme poverty and achieve sustainable development in all areas, including the economy, human well-being and the environment The foundation for the plan lies in cooperation the various participants in society must promote and finance development through their own actions Government responsibility and the expertise of non-profit organisations cannot be replaced by companies' responsibility projects, but utilising the competencies and resources of all of the parties involved can achieve long-lasting global results

Another milestone achieved in 2015 was the agreement signed at the COP21 climate conference in Paris The target of the joint commitment is to stop global warming at 1 5 degrees The aviation sector was excluded from the agreement text, as IATA (International Air Transport Association) and ICAO (International Civil Aviation Organisation, under the UN) have made efforts for several years to create a joint global market-based emissions reduction model Good results on this front will hopefully be achieved in October 2016, in the General Assembly of ICAO which will hopefully agree on emissions reduction mechanisms for aviation The market-based mechanism promoted by IATA and ICAO would significantly support other emissions reduction measures in the industry

For Finnair, the year was highly significant The major milestones were the arrival of the new Airbus A350 XWB aircraft and the launch of Finnair's updated values

The Airbus A350 XWB aircraft, which was first introduced in Europe by Finnair, represents a significant step forward from the sustainability perspective as well its fuel efficiency and emissions efficiency are very high, while its noise is substantially lower than other aircraft types, both outside the aircraft and inside the cabin Advanced technology also means that the Airbus A350 XWB is pleasant to work and travel in

Our new values — Commitment to Care, Simplicity and Courage — play an important role in defining and implementing Finnair's direction with respect to sustainability

- We care about our customers and each other We take responsibility and operate responsibly
- Simplification means clear processes, openness, transparency, clarity, efficiency and the professional development of operations
- Courage means a broadminded attitude about the future It involves inspiration, creativity, persistence, the courage to ask, and the courage to give feedback

Another significant step was our adoption of the G4 standard in our GRI reporting In cooperation with our stakeholders, we carried out a materiality assessment with regard to sustainability and updated our selected indicators based on the assessment We will increase the depth of our reporting based on the chosen aspects, and we will strive to increasingly take into account the impacts of our supply chain In addition to the change of the reporting framework, we also launched other cooperation and sustainability projects, which will be described in more detail in the report's GRI section

"Leave no one behind" is the UN's sustainable development theme for the coming years At Finnair, we are committed to promoting sustainable development in cooperation with our partners and stakeholders Our goal for this year is to define the key aspects of the SDG program in terms of their relevance to Finnair's operations, and to focus particularly on these areas in our work

Identified material aspects

In 2015, Finnair updated its materiality analysis for corporate responsibility in accordance with the GRI G4 reporting guidelines The materiality analysis was used to identify the key economic, environmental and social impacts in Finnair's value chain as well as impacts on business and stakeholder decision-making

The materiality analysis was based on identifying corporate responsibility issues emerging from Finnair's business environment through an analysis of industry trends, legislation, corporate responsibility reporting guidelines, the reporting of peer companies and issues highlighted by various stakeholders

The identified corporate responsibility aspects were assigned priorities in expert workshops based on their business impact and stakeholder interest The results of the prioritisation were reviewed with the representatives of key stakeholders Finnair's Executive Board and Board of Directors approved the results of the materiality analysis

Finnair's material corporate responsibility themes and aspects, defined as a result of the materiality analysis, are presented in figure on the right and the management principles from page 85 onwards The impacts, and indicators related to the material themes and aspects will be presented in detail in the GRI section to be published in February

Identified material themes and aspects of corporate responsibility

Environment

- Fuel efficiency
- Energy and greenhouse gas emissions
- Environmental legislation and regulation
- Efficient air traffic management
- Biodiversity

Economy

- Financial performance and future competitiveness
- Local economic impacts

Ethical business conduct and responsible sourcing

- Code of conduct
- Anti-corruption and anti-bribery policies
- Human rights
- Purchasing practices and supply chain sustainability

Personnel

- Employee safety
- Competence development, wellbeing, diversity, equality and non-discrimination

Customer

- Customer wellbeing and safety
- Customer satisfaction
- Punctuality

Key performance indicators

Indicator (KPI) and target level	Actions taken in 2015	Performance in 2015
FINANCIAL INDICATORS		
• Operational result at least 6% of revenue	• Seeking additional revenue through product and service development	× Operational result 1 0% of revenue
• EBITDAR at least 17% of revenue	• Fleet investments, read more on page 27 onwards	× EBITDAR 9 9% of revenue
• Return on capital employed (ROCE) at least 7%	• Norra divestment, read more on page 25 onwards • Discontinuing the operations of the NGA freighter airline • Hybrid bond issue read more on page 26 onwards	✓ Positive operational result ✓ ROCE 12 2%
• Adjusted gearing no more than 175%	• Aircraft financing arrangements carried out in 2015 read more on page 25 onwards	✓ Adjusted gearing 45 8%
• To pay on average, at least one-third of the earnings per share as a dividend during an economic cycle The aim is to also take account of trends and outlooks in the company's earnings, financial situation and capital needs for any given period		The Board proposes that no dividend be distributed for 2015
OTHER BUSINESS INDICATORS		
• Fuel consumption per available seat kilometre (ASK) will decrease	• Airbus A350 enter into service	× Fuel consumption / ASK increased by 10 01% compared to 2014 (growth due to changes in traffic structure)
• Emissions per available seat kilometre will decrease	• Reducing emissions *Read more in the GRI section*	× CO_2 emissions / ASK increased by 10 01% compared to 2014 (growth due to changes in traffic structure)
• Customer satisfaction	• Developing the product, service and network to better meet customer needs Read more in the GRI section	✓ Overall customer satisfaction 8 1/10
• The We Together @ Finnair employee wellbeing survey	• Management programs and training programs Read more in the GRI section	✓ Employee wellbeing survey was reformed in 2015 Overall personnel experience 3 65/5
• Decrease in absences due to sickness		× Absence rate due to sickness was 4 8% in 2015 (4 6% in 2014)

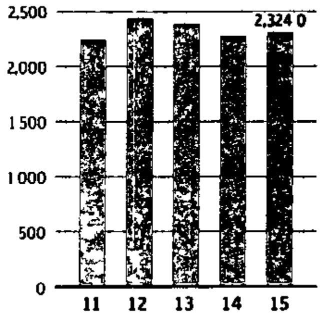

FINANCE

Key figures

* Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls

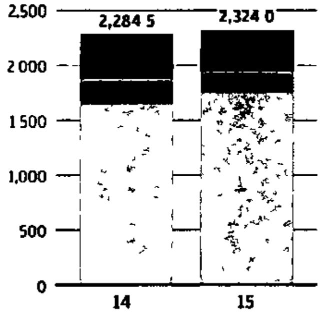
Revenue

€ million



Revenue by product

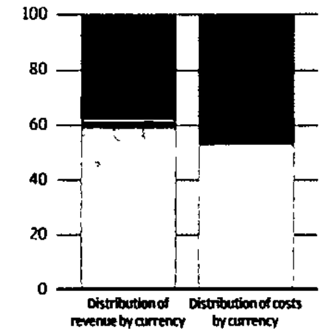
€ million



- Passenger revenue change +7%
- Cargo revenue, change -21%
- Travel services revenue, change -3%
- Ancillary services revenue, change +32%
- Other revenue change -34%

Distribution of revenue and costs by currency in 2015

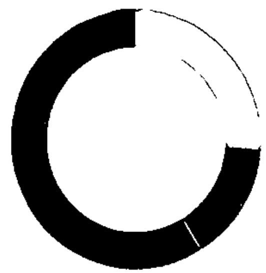
%



- EUR
- USD
- JPY
- CNY
- KRW
- SEK
- Other

Distribution of operating expenses €2,316.0 million

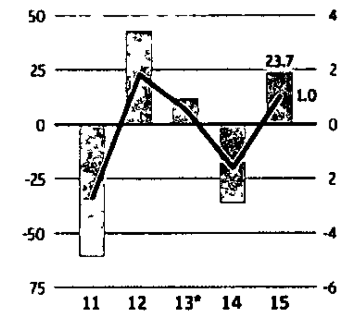
%



- Fuel 26%
- Staff costs 15%
- Leasing, maintenance depreciation & impairments 14%
- Traffic charges 11%
- Ground handling & catering 11%
- Other costs 10%
- Other rental payments 7%
- Sales and marketing 3%
- Expenses on tour operations 3%

Operational result**

€ million %

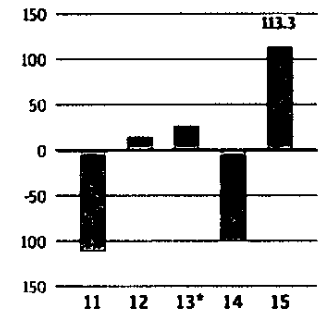


- % of revenue

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

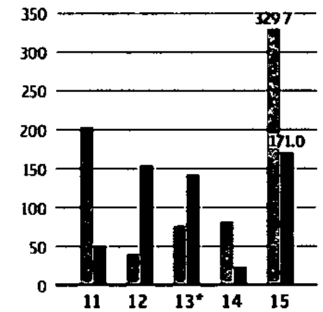
Result before taxes

€ million



Capital expenditure and net cash flow from operations

€ million

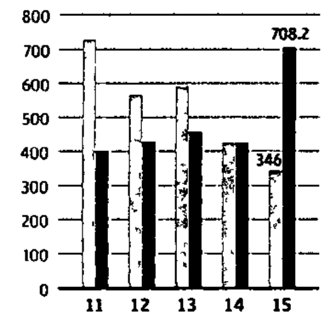


- Gross investments
- Net cash flow from operations

* Comparative figures for 2013 have been restated due to change in accounting principles related to treatment of overhauls.

Interest bearing liabilities and liquid funds

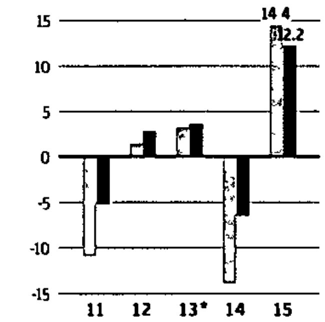
€ million



Interest bearing debt
Liquid funds

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

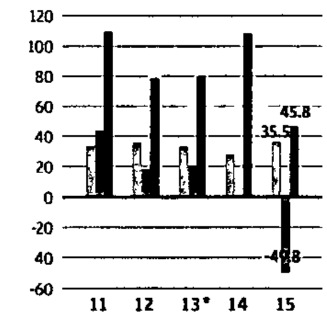
%



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

Equity ratio, gearing and adjusted gearing

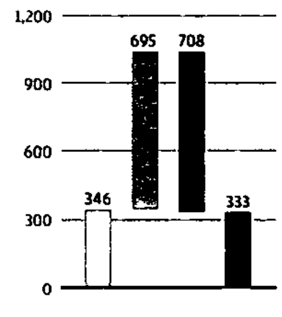
%



Equity ratio
Gearing
Adjusted gearing

Adjusted net debt composition**

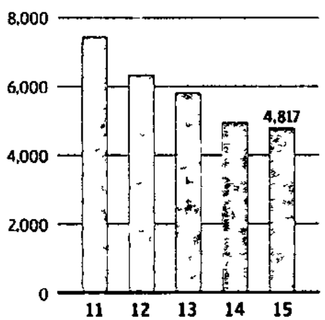
€ million



Debt
Cap. Leases
Cash
Adjusted net debt

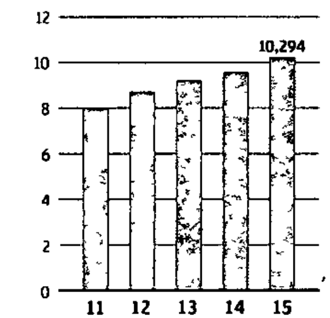
** Calculated as LT debt + ST debt + capitalised operational lease expenses (7x) – (cash equivalents + other financial assets)

Number of persons employed by Finnair at year-end

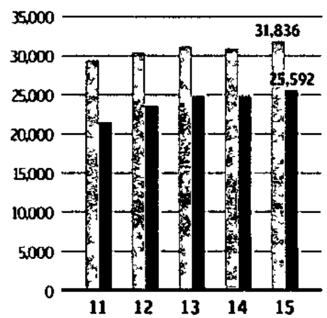


Number of passengers

million

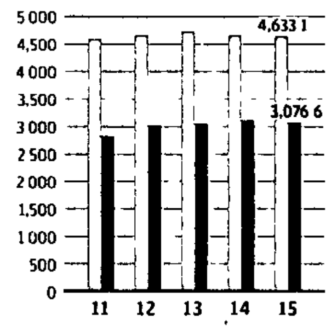


Available seat kilometres (ASK) and revenue passenger kilometres (RPK)



Available seat kilometres (ASK)
Revenue passenger kilometres (RPK)

Available tonne kilometres (ATK) and revenue tonne kilometres (RTK)



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

The Report of the Board of Directors 2015

Business environment

Traffic continued to grow in Finnair's main markets in 2015 Scheduled market capacity between Helsinki and Finnair's European destinations grew by approximately 4 7 per cent year-on-year, while direct market capacity between Finnair's Asian and European destinations grew by 2 5 per cent year-on-year * Finnair's market share was 57 9 per cent (52 4) in European traffic and 4 5 per cent (4 8) in traffic between Europe and Asia **

Passenger demand grew in line with the increased capacity, and unit revenues in Finnair's passenger traffic grew in our major operating areas in Europe and Asia At the same time, the development of unit revenue was weaker in North America, where our capacity growth has been faster * There were signs of a recovery in the demand for consumer and business travel in all areas The adjusted supply of packaged travel by tour operators active in Finland for the year 2015 was in balance with the demand

Cargo traffic between Asia and Europe suffered from overcapacity throughout the year, which further weakened average yields and load factors in Finnair's primary markets for cargo traffic

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

Strategy implementation

In May, as part of Finnair's annual strategy work, the Board of Directors approved the company's new vision and updated mission, as well as its updated strategic and financial targets Finnair's new vision is to offer its passengers a unique Nordic experience, and its mission is to offer the smoothest, fastest connections in the northern hemisphere via Helsinki, and the best network to the world from its home markets The company's updated strategic targets are to double Finnair's Asian traffic by 2020 from the 2010 level, deliver a unique customer experience, achieve world-class operations and create shareholder value

Joint businesses

Of Finnair's joint businesses, the Atlantic Joint Business covering flights between Europe and North America increased its market share in the premium segment but, in economy class, it suffered from intense competition and overcapacity The revenue of the Siberian Joint Business remained unchanged as the total traffic capacity between Europe and Japan contracted slightly, which strengthened Finnair's relative market position In summer 2016, Finnair will become the only airline to offer non-stop flights from Europe to four major cities in Japan

* For the sake of comparability, the figures exclude Finnair's seasonal charter type routes changed into scheduled traffic in 2014 and 2015
** The figures are Finnair's estimates The estimates are based on MIDT data collected on the sales volumes of travel agencies and Finnair's estimates of airlines sales through their own sales channels, such as websites The basis for calculation is destination cities, not airports

Significant events during the review period

Norra transaction completed

On 7 January 2015, Finnair, Staffpoint Holding Oy (Staffpoint) and Oy G W Sohlberg Ab (GWS) signed a Memorandum of Understanding regarding an arrangement according to which Staffpoint and GWS would own a combined 60 per cent of Flybe Nordic On 31 March 2015, Finnair acquired Flybe Group plc's (Flybe UK) 60% ownership of Flybe Nordic AB for a transaction price of one euro, and Flybe Nordic was transferred to Finnair's ownership on an interim basis The contract flying agreement with Flybe Finland was expanded from 1 May 2015 onwards so that all routes previously operated by Flybe Finland at its own commercial risk were transferred to Finnair's commercial risk The name of Flybe Finland was changed to Nordic Regional Airlines Oy (Norra), and the name of its parent company Flybe Nordic was changed to Nordic Regional Airlines AB

In early November, Finnair, Staffpoint and Kilco Oy agreed on an ownership arrangement to have 60 per cent of the shares of Nordic Regional Airlines AB transferred to Staffpoint and Kilco Oy for the price of one euro Instead of Oy G W Sohlberg Ab (GWS), which was previously involved in the negotiations, the partner was Kilco Oy The transaction was completed at the end of November The arrangement did not have a significant financial impact on Finnair in 2015

Discontinuation of the operations of the cargo airline NGA

Finnair's associated company Nordic Global Airlines Ltd (NGA) decided to discontinue NGA's operations, effective 31 May 2015, for financial reasons Finnair Cargo Oy owned 40 per cent of NGA, and the other shareholders were Neff Capital Management LLC, Daken Capital Partners LLC and Mutual Pension Insurance Company Ilmarinen The discontinuation of NGA's operations did not have a material impact on Finnair's cargo business or Finnair's financial position

Investment decisions on a new cargo terminal and wireless connectivity across the fleet

In March, Finnair announced an investment of approximately 80 million euros in a new cargo terminal and an investment program of approximately 30 million euros to bring wireless Internet connectivity to the majority of the current wide-body and narrow-body fleet Both investments will be allocated over the next few years

Aircraft sale and leaseback agreements

At the end of March, Finnair finalised the sale and leaseback transactions referred to in the memorandums of understanding signed in December 2014 between Finnair and GOAL German Operating Aircraft Leasing GmbH & Co for the sale and leaseback of three Embraer 190 aircraft owned by Finnair and operated by Norra Also in March, Finnair finalised the sale and leaseback transactions referred to in the memorandum of understanding signed in December 2014 between Finnair and Doric Asset Finance GmbH & Co for the sale and leaseback of six ATR 72 aircraft owned by Finnair and operated by Norra After the conclusion of the sale and leaseback agreements, Finnair continued to sublease the aircraft to Norra The transactions had a non-recurring positive impact of approximately 40 million euros on Finnair's operating profit for the first quarter of 2015

In the fourth quarter of 2015, Finnair concluded a sale and leaseback with GECAS of its first two Airbus A350 XWB aircraft on their delivery dates, 6 October and 16 December 2015 In September, Finnair estimated that the non-recurring items associated with the renewal of the long-haul fleet will have a combined positive impact of approximately 70 million euros in the second half of 2015 The non-recurring items are related to the sale and leaseback arrangements of two A350 aircraft and the phasing out of A340 aircraft from the fleet owned and managed by the company The actual non-recurring items were approximately 10 million euros higher than estimated due to the appreciation of the dollar

In December, Finnair entered into a Memorandum of Understanding with GECAS on the sale and leaseback of two more A350 aircraft to be delivered in 2016 and 2017 Calculated at the exchange rates effective at the turn of the year, the arrangement, including the gain on sale and currency gains on pre-delivery payments and currency hedges, was estimated to have a positive non-recurring net impact of approximately 90 million euros on Finnair's operating profit The actual financial impact depends on the euro-dollar exchange rate at the time of delivery of each of the aircraft The income will be recognised in connection with each delivery, which, given current delivery schedules, will be reflected in the Q3 2016 and Q1 2017 financial statements

Renewal of the feeder fleet

In November, Finnair announced it will increase the capacity of its European feeder traffic by replacing its small narrow-body aircraft with larger ones As the first step, Finnair will temporarily damp-lease two A321 narrow-body aircraft for one year starting from May 2016

In December, Finnair announced it will add seating capacity in 2017 to its current Airbus narrow-body aircraft by modifying storage and technical space at the front and rear of the aircraft The value of the investment is approximately 40 million euros, and it includes 22 narrow-body Airbus aircraft in Finnair's fleet

Later in December, Finnair announced it will lease four new Airbus A321-200 narrow-body aircraft from BOC Aviation in the first half of 2017 for a minimum term of eight years At the same time, Finnair announced it had agreed on the sale of one ATR turboprop aircraft and two Embraer E170 regional jet aircraft The transactions have been completed and the aircraft in question have been removed from Finnair and Norra traffic in January–February 2016

Issuance of hybrid bond

On 13 October 2015, Finnair issued a 200 million euros hybrid bond with a fixed coupon rate of 7 875 per cent per annum The hybrid bond is treated as equity in the IFRS consolidated financial statements The hybrid bond was significantly oversubscribed and allocated to more than 100 investors In conjunction with the issue of the new hybrid bond Finnair redeemed and annulled a share of 81 7 million euros of the 120 million euros hybrid bond issued in 2012

Sale of facilities at Helsinki Airport to Finavia

In December, Finnair sold certain facilities at the Helsinki Airport to Finavia as part of the development of the infrastructure of Helsinki Airport The transactions comprise Finnair's present cargo terminal to be decommissioned in 2017 and an office building currently owned jointly by Finnair and Finavia In addition, the termination of a land lease agreement for one aircraft hangar was advanced in order to enable Finavia's investments to expand the Helsinki Airport terminal To replace the hangar, Finnair purchased another hangar from Elo Mutual Pension Insurance Company The transactions enable the development of Helsinki Airport in accordance with Finavia's and Finnair's growth plans Their combined non-recurring positive impact on Finnair's operating profit in 2015 was approximately 15 million euros

Financial performance in 2015

Revenue in 2015 grew by 1 7 per cent year-on-year to 2,324 0 million euros (2,284 5) Revenue was boosted by higher passenger traffic revenue and negatively affected by a decrease in cargo traffic and yields as well as the elimination of revenue from businesses sold in the comparison period Capacity measured in available seat kilometres (ASK) grew by 3 1 per cent year-on-year

Operational costs excluding fuel increased by 2 5 per cent year-on-year to 1,720 5 million euros (1,678 8) Fuel costs, including hedging and costs incurred from emissions trading, decreased by 9 8 per cent to 595 5 million euros (660 4) Fuel costs were reduced by the dollar-denominated price of jet fuel declining by approximately 42 per cent year-on-year, but the positive impact of this development was dampened by the dollar appreciating against the euro by approximately 17 per cent over the same time period Due to Finnair's hedging policy, changes in the price of jet fuel have a delayed effect on costs

Traffic charges increased to 258 5 million euros (230 9), primarily due to the appreciation of the dollar Personnel costs increased by 2 5 per cent to 353 2 million euros (344 5) Overall, euro-denominated operational costs decreased by 1 0 per cent from the comparison period, totalling 2,316 0 million euros (2,339 2) Finnair's EBITDAR was 231 2 million euros (176 6) The company's operational result, which refers to the operating result excluding non-recurring items, capital gains and changes in the fair value of derivatives and in the value of foreign currency-denominated fleet maintenance reserves, was 23 7 million euros (-36 5)

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to -12 3 million euros (-43 7) The non-recurring items for January–December amounted to 110 2 million euros (7 7) and primarily consisted of positive items related to sale and leaseback agreements for A350, ATR and Embraer aircraft, as well as costs related to the phasing out of A340 aircraft The operating result was 121 7 million euros (-72 5), the result before taxes was 113 3 million euros (-99 1) and the result after taxes was 89 7 million euros (-82 5)

Unit revenue at constant currency (RASK) decreased by 1 0 per cent year-on-year and amounted to 6 17 euro cents (6 23) Ticket revenue per available seat kilometre in passenger traffic increased by 3 2 per cent year-on-year and amounted to 5 50 euro cents (5 33) Unit cost excluding fuel at constant currency (CASK excl fuel) increased by 0 6 per cent and amounted to 4 52 euro cents (4 49)

Balance sheet on 31 December 2015

The Group's balance sheet totalled 2,050 3 million euros at the end of the period under review (1,885 1 million euros on 31 December 2014) Shareholders' equity increased to 727 5 million euros (514 3), or 5 69 euros per share (4 02) Shareholders' equity increased year-on-year, primarily due to the company's comprehensive income showing a profit, as well as the issuance of a hybrid bond

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 2015 was -67 9 million euros (-87 4) after deferred taxes, and it was affected particularly by changes in the actuarial gains and losses of defined benefit pension plans

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments In January–December 2015, net cash flow from operating activities amounted to 171 0 million euros (24 2) The change was mainly due to profit being higher than in the comparison period, as well as changes in working capital Net cash flow from investments amounted to 78 6 million euros (14 4) and was affected by the finalisation of sale and leaseback agreements for nine aircraft in the first quarter, and particularly by the finalisation of sale and leaseback agreements for two new A350 aircraft in the fourth quarter By comparison, sale and leaseback agreements were finalised for four A330 aircraft in the corresponding period in the previous year After the end of the review period, Finnair secured a financing arrangement of approximately 135 million euros for its latest A350 aircraft. A further two similar financing arrangements are being prepared

The equity ratio was 35 5 per cent (27 3) and gearing was negative at -49 8 per cent (0.3) The adjusted gearing was 45 8 per cent (107 5) At the end of December, interest-bearing debt amounted to 346 3 million euros (427 6) and interest-bearing net debt was negative at -362 0 million euros (1 4)

The company's liquidity remained strong in the review period The Group's cash funds amounted to 708 2 million euros (426 1) at the end of December In addition to the cash funds on the balance sheet, the Group has the option of re-borrowing employment pension fund reserves worth approximately 430 million euros from its employment pension insurance company Using these reserves requires a bank guarantee Finnair has an entirely unused 180-million-euro syndicated credit agreement, which was intended as reserve funding and matures at the end of July 2016

Advance payments related to fixed asset investments were 77 5 million euros (66 4)

Finnair has a 200-million-euro short-term commercial paper program, which was unused at the end of the year Net cash flow from financing amounted to 18 1 million euros (-180 3) Financial expenses were 9 7 million euros (26 9) and financial income stood at 1 3 million euros (3 5)

Capital expenditure

In 2015, capital expenditure excluding advance payments totalled 329 7 million euros (82 4) and was primarily related to the fleet and engine improvements The amount also includes the two A350 aircraft that were sold and leased back in 2015 Cash flow from committed investments for the full year 2016, including advance payments, is estimated at approximately 420 million euros, with investments in the fleet representing a majority of this total Net investments will be approximately 220 million euros, taking currency hedges into account and provided that all aircraft sale as well as sale-and-leaseback agreements disclosed to-date are finalised as planned

Cash flow from committed investments for the full year 2017 is estimated at approximately 325 million euros, or 60 million net, taking currency hedges into account and provided that all aircraft sale as well as sale-and-leaseback agreements disclosed to-date are finalised as planned

Finnair will add seating capacity to its current Airbus narrow-body aircraft in 2017 by modifying storage and technical space at the front and rear of the aircraft The value of the investment is approximately 40 million euros, and it includes 22 narrow-body Airbus aircraft in Finnair's fleet

In addition to investments in the fleet, in March Finnair announced an investment of approximately 80 million euros in a new cargo terminal and an investment program of approximately 30 million euros to bring wireless Internet connectivity to the majority of the current wide-body and narrow-body fleet Both investments will be allocated over the next few years

The current favourable state of the credit market and Finnair's good debt capacity enable the financing of future fixed-asset investments on competitive terms The company has 30 unencumbered aircraft, the balance sheet value of which corresponds to approximately 66 per cent of the value of the entire fleet of 0 7 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 2015, Finnair itself operated 46 aircraft, of which 16 are wide-body and 30 are narrow-body aircraft Of the aircraft, 23 are owned by Finnair, 20 are leased and 3 are on finance lease

In 2015, Finnair gave up two A340 wide-body aircraft and took delivery of three new A350-900 XWB wide-body aircraft Two of the new aircraft were sold immediately to GECAS pursuant to sale and leaseback agreements, while the third was initially funded by cash until it was financed in January 2016 using a Japanese Operating Lease with a Call Option (JOLCO) structure, where the transaction amount is treated in Finnair's IFRS financial statements as a loan and the aircraft as owned

The average age of the fleet operated by Finnair was 10 1 years at the end of December 2015

Fleet operated by Finnair on 31 Dec 2015*

	Seats	#	Change from 31 Dec 2014	Own	Leased (Operational leasing)	Leased (Finance leasing)	Average age 31 Dec 2015	Ordered
Narrow-body fleet								
Airbus A319	138	9		7	2		14.4	
Airbus A320	165	10		6	4		13.4	
Airbus A321	209/196	11		4	7		9.1	
Wide-body fleet								
Airbus A330	289/263	8		0	5	3	6.2	
Airbus A340	263/257	5	2	5			10.7	
Airbus A350	297	3	3	1	2		0.1	16
Total		**46**	**1**	**23**	**20**	**3**	**10.1**	**16**

* Finnair's Air Operator Certificate (AOC)

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. As the entry into service of new aircraft involves airline-specific preparations and comprehensive inspections, there may be slight changes to the announced tentative delivery dates. According to the current delivery schedule, Finnair will have five A350 aircraft within the first half of 2016, seven by the end of 2016, 11 by the end of 2017, and 19 by the end of 2023. The investment commitments for property, plant and equipment, totalling 1,818 million euros, include the upcoming investments in the long-haul fleet.

Finnair plans to phase out its A340 aircraft by the end of 2017, following the successful delivery and entry into service of the A350 XWB aircraft. Finnair has agreed to sell the oldest A340-300 aircraft it owns for part-out in the first half of 2016, and to sell its remaining four Airbus A340-300 aircraft back to Airbus in 2016 and 2017. The agreement between Finnair and Airbus ensures a smooth transition from A340s to A350s, mitigating potential operational risks related to fleet *renewal and the impairment 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 26 aircraft for Finnair on a contract flying basis. Of the aircraft operated by Norra, 13 are owned by Finnair and another 13 are leased. Of the aircraft listed below, one ATR turboprop aircraft and two Embraer E170 regional jet aircraft will be sold in the first quarter of 2016 pursuant to agreements that have already been signed. In addition to the aircraft shown in the table, Finnair has subleased four E170 aircraft to AS Estonian Air. Their planned return to the lessors in late 2015 was delayed after Estonian Air entered into liquidation in autumn 2015 and was declared bankrupt on 29 December 2015.

Fleet operated by Norra on 31 Dec 2015*

	Seats	#	Change from 31 Dec 2014	Aircraft owned by Finnair	Leased** (Operational leasing)	Average age 31 Dec 2015	Ordered
ATR 72	68-72	12		6	6	6.4	
Embraer 170	76	2		2		9.8	
Embraer 190	100	12		5	7	7.5	
Total		**26**	**0**	**13**	**13**	**7.2**	**0**

* Nordic Regional Airlines Oy's Air Operator Certificate (AOC)

** Finnair has leased these aircraft and subleased them to Nordic Regional Airlines

Business area development in 2015

The segment reporting of Finnair Group's financial statements is based on business areas. The *reporting business areas are Airline Business and Travel Services.*

Airline Business

This business area is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft. The Airline Business segment comprises the Commercial, Operations and Resources Management functions as well as the subsidiaries Finnair Cargo Oy, Finnair Flight Academy Oy and Finnair Aircraft Finance Oy. The segment also includes aircraft maintenance, Finnair Travel Retail Oy and Finnair's property holdings, office services and the management and maintenance of properties related to the company's operational activities.

Key figures	2015	2014	Change %
Revenue and result			
Revenue, EUR million	2 205.7	2 167.7	1.8
Operational result, EUR million	17.1	-43.5	> 200%
Operating result, EBIT, EUR million	113.4	-78.4	> 200%
Operating result, % of revenue	5.1	-3.6	> 200%
Personnel			
Average number of employees	4 002	4 232	5.4

Traffic performance	2015	2014	2013	2012	2011
Passengers thousands	10 294	9 630	9 269	8 774	8 013
Available seat kilometres millions	31 836	30 889	31 162	30 366	29 345
Revenue passenger kilometres millions	25 592	24 772	24 776	23 563	21 498
Passenger Load Factor %	80 4	80 2	79 5	77 6	73 3
Cargo and mail tonnes	130 697	149 141	146 654	148 132	145 883
Available tonne kilometres millions	4 633	4 644	4 709	4 647	4 571
Revenue tonne kilometres millions	3 077	3 130	3 107	3 029	2 824
Overall Load Factor	66 5	67 4	66 0	65 2	61 8

The revenue of Airline Business in 2015 increased 1 8 per cent from the previous year and amounted to 2,205 7 million euros (2,167 7) Revenue was boosted by improved ticket and ancillary service sales and decreased particularly by the discontinuation of NGA's cargo traffic operations and the general decline of cargo revenue Revenue from passenger traffic constituted approximately 82 per cent of the segment's revenue, while ancillary revenue constituted slightly over 5 per cent, cargo revenue approximately 9 per cent, and other revenue slightly less than 4 per cent The segment's operational result was 17 1 million euros (-43 5)

Revenue from passenger traffic in 2015 increased from the previous year, and profitability improved due to factors including higher ancillary revenue and the favourable development of the exchange rates of income currencies Ticket revenue per available seat kilometre in passenger traffic increased by 3 2 per cent overall Ancillary service revenue per passenger grew by 23 7 per cent year-on-year to 10 16 euros per passenger

Capacity measured in available seat kilometres decreased by 2 0 per cent year-on-year in Asian traffic The reasons for the decrease included cabin configuration changes to wide-body aircraft that reduced the number of seats and improved travel comfort At the same time, capacity in North American traffic increased by as much as 26 2 per cent due to Finnair operating flights late in the year to Chicago, Toronto and Miami, in addition to New York, in a change from the previous year

In addition to the introduction of new routes, the 5 3 per cent growth in capacity in European traffic was attributable to flights that were previously operated as leisure flights now being operated as scheduled flights, as well as flights that were previously operated by Norra at its own risk being transferred to Finnair in the second quarter Domestic capacity increased by 10 6 per cent as routes that were previously operated by Norra at its own risk were transferred to Finnair

Total passenger traffic capacity grew by 3 1 per cent and revenue passenger kilometres increased by 3 3 per cent. Revenue passenger kilometres increased in all traffic areas except Asia, where they declined slightly The overall passenger load factor increased by 0 2 percentage points year-on-year, to 80 4 per cent

Cargo traffic revenue decreased substantially year-on-year, but profitability was largely unchanged from the previous year Cargo traffic during the review period consisted primarily of belly cargo on scheduled flights after Finnair discontinued its own separate freighter flights to Asia at the end of 2014 In addition, Finnair Cargo sells and manages JAL Cargo's capacity on the Helsinki–Tokyo (Narita) route and leases freighter capacity for flights between its hubs, namely Helsinki and Brussels and Helsinki and London, in partnership with IAG Cargo

Available cargo tonne kilometres decreased by 2 8 per cent in 2015 Belly cargo capacity grew in all traffic areas, but overall capacity declined due to a significant decrease in dedicated freighter traffic compared to 2014, when Finnair still operated its own freighter traffic to Asia Capacity was reduced by the discontinuation of freighter flights to Hong Kong in December 2014 and increased by the growth of wide-body traffic and leisure flights being changed to scheduled flights, which means that the routes are included in cargo capacity Revenue cargo tonne kilometres in Finnair's scheduled traffic decreased by 0 1 per cent year-on-year in spite of a capacity increase of 11 2 per cent More than 70 per cent of the cargo tonnes carried are flown in Asian traffic, followed by Europe (19%), North America (7%) and domestic flights in Finland (2%)

Air traffic services and products

Route network and alliances

Finnair offers connections between Asia and Europe with over 200 route pairs and also operates more than 800 flights weekly from Helsinki to other Finnish and European destinations The number of flights to Asia per week was at most 75 in the summer season 2015, and 78 in the winter season 2015/2016

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

As of the second quarter 2015, flights that were previously operated by Norra at its own commercial risk now count as Finnair flights This increased Finnair's number of destinations by eight Finnair also launched new routes to Gdansk, Luleå and Umeå These routes are also operated by Norra In the summer season 2015, Finnair launched new seasonal routes to Athens, Dublin, Malta, Split and Chicago

In addition, Finnair expanded its codeshares in Europe with its oneworld partner airberlin starting from the beginning of May, as well as in Asia and Australia with Japan Airlines and Qantas

In August, Finnair announced new scheduled flight destinations for the summer season 2016 from Helsinki (Edinburgh, Billund, Svalbard, Pula, Zakynthos, Skiathos, Santorini, Mytilene, Preveza, Rimini, Verona and Varna) as well as weekly flights from Oulu to Hania and Alanya In long-haul traffic, Finnair announced the launch of Miami as a year-round destination as well as increased connections to Chicago during the summer Finnair will also introduce new Asian destinations in the summer season, with three weekly flights to Fukuoka and four to Guangzhou

Finnair's cargo airline Finnair Cargo expanded its route network in September by signing a partnership agreement with IAG Cargo The two companies share the capacity of a freighter operated twice a week between London and Helsinki, which makes London Finnair Cargo's third European cargo hub in addition to Helsinki and Brussels The new cargo connection combines the cargo flight networks of Finnair and IAG Cargo, allowing Finnair to introduce tens of new cargo destinations in North America The freighter operates between Helsinki and London on Wednesdays and Saturdays, and Finnair operates a wide-body aircraft on the London route on Mondays, Fridays and Sundays

Awards

In January, FlightStats named Finnair the most punctual European airline in 2014 The oneworld alliance was recognised as the most punctual airline alliance in the same survey

In June, the World Airline Awards chose Finnair as the best airline in Northern Europe for the sixth consecutive time The award is based on an independent Skytrax survey of some 18 million travellers from more than 160 countries In the same survey, the oneworld alliance was named Best Airline Alliance for the third consecutive year

The cabin design of Finnair's Airbus A350 XWB aircraft won first prize in the Commercial Aviation - Economy/Business Class category at the International Yacht & Aviation Awards 2015

In November, Finnair was identified as a Nordic leader for the quality of climate change related information that it has disclosed to investors and the global marketplace by CDP, the international not-for-profit that drives sustainable economies Finnair was also awarded a position on the Nordic Disclosure Leadership Index with a score of 99/100 in 2015

Travel Services (Tour Operators and Travel Agencies)

This business area consists of the tour operator Aurinkomatkat (Suntours), its subsidiary operating in Estonia, the business travel agency SMT (and, until 27 December 2015, its Estonian subsidiary Estravel), as well as Amadeus Finland, which produces travel sector information systems and solutions Aurinkomatkat Suntours serves leisure travellers, offering package tours designed for various travel motivations and customer segments

Key figures	2015	2014	Change %
Revenue and result			
Revenue EUR million	208 1	216 7	4 0
Operational result EUR million	6 7	7 0	-5 0
Operating result EBIT, EUR million	8 3	5 9	39 8
Operating result % of revenue	4 0	2 7	45 6
Personnel			
Average number of employees	567	645	12 1

The revenue of Travel Services in 2015 decreased by 4 0 per cent from the previous year and amounted to 208 1 million euros (216 7) At the same time, the segment's operational result improved due to factors including SMT's sales growth and excellent profitability, although the segment's operational result declined slightly, to 6 7 million euros (7 0) On 29 December 2015, SMT sold its stake (71 3%) in Estravel, its subsidiary operating in the Baltic countries, to its Estonian business partner The Group recorded a gain of two million euros on the sale Estravel had a personnel of 168 employees

The performance improvement program of Aurinkomatkat Suntours progressed ahead of schedule Previously implemented improvements related to sales steering and product renewal resulted in the load factor for package tours remaining high (97%), particularly late in the year, and higher average prices than in the comparison period

Changes in senior management

Pekka Vähähyyppä (M Sc Econ, eMBA), Finnair's Chief Financial Officer and member of the Executive Board, joined the company on 17 August 2015 Mika Stirkkinen, Vice President, Group Treasury, acted as interim CFO from the beginning of May until 17 August

Personnel

Finnair employed an average of 4,906 (5,172) people in 2015, which is 5 1 per cent fewer than in the comparison period The Airline Business segment employed an average of 4,002 (4,232) people Travel Services employed an average of 567 (645) people and other functions 337 (295) people The number of employees in an employment relationship was 4,817 (4,981) on 31 December 2015

Amendment of Finnish employee pension legislation

In November 2015, the Finnish Parliament passed an amendment to Finnish employee pension legislation, which inter alia increases employees' statutory retirement age Finnair issued a stock exchange release on the potential financial effect of the amendment on 24 September 2015 in connection with the issue of a hybrid bond

The Board of Directors of Finnair Pension Fund has made a decision in principle that amendments to pension legislation are incorporated in the rules of the fund so that the obligations of the fund will not change due to any changes in employee pension legislation

Finnair pilots' pension benefits, which exceed the existing statutory pension benefits in Finland, form part of their collective labour agreement Finnair considers that the liabilities related to the pilots' pension benefits will not increase or change as a result of the legislative amendment Finnair has obtained a legal opinion on the matter

Finnair has not recognised a supplementary obligation due to the amendment of the employee pension legislation

Shares and shareholders

Shares and share capital

On 31 December 2015, the number of Finnair shares entered in the Trade Register was 128,136,115 and the registered share capital was 75,442,904 30 euros The company's shares are quoted on NASDAQ Helsinki Each share confers one vote at the General Meeting

Government ownership

At the end of 2015, the Finnish Government owned 55 8 per cent of Finnair's shares and votes According to the decision made by the Finnish Parliament on 20 June 1994, the Government must own more than half of Finnair Plc's shares, and decreasing ownership below this level is subject to a Parliament decision

Share ownership by management

On 31 December 2015, members of the company's Board of Directors did not own any Finnair shares, and the CEO owned 64,675 shares Members of the Executive Board, including the CEO, owned a total of 223,859 shares, representing 0 17 per cent of all shares and votes

Own shares

Finnair did not acquire its own shares in 2015 In the first quarter, the number of shares held by Finnair increased by 14,893 shares that were returned to Finnair pursuant to the rules of the company's performance share plan for 2010–2012 In the fourth quarter, the company transferred 1,780 of its own shares as incentive bonuses to members of the FlyShare employee share savings plan The Board of Directors decided on the transfer of shares in accordance with the employee share savings plan and based on the authorisation granted by Finnair's Annual General Meeting 2015 On 31 December 2015, Finnair held a total of 325,205 of its own shares (312,092), representing 0 25 per cent of the total share capital

Flagging notifications

No flagging notices were issued in 2015

Acquisition and delivery of own shares and returns of shares

Period	Number of shares	Acquisition value, EUR	Average price, EUR
2004	422 800	2 275,666 49	5 38
2005	37 800	-209 838 54	5 55
2005	150 000	1 516 680 00	10 11
2006	-383 097	2 056 847 88	5 37
2007	0	0 00	0
2008	235 526	1 538 956 35	6 53
2009	0	0 00	0
2010	22 758	114 719 52	5 04
2011	0	0 00	0 00
2012	0	0 00	0 00
2013	600,000	1 684 650 10	2 81
2013	731 019	-4 055 744 86	5 55
2014	33 864	85 801 22	2 53
2014	940	-2 334 40	2 48
2015	14 893	37,734 40	2 53
2015	-1 780	-6 764 00	3 80
31 Dec 2015	**325,205**	**922,678.40**	**2.84**

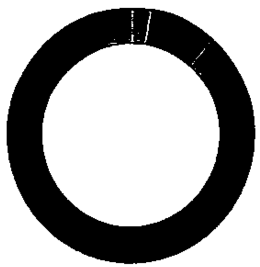
Finnair Plc largest shareholders as at 31 Dec 2015	Number of shares	%	Changes 2015
1 State of Finland Office Counsil Of State	71 515 426	55 8	0
2 KEVA	6 200 875	4 8	50 000
3 Ilmarinen Mutual Pension Insurance Company	3 675 564	2 9	0
4 Varma Mutual Pension Insurance Company	3 354 002	2 6	935 000
5 Kyostilä Heikki	2 870 000	2 2	1 540 000
6 Tiiviste-Group Oy	2 450 000	1 9	0
7 State Pension Fund	2 100 000	1 6	0
8 Nordea Funds	1 584 784	1 2	1 560 133
9 OP Funds	1 431 600	1 1	204 631
10 Veritas Pension Insurance Company	1 250 000	1 0	0
11 Etra Invest Oy	1 000 000	0 8	0
12 Finnair Plc Staff Fund	759 000	0 6	-151 000
13 Etola Erkki	750,000	0 6	750 000
14 Taaleritehdas Funds	600 000	0 5	300 000
15 Norvestia Plc	423 394	0 3	26 357
Nominee registered	11 177 265	8 7	1 753 828
Others	16 994 205	13 3	
Total	**128,136,115**	**100 0**	

Breakdown of shares at 31 Dec 2015	Number of shares	%	Number of shareholders	%
1-200	663 418	0 5	7 276	47 1
201-1 000	2 950 724	2 3	5 504	35 6
1 001-10 000	6 659 516	5 2	2 435	15 8
10 001-100 000	4 632 874	3 6	186	1 2
100 001-1 000 000	7 243 692	5 7	19	0 1
1 000 001-	94 789 970	74 0	9	0 1
Registered in the name of nominee	11 177 265	8 7	12	0 1
Not converted into the book entry system	18 656	0	-	-
Total	**128,136,115**	**100 0**	**15,441**	**100.0**

Shareholders by type at 31 Dec 2015	Number of shares	%	Number of shareholders	%
Public bodies	88,640 706	69 2	12	0 1
Households	16 979 790	13 3	14 862	96 3
Private companies	6 156,498	4 8	452	2 9
Financial institutions	4 037,782	3 2	19	0 1
Associations	905 602	0 7	35	0 2
Finnish shareholders total	116 720 378	91 1	15 380	99 6
Registered in the name of a nominee	11,177,265	8 7	12	0 1
Outside Finland	219 816	0 2	49	0 3
Nominee registered and foreign shareholders, total	11 397 081	8 9	61	0 4
Not converted into the book entry system	18 656	0 0		
Total	**128,136,115**	**100**	**15,441**	**100.0**

Shareholding by number of shares owned

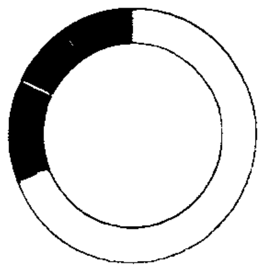
%



- 1-200 0 5%
- 201-1,000 2 3%
- 1 001-10 000 5 2%
- 10 001-100 000 3 6%
- 100 001-1 000 000 5 7%
- 1 000 001- 74%
- Registered in the name of the nominee 8 7%
- Not converted into the book entry system 0%

Shareholding by type

%



- Public bodies 69 2%
- Households 13 3%
- Financial institutions 3 2%
- Private companies 4 8%
- Associations 0 7%
- Registered in the name of a nominee 8 7%
- Outside Finland 0 2%
- Not converted into the book entry system 0 0%

Shareholder agreements

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

Change of control provisions in material agreements

Some of Finnair's financing agreements include a change of control clause under which the financier shall be entitled to request prepayment of the existing loan or to cancel the availability of a loan facility in the event that a person other than the State of Finland acquires control of Finnair either through a majority of the voting rights or otherwise

Share-based incentive schemes

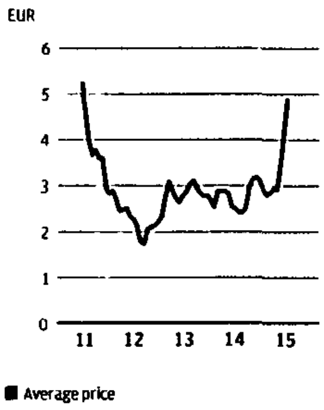
Employee share savings plan FlyShare

In February, Finnair's Board of Directors decided to launch a new 12-month savings period under the FlyShare Employee Share Plan The objective of the plan established in 2013 is to encourage the employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long-term Approximately 700 Finnair employees, or 16 per cent of those invited, participated in the third phase of the plan in 2015 The share savings plan is described in more detail in Finnair's Remuneration Statement and on the company's website Previously concluded share-based plans are described in Finnair's Remuneration Statement and on the company's website

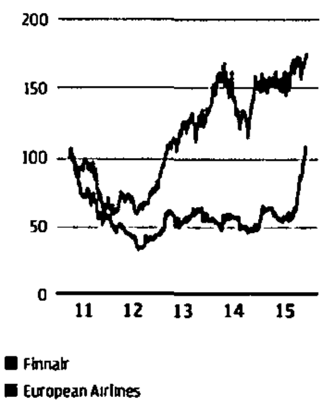
Share price development and trading

At the end of December 2015, Finnair's market value stood at 694 5 million euros (317 8), and the closing price of the share was 5 42 euros (2 48) During 2015, the highest price for the Finnair share on the Nasdaq Helsinki Stock Exchange was 5 50 euros (3 01), the lowest price 2 49 euros (2 30) and the average price 3 54 euros (2 32) Some 25 5 million (10 8) of the company's shares, with a total value of 90 1 million euros (25 0), were traded The number of shares recorded in Finnair's Trade Register entry was 128,136,115 at the end of the period The Finnish state owned 55 8 per cent (55 8) of Finnair's shares, while 8 9 per cent (7 6) were held by foreign investors or in the name of a nominee

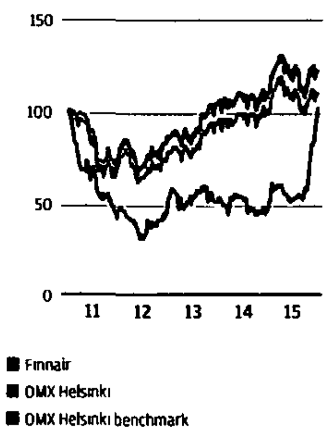
Finnair share 2011–2015



Comparison European Airlines



Comparison Nasdaq Helsinki



Number of shares and share prices		2015	2014	2013	2012	2011	2010
Average number of shares adjusted for share issue	pcs	128 136 115	128 136 115	128,136 115	128,136 115	128 136 115	128 136 115
Average number of shares adjusted for share issue (with diluted effect)	pcs	128 136.115	128.136 115	128.136 115	128.136 115	128 136 115	128.136 115
The number of shares adjusted for share issue at the end of financial year	pcs	128 136 115	128.136,115	128 136 115	128.136 115	128 136 115	128.136 115
The number of shares adjusted for share issue at the end of financial year (with diluted effect)	pcs	128 136 115	128 136 115	128 136 115	128.136 115	128 136 115	128.136 115
Number of shares, end of the financial year	pcs	128 136 115	128 136 115	128,136 115	128.136 115	128.136 115	128 136 115
Trading price highest	EUR	5 50	3 01	3 25	2 64	5 37	5 72
Trading price lowest	EUR	2 49	2 3	2 40	1 67	2 30	3 61
Market value of share capital Dec 31	EUR mill	695	318	355	305	295	646
No of shares traded	pcs	25,456 779	10 750 318	26,024 070	19 668,495	21 422 076	27 299 521
No of shares traded as % of average no of shares	%	19 87	8 39	20 31	15 35	16 72	21 31

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

The aim of Finnair's dividend policy is to pay, on average, at least one-third of the earnings per share as a dividend during an economic cycle The aim is to take into account the company's earnings trend and outlook, financial situation and capital needs in the distribution of dividends In 2015, earnings per share from the result of the period (before hybrid bond interest) was 0 70 (-0 65) euros, and earnings per share was 0 57 (-0 71) euros

Finnair Plc's distributable equity amounted to 181,101,862 30 euros on 31 December 2015 The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2015

Corporate responsibility

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

Finnair's target is to reduce its CO_2 emissions by 20 per cent per revenue tonne kilometre from the 2009 level by 2017 The shared objective of the aviation industry is carbon neutral growth from 2020 onwards The new A350 XWB wide-body aircraft that joined the Finnair fleet in the autumn take not only travel comfort but also energy efficiency to a new level, as their fuel consumption and carbon dioxide emissions per seat are a quarter lower than those of the A340 wide-body aircraft being replaced As a result, the new aircraft will significantly reduce the carbon dioxide emissions arising from Finnair traffic

Job satisfaction among Finnair's personnel was evaluated in 2015 by a new employee survey, We Together @ Finnair. The employee experience score, which is the average score for all of the statements in the survey, was 3.63/5 and the employee commitment score was 3.85/5. The results of the survey have been discussed at the company level as well as at the unit and team levels. At the company level, Finnair's focus areas in 2016 include the development of wellbeing at work and leadership.

Finnair's own operations do not directly involve significant human rights risks or impacts. However, indirect risks and impacts may occur in relation to the supply chain and outsourced operations. In order to improve the monitoring of its own operations and those of its entire supply chain, Finnair launched a project in 2015 to develop methods to assess the realisation of social responsibility and human rights and related risk assessment. In conjunction with this, Finnair joined the SEDEX cooperation agreement concerning supply chain auditing tools as part of the oneworld alliance. In 2015–2016, Finnair is also participating in a joint project of travel industry operators and UNICEF to examine the status of children's rights within travel service production chains. The pilot phase of the project was carried out in Vietnam, and the findings of the project will be utilised in other destinations in the future.

A comprehensive revision of Finnair's Code of Conduct is scheduled to be completed in the first half of 2016. As part of the renewal, an internal whistleblowing channel was established in autumn 2015.

Key performance indicators for corporate responsibility are described above on page 21.

Reporting

Finnair has reported on environmental sustainability since 1997, and in 2008 became one of the first airlines to report according to GRI guidelines. The Global Reporting Initiative, formed with the support of the United Nations Environment Program, is the most widely recognised international authority on sustainability reporting. Finnair's Annual Report for 2015, including the GRI section to be published at the end of February 2016, covers the financial, economic, social and environmental performance of the Finnair Group in accordance with the new GRI G4 framework, and it seeks to identify and explain the strategic business ramifications of this performance. Finnair will also report on its UN Global Compact targets as part of the report.

Significant near-term risks and uncertainties

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

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

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

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

The achievement of the strategic advantages and cost reductions sought through Finnair's partnership and outsourcing projects involves risks. For example, quality or availability issues and/or unexpected additional costs of partnerships and suppliers can have a negative effect on Finnair's product, reputation and profitability.

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

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

Geopolitical uncertainty and other potential external disruptions may, if materialised, significantly affect Finnair's operations.

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 (rolling 12 months from date of financial statements)	1 percentage point change
Passenger load factor (PLF)	EUR 21 mill
Average yield of passenger traffic	EUR 19 mill
Unit cost in passenger traffic (CASK ex fuel)	EUR 16 mill

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account	Hedging ratio H1 2016	Hedging ratio H2 2016
Fuel	EUR 32 mill	EUR 14 mill	68%	53%

Currency distribution %	2015	2014	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements) 10% change without hedging	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements) 10% change taking hedging into account	Hedging ratio (rolling 12 months from date of financial statements)
Sales currencies					
EUR	59	58	-	-	
USD*	3	3	see below	see below	see below
JPY	8	9	EUR 18 mill	EUR 9 mill	67%
CNY	7	7		-	
KRW	3	3	-	-	
SEK	5	5		-	
Other	15	15	-		
Purchase currencies					
EUR	53	52			
USD*	40	41	EUR 56 mill	EUR 10 mill	81%
Other	7	7			

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

Events after the review period

Finnair secured financing for its third A350 aircraft

In January, Finnair secured financing arranged by BNP Paribas for the full market value of its third Airbus A350-900 XWB aircraft, which was delivered on 30 December 2015 The transaction amounts to approximately 135 million euros and it was implemented using a Japanese Operating Lease with a Call Option (JOLCO) structure, where the transaction amount is treated in Finnair's IFRS financial statements as a loan and the aircraft as owned

Outlook

Despite of the demand outlook for passenger and cargo traffic in Finnair's main markets involving renewed uncertainty, Finnair estimates that, in 2016, its capacity and revenue will grow

The lower price of jet fuel supports Finnair's financial performance in 2016 In accordance with its disclosure policy, Finnair will issue guidance for its expected full-year operational result in connection with the January-June interim report

FINNAIR PLC
Board of Directors

Financial indicators 2011-2015

INCOME STATEMENT		2015	2014	2013	2012	2011
Revenue	EUR mill	2 324	2 284	2 400	2 449	2 258
change	%	1.7	-4.8	2.0	8.5	11.6
Operational result	EUR mill	24	36	12	43	-61
in relation to revenue	%	1.0	-1.6	0.5	1.8	2.7
Operating result	EUR mill	122	-72	8	34	-88
in relation to revenue	%	5.2	-3.2	0.3	1.4	3.9
Net interest expenses	EUR mill.	2	-9	-10	-13	-14
in relation to revenue	%	0.1	-0.4	-0.4	-0.5	-0.6
Result before taxes	EUR mill	113	-99	27	15	-111
in relation to revenue	%	4.9	-4.3	1.1	0.6	-4.9

BALANCE SHEET		2015	2014	2013	2012	2011
Equity and non-controlling interests	EUR mill	727	514	678	775	753
Equity and liabilities total	EUR mill.	2 050	1 885	2 118	2 231	2 357
Gross capital expenditure	EUR mill	330	82	77	41	204
in relation to revenue	%	14.2	3.6	3.2	1.7	9.0
Average capital employed	EUR mill	1 008	1 106	1 295	1 413	1 550
Dividend for the financial year*	EUR mill	0	0	0	13	0
Interest-bearing liabilities	EUR mill	346	428	593	569	729
Liquid funds	EUR mill	708	426	459	430	403
Interest-bearing net debt	EUR mill	-362	1	134	138	326
in relation to revenue	%	-15.6	0.1	5.6	5.6	14.4

KEY FIGURES		2015	2014	2013	2012	2011
Basic and diluted earnings per share (EPS)	EUR	0.57	-0.71	0.11	0.01	-0.75
Equity/share	EUR	5.69	4.02	5.30	6.06	5.89
Dividend/share*	EUR	0.00	0.00	0.00	0.10	0.00
Dividend/earnings*	%	0.0	0.0	0.0	121.2	0.0
Dividend yield*	%	0.0	0.0	0.0	4.2	0.0
Cash flow from operating activities/share	EUR	1.34	0.19	1.12	1.21	0.40
P/E ratio		9.46	3.47	25.02	174.96	-3.07
Equity ratio**	%	35.5	27.3	32.0	34.7	31.9
Net debt-to-equity (Gearing)	%	-49.8	0.3	19.9	18.0	43.5
Adjusted gearing	%	45.8	107.5	79.2	77.8	108.4
Return on equity (ROE)	%	14.4	13.8	3.2	1.4	10.9
Return on capital employed (ROCE)	%	12.2	6.5	3.6	2.8	5.2

CASH FLOW		2015	2014	2013	2012	2011
Operational cash flow	EUR mill	171	24	142	155	51
in relation to revenue	%	7.4	1.1	5.9	6.3	2.2

PERSONNEL	2015	2014	2013	2012	2011
Personnel on average	4,906	5 172	5 859	6 784	7 467

* The dividend for year 2015 is a proposal of the Board of Directors to the Annual General Meeting

** Equity ratio has been restated to reflect the changed calculation formula See more information in Note 5 4 Restatement of key ratios

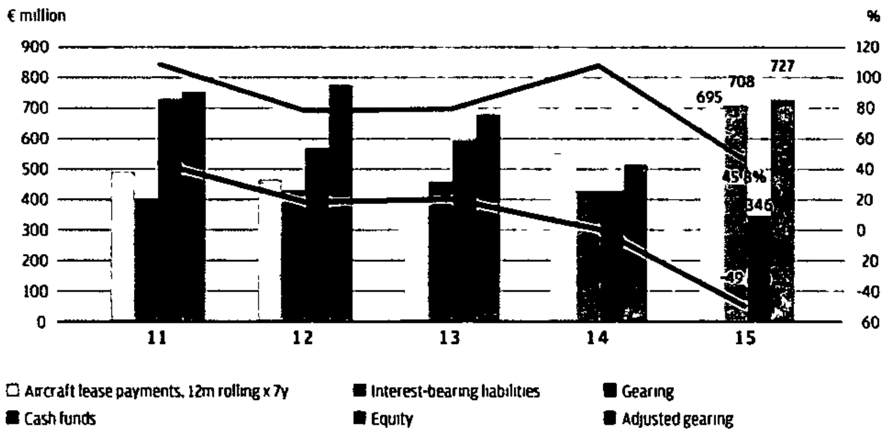
Finnair is net debt free – adjusted gearing also declined to 45.8 per cent

Finnair's interest bearing net debt -362 million euros decreased to negative when liquid funds increased to 708 million euros especially due to positive cash flow from operating activities sale and leaseback transactions and issue of hybrid bond

Further adjusted gearing including operating lease payments in addition to interest-bearing debts decreased 60 percentage points from last year to 45.8 per cent due to strengthening of equity and increase in liquid funds. The adjusted gearing was significantly lower than the maximum level of 175 per cent set by the Board of Directors

As a result of positive development of earnings, the return on capital employed (ROCE) increased almost 19 percentage points from last year to 12.2 per cent

Gearing



= Highlights

Financial statements 1 January-31 December 2015

How to read Finnair Financial Statements?

Finnair has made efforts to facilitate reading these financial statements and to clarify the overall picture that can derived from them. The notes of Finnair's financial statements have been combined to business related sections in order to give a more relevant and less complex picture of the whole Each section sets out the accounting principles applied in producing these notes together with any critical accounting estimates and sources of uncertainty Secondly interesting figures have been highlight ed by circling them and these as well as other highlights are explained in a text box marked with a star Thirdly, illustrating charts have been inserted in various sections of the financial statements so as to facilitate understanding the figures.

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

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

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

Highlights related to the section are explained in a separate text box to underline significant matters.

Interesting figures have been highlighed with circle and explained in the highlights text box as described above

Contents

Consolidated income statement

EUR mill	Note	2015	2014
Revenue	1 1 1 2	**2,324.0**	**2,284.5**
Other operating income		15 7	18 3
Operating expenses			
Staff costs	1 3 7	353 2	-344 5
Fuel costs		-595 5	660 4
Other rents	1 3 2	-159 4	159 7
Aircraft materials and overhaul		-118 9	-119 4
Traffic charges		-258 5	230 9
Ground handling and catering expenses		-250 3	-251 8
Expenses for tour operations		-79 6	76 7
Sales and marketing expenses		74 0	-65 3
Other expenses	1 3 3	-219 3	217 4
Operational EBITDAR		**231.2**	**176.6**
Lease payments for aircraft	1 3 2	-99 3	78 8
Depreciation and impairment	2 1 2 3	-108 1	134 3
Operational result		**23.7**	**-36.5**
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	1 3 6	12 3	-43 7
Non-recurring items	1 3 6	110 2	7 7
Operating result		**121.7**	**-72.5**
Financial income	3 1	1 3	3 5
Financial expenses	3 1	-9 7	-26 9
Share of results in associates and joint ventures	4 5	0 1	-3 2
Result before taxes		**113.3**	**-99 1**
Income taxes	5 1	-23 6	16 5
Result for the financial year		**89 7**	**-82.5**
Attributable to			
Owners of the parent company		89 4	82 7
Non-controlling interests		0 3	0 2
Earnings per share attributable to shareholders of the parent company			
Earnings per share EUR (basic and diluted)		0 57	-0 71
Result for the financial year per share EUR		0 70	-0 65

Operational result turned to profit +23.7 (-36.5)

The encouraging result was positively affected by increased passenger ticket and ancillary revenue Load factor also increased slightly

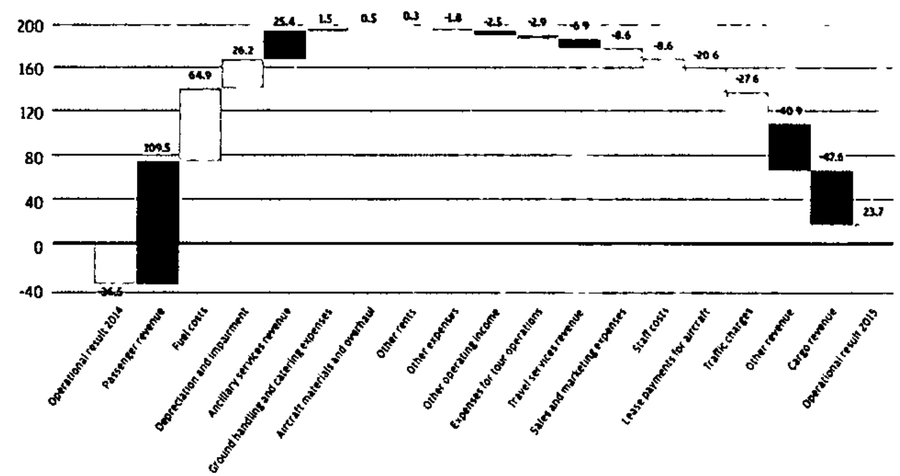
Decline in fuel price decreased operational expenses

Operating profit improved especially thanks to gains on aircraft sale and leaseback transactions.

Consolidated statement of comprehensive income

EUR mill	Note	2015	2014
Result for the financial year		**89.7**	**-82 5**
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of hedging instruments	3 9	14 1	87 0
Translation differences		0 6	0 4
Tax effect		2 8	17 4
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	1 3 7 2	37 7	-4 1
Tax effect		7 5	0 8
Other comprehensive income items total		**19 5**	**-72 4**
Comprehensive income for the financial year		**109.2**	**-154.9**
Attributable to			
Owners of the parent company		108 9	-155 1
Non-controlling interests		0 3	0 2

Change in operational result 2015

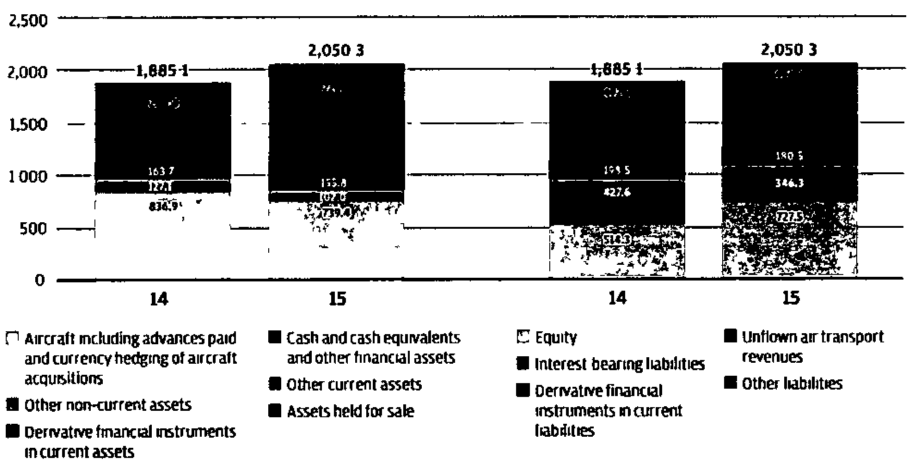


= Highlights

Consolidated balance sheet

EUR mill	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	2 3	9 5	18 4
Tangible assets	2 1	811 6	897 8
Investments in associates and joint ventures	4 5	2 6	4 9
Loan and other receivables		8 7	9 2
Deferred tax assets	5 1	9 1	33 8
Non-current assets total		**841.5**	**964.1**
Current assets			
Inventories	2 1	11 8	14 7
Trade and other receivables	1 2 3	208 5	194 0
Derivative financial instruments	3 8	155 8	163 7
Other financial assets	3 2 1	427 7	332 8
Cash and cash equivalents	3 2 2	280 5	93 4
Current assets total		**1,084.3**	**798.6**
Assets held for sale	4 4	124 5	122 4
Assets total		**2,050.3**	**1,885.1**

Balance sheet



EUR mill	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	3 9	75 4	75 4
Other equity	3 9	652 0	438 3
Total		**727 5**	**513 7**
Non-controlling interests		0 0	0 6
Equity total		**727.5**	**514.3**
Non-current liabilities			
Interest-bearing liabilities	3 3	271 0	337 7
Pension obligations	1 3 7 2	4 4	25 3
Provisions	1 3 5	55 7	52 1
Other liabilities	3 3	15 8	22 1
Non-current liabilities total		**346 9**	**437 3**
Current liabilities			
Provisions	1 3 5	38 3	44 2
Interest-bearing liabilities	3 3	75 2	89 9
Trade payables		67 5	56 2
Derivative financial instruments	3 8	180 5	198 5
Deferred income and advances received	1 2 4	374 8	327 9
Liabilities related to employee benefits	1 3 7 1	91 0	79 7
Other liabilities	1 3 4	148 7	137 1
Current liabilities total		**976 0**	**933 4**
Liabilities total		**1,322 9**	**1,370.7**
Equity and liabilities total		**2,050.3**	**1,885 1**

Strong financial position, strong equity

Finnair's equity and financial position strengthened mainly thanks to positive operational results A350 operating sale and leaseback transactions and issue of a new hybrid bond

Equity ratio increased to 35.5 per cent (27 3)

Fleet transition proceeded as Finnair became the first European airline to take delivery of three new A350 aircraft Two of those were sold and leased back under operating lease arrangements right after the acquisition and third one remained in Finnair ownership and was capitalised in the balance sheet

▫ = Highlights

Consolidated cash flow statement

EUR mill.	2015	2014
Cash flow from operating activities		
Result for the financial year	89.7	82.5
Depreciation and impairment	148.5	135.7
Other adjustments to result for the financial year		
Financial income	-1.3	3.5
Financial expenses	9.7	26.9
Share of results in associates and joint ventures	-0.1	3.2
Income taxes	23.6	16.5
EBITDA	**270.2**	**63.2**
Non cash transactions*	137.5	6.2
Changes in working capital	43.1	33.2
Interest expenses paid	5.3	-14.1
Other financial expenses paid	2.3	-4.5
Interest income received	3.0	6.7
Income taxes paid	-0.2	0.2
Net cash flow from operating activities	**171.0**	**24.2**
Cash flow from investing activities		
Investments in intangible assets	4.3	-4.3
Investments in tangible assets	352.5	142.1
Divestments of fixed assets and group shares	448.1	267.6
Net change in financial interest bearing assets at fair value through profit or loss, maturing after more than three months	14.4	-109.5
Change in non-current receivables	1.7	2.6
Net cash flow from investing activities	**78.6**	**14.4**
Cash flow from financing activities		
Loan repayments and changes	-82.5	169.4
Hybrid bond repayments	-81.7	0.0
Proceeds from hybrid bond	200.0	0.0
Hybrid bond interests and expenses	-17.6	10.7
Dividends paid	-0.2	-0.2
Net cash flow from financing activities	**18.1**	**-180.3**
Change in cash flows	**267.7**	**-141.8**
Liquid funds, at beginning	**190.1**	**331.8**
Change in cash flows	267.7	-141.8
Liquid funds, at end**	**457.7**	**190.1**

■ = Highlights

Notes to consolidated cash flow statement

*** Non-cash transactions**

EUR mill.	2015	2014
Employee benefits	15.6	11.4
Fair value changes in derivatives	2.1	34.9
Other adjustments	-155.2	-40.1
Total	**-137.5**	**6.2**

Other adjustments mainly include sales gains and losses on aircraft and changes in maintenance and other provisions

**** Liquid funds**

EUR mill	2015	2014
Other financial assets	427.7	332.8
Cash and cash equivalents	280.5	93.4
Short-term cash and cash equivalents in balance sheet	**708.2**	**426.1**
Maturing after more than three months	250.5	236.0
Total	**457.7**	**190.1**

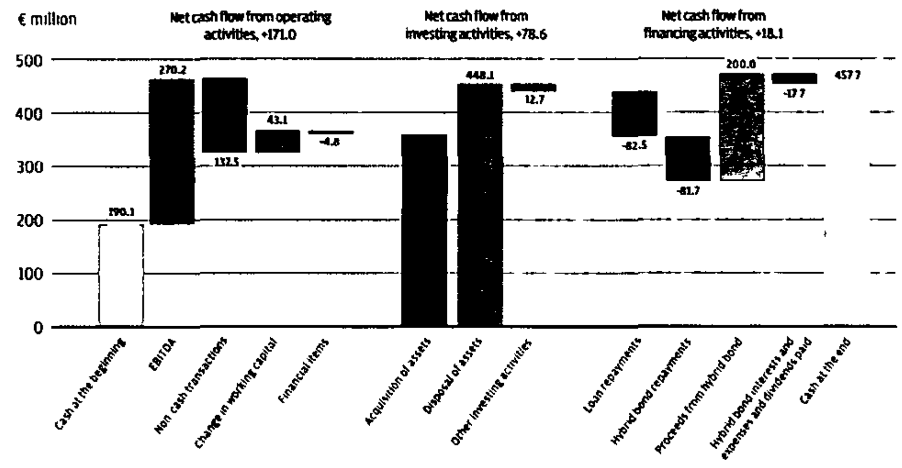
■ Strong financing position enables development of operations and financing of fleet transition

Cash flow from operations improved due to increased profits and changes in working capital such as increased prepayments related to unflown tickets and increased trade and other short-term payables in foreign currencies (USD)

Finnair invested in the new wide-body fleet and received three new A350s during 2015. Various operating sale and leaseback transactions (2 x A350, 3 x E190 and 6 x ATR72) turned the net cash flow from investments positive

Net increase in cash of 118.3 million euros resulted from the issue of a new hybrid bond and repayment of the old hybrid bond

Cash flow 2015, +267.7 € million



Consolidated statement of changes in equity

EUR mill	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity attributable to owners of the parent	Non-controlling interests	Equity total
Equity 1 Jan 2015	**75 4**	**168.1**	**-87 4**	**247 4**	**-8.8**	**118.9**	**513 7**	**0 6**	**514.3**
Result for the financial year					89 4		89 4	0 3	89 7
Change in fair value of hedging instruments			-11 3				11 3		11 3
Actuarial gains and losses from defined benefit plans			30 2		-0 1		30 1		30 1
Translation differences			0 6				0 6		0 6
Comprehensive income for the financial year	**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**

EUR mill	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity attributable to owners of the parent	Non-controlling interests	Equity total
Equity 1 Jan 2014	**75.4**	**168.1**	**-15.0**	**247.3**	**82.5**	**118.9**	**677.3**	**0.7**	**678.0**
Result for the financial year					-82 7		82 7	0 2	82 5
Change in fair value of hedging instruments			69 6				-69 6		-69 6
Actuarial gains and losses from defined benefit plans			3 3				3 3		3 3
Translation differences			0 4				0 4		0 4
Comprehensive income for the financial year	**0.0**	**0.0**	**-72.4**	**0.0**	**-82.7**	**0.0**	**-155 1**	**0 2**	**-154.9**
Dividend							0 0	-0 2	-0 2
Share-based payments				0 1			0 1		0 1
Hybrid bond interests and expenses					-8 6		-8 6		8 6
Equity 31 Dec 2014	**75.4**	**168.1**	**-87.4**	**247 4**	**-8.8**	**118.9**	**513.7**	**0.6**	**514.3**

Finnair issued a new 200 million euros hybrid bond which increased its equity after expenses by 198.2 million euros. At the same time Finnair amortised hybrid bond issued at 2012 by 81 7 million euros Non-controlling interests' share of equity was eliminated through sale of Finnair's subsidiary Estravel AS

Improved results and hybrid bond issue resulted in increased equity (increase +213 1) - enables flexible financing of growth

Finnair's equity strengthened from 514.3 million euros to 727 5 million euros (increase 213.1 million euros) mainly due to improved results (89 4) other comprehensive income (19.5) and hybrid bond issue. Strong equity enables flexible financing of growth

- Highlights

Notes to the consolidated financial statements

Accounting principles

How should the Finnair's accounting principles be read?

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

Accounting principle	Note	Nr	IFRS
Segment reporting	Segment information	1.1	IFRS 8
Revenue recognition, other income and trade receivables	Operating income	1.2	IAS 18, IAS 39, IFRS 7
Provisions and contingent liabilities	Provisions	1.3.5	IAS 37
Employee benefits and share based payments	Remuneration	1.3.7	IAS 19, IFRS 2
Pensions	Pensions	1.3.7.2	IAS 19
Tangible assets	Tangible assets	2.1	IAS 16, IAS 36
Operating and finance lease arrangements	Leasing arrangements	2.2	IAS 17
Intangible assets	Intangible assets	2.3	IAS 38
Interest and dividend income	Financial income and expenses	3.1	IAS 18, IAS 32
Financial assets and impairment of financial assets	Financial assets	3.2	IAS 39, IFRS 7
Cash and cash equivalents	Financial assets	3.2	IAS 39, IFRS 7
Financial liabilities	Financial liabilities	3.3	IAS 39, IFRS 7
Derivative contracts and hedge accounting	Derivatives	3.8	IAS 39, IFRS 7
Equity, dividend and treasury shares	Equity related information	3.9	IAS 32, IAS 33
Consolidation principles of subsidiaries	Subsidiaries	4.2	IFRS 10
Non controlling interests and transactions with non-controlling interests	Subsidiaries	4.2	IFRS 10
Assets held for sale	Non-current assets and liabilities held for sale	4.4	IFRS 5
Investments in associates and joint ventures	Investments in associates and joint ventures	4.5	IFRS 11
Income and deferred taxes	Income taxes	5.1	IAS 12

Description of the company

The Finnair Group engages in worldwide air transport operations and supporting services. The Group's operations are divided into the Airline Business and Travel Services business areas. The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 9, Vantaa. The parent company is listed on the NASDAQ OMX Helsinki Stock Exchange. The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 9 February 2016. Under Finland's Limited Liability Companies Act, shareholders have the option to accept, change or reject the financial statements in the Annual General meeting of the shareholders, which will be held after the publication of the financial statements.

Basis of preparation

Finnair Plc's consolidated financial statements for 2015 have been prepared according to the International Financial Reporting Standards (IFRS) and IFRIC interpretations in effect on 31 December 2015 and as adopted by the European Union. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law. New and amended standards applied in 2015 and future periods are described in the Note 4.7 Application of new and amended IFRS standards and IFRIC interpretations.

The 2015 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognised through profit and loss at fair value, financial assets available-for-sale, and derivative contracts, which have been measured at fair value. Financial statement data is presented in millions of euros, rounded to the nearest one hundred thousand euro. This means that the sum of the individual figures may differ from the total shown.

Presentation of Consolidated Income Statement and Balance Sheet

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

Consolidated income statement includes, in addition to operating result, operational result and operational EBITDAR which are presented to better reflect the Group's business performance when comparing results to previous periods. Operational result doesn't include capital gains and losses, changes in the value of foreign currency denominated fleet maintenance reserves, changes in the unrealised fair value of derivatives or non-recurring items. Operational EBITDAR is a common measure in airline business which aims to reflect operational results excluding capital cost, independent of whether aircraft are owned or leased. Therefore, operational EBITDAR is calculated by excluding depreciations and operating lease payments for aircraft from operational result.

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

Use of estimates

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

Critical accounting estimates and sources of uncertainty

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcome may differ from the estimates and assumptions made In addition, discretion has to be exercised in applying the accounting principles of the financial statements Estimates are based on management's best estimate at the balance sheet date Changes in estimates and assumptions effect the financial statements in the period the changes occur, and in all the subsequent financial periods

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

Critical accounting estimates and sources of uncertainty	Note number	Note
Finnair Plus Customer Loyalty Program	1 2	Operating income
Pension obligations	1 3 7 2	Pensions
Impairment testing	2 1	Tangible assets
Judgements of classifying lease arrangements	2 2	Leasing arrangements
Deferred taxes	5 1	Income taxes

- Critical accounting estimates
- Content of the section
- Accounting principles
- Highlights

1 Segments and operating result

Segments and operating result include segment information and notes related to operating result both from income statement and balance sheet perspective.

1 1 Segment information

Segment reporting

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

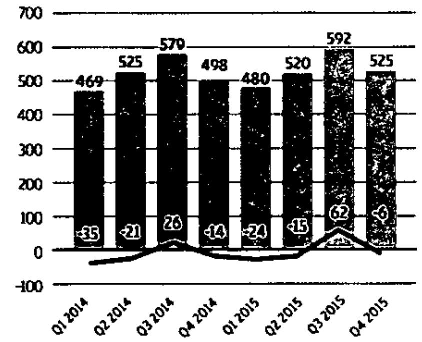
Reportable segments follow the Group's business area based internal organisational structure and financial reporting to management. The reportable segments in Finnair are Airline Business and Travel Services The entities included in segments are specified in Note 4 2 Subsidiaries

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

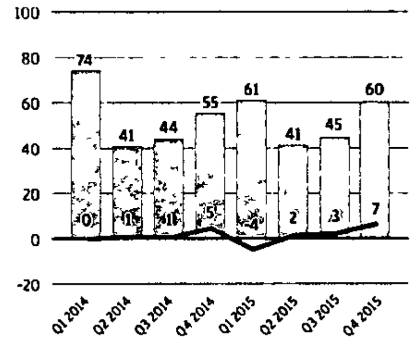
Travel Services consists of the Group's travel agency operations as well as tour operations and travel sector software business operations. Estravel AS and its subsidiary Estravel Vilnius UAB, which were sold at the end of 2015, are included in the segment figures until 29 December 2015.

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

Airline Business (not audited)



Travel Services (not audited)



■ External revenue ■ Operational result

Airline Business revenue has increased and operational result improved in every quarter during 2015, compared to the corresponding quarter in the previous period

Business segment data 2015

EUR mill	Airline Business	Travel Services	Elimi-nations	Other functions	Group total
External revenue	2 117 1	206 9			2 324 0
Internal revenue	88 6	1 2	-89 8		0 0
Revenue	**2,205.7**	**208.1**	**-89.8**		**2,324.0**
Operational result	**17 1**	**6.7**			**23.7**
Operating result	**113.4**	**8.3**			**121.7**
Share of results in associates and joint ventures					0 1
Financial income					1 3
Financial expenses					-9 7
Income taxes					-23 6
Non-controlling interests					-0 3
Result for the financial year attributable to owners of the parent company					**89 4**
Depreciation and impairment	106 9	1 2			108 1
Average number of employees	4 002	567		337	4 906
Employees at the end of year	4 083	397		337	4 817

Business segment data 2014

EUR mill	Airline Business	Travel Services	Elimi-nations	Other functions	Group total
External revenue	2 070 7	213 8			2 284 5
Internal revenue	97 0	3 0	100 0		0 0
Revenue	**2,167 7**	**216.7**	**-100.0**		**2,284.5**
Operational result	**-43.5**	**7.0**			**-36 5**
Operating result	**-78.4**	**5 9**			**-72 5**
Share of results in associates and joint ventures					-3 2
Financial income					3 5
Financial expenses					26 9
Income taxes					16 5
Non-controlling interests					-0 2
Result for the financial year attributable to owners of the parent company					**-82.7**
Depreciation and impairment	132 9	1 4			134 3
Average number of employees	4 232	645		295	5,172
Employees at the end of year	4 050	600		331	4 981

1.2 Operating income

I Operating income section includes both income statement and balance sheet notes that relate to revenue The aim is to provide more co herent picture of income related items effecting Finnair s result and financial position. Trade receivables, advances received relating to flight tickets and travel tour services as well as deferred income are presented in connection with this section because those are an essential part in revenue recognition **I**

A Revenue recognition

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

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

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

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

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

Trade receivables

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

E Finnair Plus Customer Loyalty Program

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

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

1.2.1 Revenue by product

EUR mill	2015	2014
Airline Business	2 117 1	2,070 7
Passenger revenue	1 749 7	1 640 2
Ancillary services revenue	104 6	79 1
Cargo revenue	183 7	231 3
Other revenue	79 1	120 0
Travel Services revenue	206 9	213 8
Total	**2,324.0**	**2,284.5**

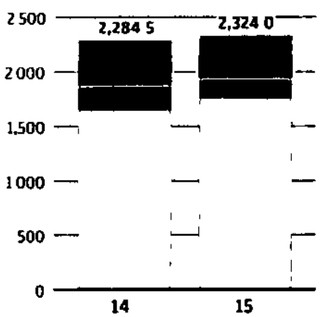
1.2.2 Revenue by currency

EUR mill	2015	2014
EUR	1 372 8	1 313 2
JPY	191 4	211 6
CNY	163 0	152 1
SEK	110 3	106 2
KRW	70 4	63 3
USD	57 6	64 1
Other currencies	358 6	373 9
Total	**2,324.0**	**2,284.5**

Hedging policies of currency are described in the Note 3 5 Management of financial risks

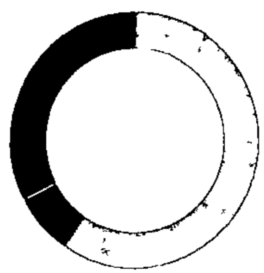
Revenue by product

€ million



Revenue by currency

%



1.2.3 Trade and other receivables

EUR mill	2015	2014
Trade receivables	113 0	108 6
Prepaid expenses accrued income and other receivables total	95 5	85 4
Accrued income	51 6	33 0
VAT receivables	8 1	6 1
Employee benefit related receivables	7 6	2 8
Prepaid operating leases	7 4	7 2
Interest and other financial items	3 2	3 0
Other items	17 7	33 3
Total	**208 5**	**194.0**

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

Aging analysis of trade receivables	2015	2014
Not overdue	98 4	96 2
Overdue less than 60 days	1 9	3 5
Overdue more than 60 days	12 7	8 9
Total	**113.0**	**108.6**

The Group has recognised a total of 2 4 million euros (12.3) of credit losses from trade receivables during the financial year At the end of 2014 Finnair wrote down 11.3 million euros of receivables related to restructuring need of Flybe Finland Oy (currently Nordic Regional Airlines Oy) More information related to the write down can be found in the Note 4 5 Investments in associates and joint ventures Trade receivables do not contain significant credit risk because of diversity in customer basis The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables The Group does not hold any collateral as security related to trade receivables

Trade receivables by currency

EUR mill	2015	2014
EUR	69 9	72 1
USD	6 2	3 2
CNY	6 0	5 8
JPY	5 4	4 0
SEK	4 3	3 2
KRW	3 1	3 2
Other currencies	18 0	17 2
Total	**113 0**	**108.6**

1.2.4 Deferred income and advances received

EUR mill	2015	2014
Unflown air transport revenues	301.7	252.3
Loyalty program Finnair Plus	31.9	29.6
Advances received for tour operations	30.8	27.1
Other items	10.4	18.9
Total	**374.8**	**327.9**

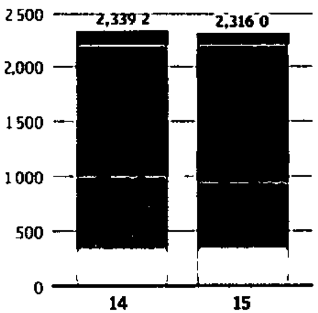
Deferred income and advances received includes prepaid, yet unflown flight tickets and package tours, whose departure date is in the future Unflown ticket revenue has increased mainly due to increased sales compared to 2014

Finnair Plus liability is related to Finnair's customer loyalty program, and equals to the fair value of the earned unused Finnair Plus points

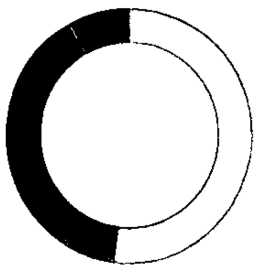
1.3 Operating expenses

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

Operational expenses



Operational expenses by currency



1.3.1 Operational expenses by currency

EUR mill	2015	2014
EUR	1 211.3	1 219.2
USD	919.2	954.7
Other currencies	185.4	165.3
Total	**2,316.0**	**2,339.2**

Currency hedging policies are described in the Note 3.5 Management of financial risks

1.3.2 Leasing expenses

EUR mill	2015	2014
Leasing payments for cargo capacity	11.1	25.2
Payments for purchase traffic and wet leases	116.3	96.7
Office and other rents	32.0	37.8
Other rents total (included in operational EBITDAR)	**159.4**	**159.7**
Lease payments for aircraft	99.3	78.8
Total	**258.7**	**238.4**

Lease payments for aircraft have increased mainly because of the sale and leasebacks of Embraer E190, ATR 72 and Airbus A350 aircraft Purchase traffic payments for Nordic Regional Airlines Oy are included in the payments for purchase traffic and wet leases

1.3.3 Other expenses

EUR mill	2015	2014
IT expenses and booking fees	93.2	82.1
Other items	126.1	135.3
Total	**219.3**	**217.4**

Audit fees in other expenses

EUR mill	2015	2014
PricewaterhouseCoopers Oy		
Auditor's fees	0.2	0.2
Tax advising	0.1	0.1
Other fees	0.2	0.2
Total	**0.5**	**0.4**

= Content of the section

1.3.4 Other liabilities

EUR mill	2015	2014
Jet fuels and traffic charges	67.2	79.1
Expenses for tour operations	9.8	6.6
Aircraft materials and overhaul	5.4	6.8
Interest and other financial items	5.0	5.6
Other items	61.4	39.0
Total	**148.7**	**137.1**

Other items consists of several items related to expenses, none of which are individually significant

1.3.5 Provisions

A Provisions

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

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

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

EUR mill	Aircraft maintenance provision	Other provisions	2015	Aircraft maintenance provision	Other provisions	2014
Provision at the beginning of period	82.5	13.8	**96.3**	92.4	17.4	**109.8**
Provision for the period	30.6	4.4	**35.0**	25.5	20.3	**45.8**
Provision used	-36.5	11.1	**-47.5**	44.2	-23.9	**-68.1**
Exhange rate differences	10.1		**10.1**	8.8		**8.8**
Total	**86.8**	**7.1**	**94.0**	**82.5**	**13.8**	**96.3**
Of which non-current	52.0	3.7	**55.7**	52.1		**52.1**
Of which current	34.8	3.5	**38.3**	30.4	13.8	**44.2**
Total	**86.8**	**7.1**	**94.0**	**82.5**	**13.8**	**96.3**

Non-current aircraft maintenance provisions are expected to be used by 2027
Other provisions include items related to group s restructurings

A = Accounting principles

1.3.6 Items excluded from operational result

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

EUR mill	2015	2014
Fair value changes of derivatives	-2.1	34.9
Fair value changes of foreign currency denominated fleet maintenance reserves	-10.1	8.8
Non recurring items	110.2	7.7
Total	**98.0**	**-36.0**

1.3.7 Employee benefits

1.3.7.1 Employee benefit expenses and share-based payments

A Share-based payments

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

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

Termination benefits

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

For accounting principles related to **Pensions** see Note 1 3 7 2 Pensions for more information A

Staff costs

EUR mill	2015	2014
Wages and salaries	277 1	275 3
Pension expenses	57 0	54 6
Defined contribution plans	42 6	44 3
Defined benefit plans	14 4	10 3
Other social expenses	19 0	14 6
Total	**353 2**	**344.5**
Staff costs included in non-recurring items	2 9	7 0
Total staff costs in income statement	**356 1**	**351.5**

In Finnair, the total salary of personnel consists of fixed pay, allowances, short-and long-term incentives, fringe benefits and other personnel benefits The total amount of short-term incentives recognised for 2015 were 6.3 million euros (4 6) In addition to staff costs, non-recurring items include personnel related restructuring costs of 2 9 million euros (7 0) as agreed in the Groups statutory employer employee negotiations Including non-recurring items, total staff costs amounted to 356 1 million euros (351 5)

Transfer to Personnel Fund

Finnair has a Personnel Fund that is owned and controlled by personnel A share of Finnair's profits is allocated to the fund The share of profit allocated to the fund is determined based on the targets set by the Board of Directors The participants of the performance share plan (LTI) are not members of the Personnel Fund The Personnel Fund is obliged to invest part of the bonus in Finnair Plc s shares In 2015 and 2014 profits were not allocated to the fund, because the set performance criteria were not met.

Liabilities related to employee benefits

EUR mill	2015	2014
Holiday payments	62 0	61 5
Other employee related accrued expenses	29 0	18 2
Employee benefit related accruals total	**91.0**	**79 7**

Other employee related accrued expenses mainly include withholding tax and accrued expenses related to social security costs In addition, provisions in the balance sheet include employee related restructuring provisions amounting to 5 5 million euros (8 7)

Management remuneration

The President and CEO and Executive Board remuneration

Thousand euros	President and CEO Pekka Vauramo	Executive Board	Total 2015	President and CEO Pekka Vauramo	Executive Board	Total 2014
Fixed pay	649	1 196	**1,845**	639	1 614	**2,253**
Short term incentives*	235	352	**588**	194	260	**454**
Fringe benefits	3	61	**63**	4	66	**70**
Termination benefits		369	**369**		392	**392**
Share-based payments	115	182	**297**	46	120	**166**
Pensions (statutory)**	153	277	**429**	134	322	**456**
Pensions (voluntary defined contribution)		69	**69**		122	**122**
Total	**1,155**	**2,506**	**3,661**	**1,016**	**2,897**	**3,913**

* Short term incentives for the financial year 2015 are estimates as at the balance sheet date the final incentives have not been confirmed Short term incentives for 2014 realised circa 4 000 euros lower than expected in 2014 financial statements

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

Management remuneration is presented on an accrual basis In 2015 share-based payments include accrued expenses related to 2013–2015, 2014–2016 and 2015–2017 share-based payment plans and FlyShare share savings plan Share-based payments for the Executive Board in 2015 and 2014 include compensations related to Finnair Plc s share-based bonus scheme 2010–2012 The shares earned were delivered and cash-based share paid during 2013, but the income statement effect is accrued to vesting period for 2010–2015 up to ending of lock-up period, according to IFRS 2 Management has not been provided any other long-term incentives in addition to share-based payments

The pension plans of the members of the Executive Board have been arranged through Finnish pension insurance company, and the retirement age is 63 All voluntary pension schemes provided for the Executive Board members are defined contribution plans, and executive service contracts concluded after 1 January 2013 do not include any voluntary pension benefits Defined benefit plans for previous members of the Executive Board ceased during 2014

More information on share-based payment schemes can be found later in this note and in a separate Remuneration statement, which also includes information on remuneration policies and structures and compensation paid to senior management.

The Board of Directors remuneration

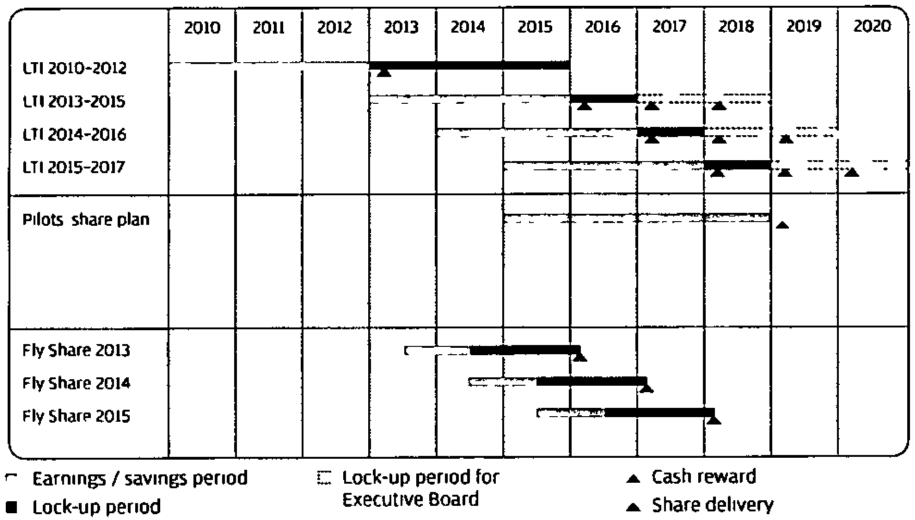
Compensation paid for board service, EUR	Total 2015	Fixed remuneration	Meeting compensation	Fringe benefits	Total 2014
Board of Directors total	**383,015**	247 200	118,200	17 615	358 227
Friman Maija-Liisa	49,980	31,800	10 800	7 380	
Heinemann Klaus	77 400	61 200	16 200	0	
Itävuori Jussi	63 153	31 800	29 400	1 953	
Kerminen Harri	44 400	32 400	12 000	0	
Kronman Gunvor	42 926	30 000	8 400	4 526	
Tuominen Jaana	42,309	30 000	9 600	2 709	
Turner Nigel	62 847	30,000	31 800	1 047	

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

Share-based payments

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

Finnair share-based payment plans



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

Finnair's share based incentive plan is a performance-based, annually commencing long-term incentive (LTI) arrangement Each share based incentive arrangement is divided into four-six-year share plans, and the commencement of each new plan is subject to a separate decision made by Finnair's Board of Directors The first plan commenced in 2013, and at the end of 2015 there are three plans ongoing (2013–2015, 2014–2016, 2015–2017) The purpose of the share plan is to encourage the management to work to increase long-term shareholder value The share plan is in line with the statement by the Finnish Cabinet Committee on Economic Policy regarding the remuneration of executive management and key individuals

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

The potential reward will be delivered in Finnair shares The share delivery is split into three share tranches (50%, 30% and 20%) that will be delivered to the Executive Board members during the three years following the performance period For other participants the shares are delivered at 50 per cent tranches during the two following years after the performance period As Finnair has adopted a program consisting of annually commencing individual plans, in which the shares are paid in three tranches, the program also includes a bridge element to supplement payments in 2016 and 2017 This takes into consideration the fact that the LTI plan will not be in full effect until 2018 The targets set to the bridge element were not met

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

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

The performance criteria applied to the plan for 2013–2015 are the Group's relative operating EBIT margin growth and decrease in unit costs in European traffic These two criteria are assigned weights of 60% and 40%, respectively The performance criterion for the share plans bridge element is the operating EBIT margin The performance criteria applied in 2014–2016 and 2015–2017 plans are Finnair s return on capital employed (ROCE, weight 50 per cent) and total shareholder return (TSR) The target levels and maximum levels set for the criteria are based on long term strategic objectives set by the company's Board of Directors Performance against the criteria is monitored quarterly

The total expense for the share-based payments is recognised over the vesting period (4–6 years) The compensation is measured during performance period in cash, and only after performance period at grant date translated into shares Therefore the whole cost effect is recognised as debt until the end of performance period (grant date), and the debt is divided into equity settled and cash settled part only at grant date At the same time, the equity settled part is recognised in equity At the end of 2015, at the grant date of the plan 2013–2015, a debt of 0 2 million euros was transferred to equity The expense recognised for 2015 amounted to 1 0 million euros (0 4)

	2013-2015 plan	2014-2016 plan	2015-2017 plan	Total
Maximum earning million euros	3 4	2 5	2 8	8 6
Maximum earning, million shares (with 31 Dec 2015 share price)	0 6	0 5	0 5	1 6
Target earning, million euros	1 7	1 2	1 4	4 3
Target earning million shares (with 31 Dec 2015 share price)	0 3	0 2	0 3	0 8
Expenses recognised for the financial year LTI s total (million euros)	0.1	0 6	0 3	1 0
of which equity settled (recognised as debt until grant date)	0 0	0 2	0 1	0 4
of which cash settled	0 0	0 4	0 2	0 6
Liability related to LTI s at the closing date (million euros)	0 4	0 7	0 3	1 4
Shares granted (million shares)	0.0	0 0	0 0	0 0

FlyShare employee share savings plan from 2013 onwards

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

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

Finnair awards 20 bonus shares to each employee that participates in the plan for the first time, and continues savings at least the first three months of the plan The bonus shares are delivered in October each year, and the effect is recognised as expense for the period The plan lasts for three years, and Finnair awards each participating employee with one share for each two shares purchased and held at the end of three-year period The awarded bonus and additional shares are taxable income for the recipient. The cost related to additional shares delivered is recognised as expense during vesting period

Effect of FlyShare share savings plan on Group's results and financial position, million euros	2015	2014
Total income statement effect of FlyShare	1 6	0 4
Of which share-settled	0 5	0 2
Of which cash settled	1 2	0 2
Liability related to share-based payments at the closing date	1 3	0 2

Share-based performance plan for pilots

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

The plan is considered as a cash-settled share-based arrangement The cost effects are accrued over the vesting period from grant date onwards (2014–2018), and the corresponding liability is fair valued at each reporting date The 2015 closing rate of Finnair's share (5 42 euros) was above the minimum required level (four euros), and based on preliminary view of the savings targets being met a liability of 4 5 million euros was recognised in 2015 Since Finnair has hedged against the cost effects above four euro share price, the cost recognised in operational result in 2015 was limited to 3 2 million euros (0 0)

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

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

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

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

Shares were earned annually in the period 2010–2012 The long-term incentive for the three-year period was achieved at an average level of 43% This share based incentive for the full three-year period was paid in spring 2013 and 708,679 shares were granted At the same time, a cash bonus intended for payment of taxes was paid, amounting to 1 5 times the value of the shares at the time of payment After the payment of shares, there was an embargo on their sale and shares were held in lock-up until end of 2015 A total amount of 5.3 million euros was paid related to the plan, of which 1 8 million euros was delivered as shares 2.7 million euros paid as cash to cover tax payments and 0 8 euros paid as incentive bonus based on the purchase of shares

The income statement effect related to the plan has been accrued to vesting period 2010–2015 based on the applied IFRS 2 standard The effect on 2015 results totalled 0 2 million euros (0 2)

1 3 7 2 Pensions

A Defined benefit and defined contribution plans

Pension plans are classified as defined benefit and defined contribution plans Payments made into defined contribution pension plans are recognised in the income statement in the period to which the payment applies. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age years of service and compensation Current service cost is the present value of the post employment benefit which is earned by the employees during the year and it is recognised as employee benefit expense The liability recognised in the balance sheet in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise A

E The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The note below includes a description of exposure to most significant risks and a sensitivity analysis on impacts of changes in actuarial assumptions. E

Description of pension plans in Finnair

The statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company The statutory pension cover is a defined-contribution plan The Group's foreign sales offices and subsidiaries have various defined contribution plans that comply with local rules and practices The voluntary pension schemes of three members of the Executive Board are arranged in a pension insurance company and the retirement age under these agreements is on average 63 years These pension schemes are defined-contribution schemes Other (voluntary) pension cover of the Group s domestic companies has been arranged mainly in Finnair Plc s Pension Fund, in which the pension schemes are defined-benefit plans These pension plans cover old age pensions, disability and survivors' pensions The pension fund is fully funded in accordance with the provisions of Finnish law 700 Finnair pilots have, in addition to voluntary pension arranged in Finnair Pension Fund, special defined-benefit pension scheme This scheme applies only to pilots who work older than 58 years of age Voluntary pensions of pilots recruited in 2015 or later are defined contribution schemes

Exposure to most significant risks

Volatility of plan assets Some of the plan assets are invested in equities which causes volatility but is in the long run expected to provide higher returns than corporate bonds The discount rate of plan obligations is defined based on the interest rates of corporate bonds

Changes in bond yield A decrease in corporate bond yields increases plan obligations due to the fact that the pension obligation is discounted to net present value with a rate that is based on corporate bond rates This increase in plan obligations is partially mitigated by a corresponding increase in the value of corporate bonds in plan assets

Life expectancy The most significant part of the provided pension benefits relate to old age pensions Therefore, an increase in life expectancy rate results in an increase of plan obligations

Inflation risk Pension obligations are linked to inflation which is why higher inflation leads to increased obligations As only some of the plan assets increase with inflation, an increase in inflation will likely decrease the solvency of the pension plan

Defined benefit pension plans

EUR mill	2015	2014
Items recognised in the income statement		
Current service costs	9 2	8 8
Past service cost	5 3	1 7
Settlements and curtailments	1 7	-0 2
Service cost total	**16 2**	**10 3**
Net interest expenses	0 5	0 3
Included in personnel expenses total	**16 7**	**10 7**
Amounts recognised through other comprehensive income		
Experience adjustment on plan obligation	2 8	-24 4
Changes in financial actuarial assumptions	-28 9	50 5
Changes in demographical actuarial assumptions	10 6	0 0
Net return on plan assets	-22 2	-22 0
Transfer of actuarial items related to terminated plan to retained earnings	-0 1	
Amounts recognised through other comprehensive income total	**-37.7**	**4.1**
Number of persons involved pension fund	4 797	4 502
Other defined benefit plans persons involved	10	0

Items recognised in the balance sheet

EUR mill	2015	2014
Present value of funded obligations	426 3	436 0
Fair value of plan assets	-422 0	-410 7
Net defined benefit liability	**4 4**	**25 3**

The net defined benefit liability in 2015 includes 2 6 million euros (25 3) related to defined benefit plans insured through pension fund and 1 7 million euros (0 1) related to other defined benefit plans The decrease in net liability is mainly related to the change in inflation rate assumption Finnair changed the basis used for inflation assumption to market based inflation Due to the change, the inflation rate decreased from 2 0% to 1 2% and future pension increase rate decreased from 2 1% to 1 4%. The discount rate (2 0%) remained in the same level as in 2014 (2 1%) These effects are included in the changes in financial assumptions The positive effect was partially mitigated by the change in mortality rate, included in changes in demographical assumptions In the Finnish national pension system, the mortality rate used will be updated from 31 December 2016 onwards The redefined assumption is applied in accounting of IFRS pension liability already in the financial statements of 2015

A = Accounting principles
E = Critical accounting estimates

The Finnish employee pension reform

In November 2015, the Finnish Parliament passed an amendment to Finnish employee pension legislation, which inter alia increases the statutory retirement age of the employees. The Board of Directors of Finnair Pension Fund has made a decision in principle that the amendment of the pension legislation is incorporated in the rules of the fund so that the pension obligations of the fund remain unchanged despite the change. Finnair pilots' pension benefits, which are provided by the fund and which exceed the existing statutory pension benefits in Finland, form part of their collective labour agreement. Finnair considers that these benefits are not affected by the amendment of pension legislation. Finnair has obtained a legal opinion on the matter. Finnair has not recognised a supplementary obligation due to the amendment of the employee pension legislation.

Changes in pension obligations

EUR mill	2015	2014
Net present value of pension obligations at 1 January	436.0	406.9
Current service cost	9.2	8.8
Past service cost	5.3	1.7
Settlements and curtailments	1.7	0.3
Interest expense	9.0	12.9
Expenses recognised in income statement	**25.1**	**23.7**
Changes in actuarial assumptions	18.3	50.5
Experience adjustment on plan obligation	2.8	-24.4
Remeasurements recognised through OCI	**-15.5**	**26.1**
Benefits paid	19.3	20.7
Net present value of pension obligations	**426.3**	**436.0**

Changes in plan assets

EUR mill	2015	2014
Fair value of plan assets at 1 January	410.7	396.3
Interest income	8.4	12.6
Settlements and curtailments	0.0	0.5
Items recognised through profit and loss	**8.4**	**13.1**
Actuarial gain (loss) on plan assets	22.2	22.0
Items recognised through OCI	**22.2**	**22.0**
Contributions paid	0.0	0.0
Benefits paid	19.3	20.7
Fair value of plan assets at 31 December	**422.0**	**410.7**

Plan assets are comprised as follows

%	2015	2014
Listed shares	21.4	19.5
Debt instruments	53.6	53.4
Property	17.5	18.8
Other	7.5	8.3
Total	**100.0**	**100.0**

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0.6 million euros (0.3) and buildings used by the Group with a fair value of 2.0 million euros (3.3).

Defined benefit plans: principal actuarial assumptions

	2015	2014
Discount rate	2.0%	2.1%
Inflation	1.2%	2.0%
Annual rate of future salary increases	2.1%	2.1%
Future pension increases	1.4%	2.1%
Estimated remaining years of service	11	11

Sensitivity analysis

Sensitivity analysis describes the effect of change in actuarial assumptions to net defined benefit obligation. The analysis is based on a change in an assumption while holding all other assumptions constant. The method used is the same as the one applied when measuring the defined benefit obligation recognised in the balance sheet.

Sensitivity analysis on principal actuarial assumptions

Actuarial assumption	Change in assumption	Impact when increase in assumption, EUR mill	%	Impact when decrease in assumption, EUR mill.	%
Discount rate	0.3%	-14.9	3.5%	15.8	3.7%
Annual rate of future salary increases	0.3%	4.6	1.1%	4.5	1.1%
Future pension increases	0.3%	11.1	2.6%	10.8	2.5%
Life expectancy at birth	1 year	12.1	2.9%	11.8	2.8%

According to Finnish legislation, the pension fund needs to be fully funded. Expected contribution payments for the next five years are approximately 45 million euros. The amount of payments depends on future returns on plan assets.

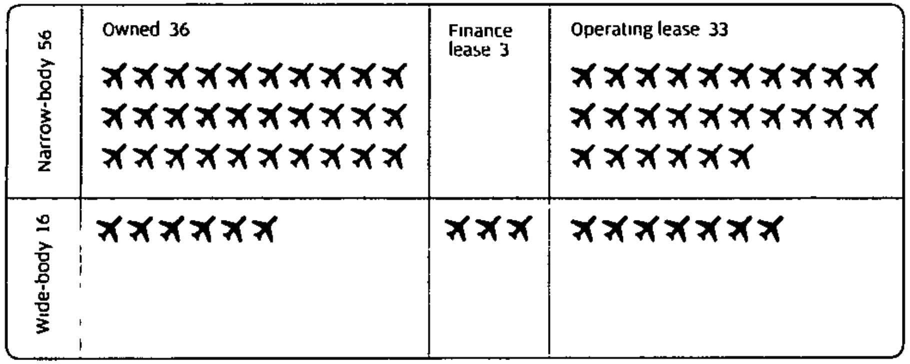
The duration of defined benefit obligation is 14.93 years. The duration is calculated with a discount rate of 2.0%.

2 Aircraft and other intangible and tangible assets and leasing arrangements

Aircraft and other intangible and tangible assets, and leasing arrangements include particularly notes related to aircraft fleet. Notes related to the aircraft operated by the Group, both owned and leased aircraft under different kind of lease arrangements, are combined in this section so that the general view of the fleet would be easier to perceive.

The assets owned and leased by Finnair consist mostly of aircrafts operated by Finnair and Norra. Approximately half of the fleet operated is owned by Finnair. More detailed information regarding owned aircrafts is found in Note 2.1 and regarding leased aircrafts in Note 2.2.

Fleet

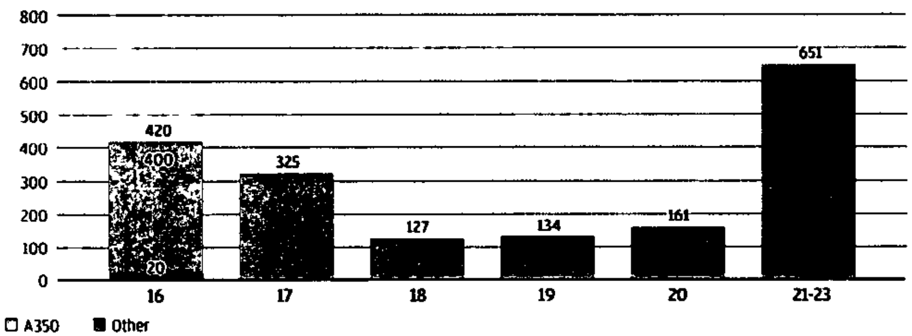


Investment commitments

At the end of financial year investment commitments totalled 1,818 million euros (1,950) including firm aircraft orders and orders related to the building project of new cargo terminal. The total commitment fluctuates between the order and the delivery of the aircraft mainly due to exchange rate EUR/USD and the escalation clauses included in airline purchase agreements. The final amount of the commitment in relation to each aircraft is only known at the time of the delivery.

Investment commitments

€ million



2.1 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment loss if applicable. Tangible assets include mainly aircraft. The acquisition cost of aircraft is allocated to the aircraft frame, engines and maintenace components as separate assets. Maintenance components include heavy maintenance of aircraft frames and performance restoration and maintenance of life-limited parts of aircraft engines, and they are depreciated during the maintenance cycle. Aircraft frames and engines are depreciated over the useful life of the aircraft. Significant modifications of own or leased aircraft are capitalised as separate items and depreciated over the expected useful life, which in the case of leased aircraft cannot exceed the lease period. Replaced components are derecognised from the balance sheet. Rotable items are capitalised and depreciated during their expected useful life.

Advance payments for aircraft are recorded as tangible assets. Interest costs related to advance payments are capitalised as acquisition cost for the period at which Finnair is financing the manufacturing of the aircraft. Fair value changes of derivatives used in hedging of currency exchange rate risk related to firm commitments of aircraft purchases are recognised in advane payments. Advance payments, realized fx hedges and capitalised interests are recognised as a part of the aircraft acquisition cost once the aircraft is delivered and put to commercial use.

Depreciation of tangible assets is based on the following expected economic lifetimes:

Aircraft and engines (aircraft) as well as flight simulators (other equipment) on a straight line basis as follows

- Airbus A350 fleet, over 20 years to a residual value of 10%
- Airbus A320 and Embraer fleet, over 20 years to a residual value of 10%
- Airbus A330 fleet, over 18 years to a residual value of 10%
- Airbus A340 fleet, over 15 years to a residual value of 10%
- Turboprop aircraft (ATR fleet) over 12 years to a residual value of 10%

Heavy maintenance of aircraft frames and performance maintenance and life limited parts of the engines, on a straight line basis during the maintenance period

Rotable items over 15-20 years to a residual value of 10%

Buildings over 50 years from time of acquisition to a residual value of 10% or 3-7% of the diminishing balances

Other tangible assets, over 3-15 years or 23% of the diminishing balances

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

Gains and losses on disposal of tangible assets is included in the non-recurring items.

Impairment

On every closing date the Group reviews individual tangible asset items for any indication of impairment losses. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the recoverable amount.

The recoverable amount is defined for cash generating unit and need for impairment is evaluated on the cash generating unit level. The recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. The value in use is based on the expected discounted future net cash flows obtainable from the asset or cash-generating unit.

Impairment testing

The recoverable amounts of cash generating units have been determined in calculations based either on the value in use or on the sale price less the expenses of the sale. The preparation of these calculations requires the use of estimates. Estimates are based on budgets and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the USD/EUR and JPY/EUR exchange rates, unit revenue, estimated sales volumes and jet fuel price.

- = Content of the section
- = Accounting principles
- = Critical accounting estimates

Tangible assets 2015

EUR mill.	Aircraft	Buildings and land	Other equipment	Advances	Total
Acquisition cost 1 Jan 2015	1 620 2	138 5	72 4	66 4	1 897 5
Additions	248.7	17 4	1 7	91 3	359 1
Disposals	264 3	113 3	35 5		-413 1
Currency hedging of aircraft acquisitions				14 7	-14 7
Reclassifications	57 1		11 7	62 4	6 4
Transfer to assets held for sale	311 3	16 7			-328 0
Acquisition cost 31 Dec 2015	**1,350.3**	**25.9**	**50.4**	**80.6**	**1,507 1**
Accumulated depreciation and impairment 1 Jan 2015	-842 6	-108 4	-48.8		-999 7
Disposals	110 1	102 7	32 0		244 8
Depreciation for the financial year	-94 2	3 6	2 5	-3 1	-103 5
Depreciation in non recurring items	31 2	-9 2	-0 1		-40 4
Reclassifications			2 3		-2 3
Transfer to assets held for sale	190 3	15 2			205 5
Accumulated depreciation and impairment 31 Dec 2015	**-667 5**	**-3 3**	**-21.7**	**-3 1**	**-695.6**
Book value 31 Dec 2015	**682.8**	**22.6**	**28.7**	**77.5**	**811.6**

The carrying value of rotable parts included in aircraft is 15 1 million euros (13 2) In addition, inventories include non-rotable aircraft parts of 10 1 million euros (13 1)

The value of aircraft that have been pledged as a security for external loans amount to 250 0 million euros (314 8)

Currency hedging of aircraft acquisitions are described in Notes 3 5 Management of financial risks and 3 8 Derivatives

Tangible assets 2014

EUR mill	Aircraft	Buildings and land	Other equipment	Advances	Total
Acquisition cost 1 Jan 2014	2,052 2	148 8	75 7	66 0	2 342 7
Additions	56 2		1 0	86 3	143 4
Disposals	361 3		5 5		-366 8
Currency hedging of aircraft acquisitions				64 1	-64 1
Reclassifications	19 7		1 2	-21 8	-0 9
Transfer to assets held for sale	-146 6	10 3			-156 9
Acquisition cost 31 Dec 2014	**1,620 2**	**138.5**	**72.4**	**66.4**	**1,897.5**
Accumulated depreciation and impairment 1 Jan 2014	-888 0	-112 3	-49 8		-1 050 1
Disposals	132 9		5 4		138 3
Depreciation for the financial year	-123 2	1 2	4 1		128 6
Depreciation in non-recurring items	-1 2		-0 2		1 4
Transfer to assets held for sale	37 0	5 2			42 1
Accumulated depreciation and impairment 31 Dec 2014	**-842.6**	**-108.4**	**-48.8**		**-999 7**
Book value 31 Dec 2014	**777 6**	**30.1**	**23.6**	**66.4**	**897.8**

Capitalised borrowing costs

	Aircraft		Advances		Total	
EUR mill	2015	2014	2015	2014	2015	2014
Book value 1 Jan			1 9		1 9	
Additions	2 2		5 0	1 9	7 1	1 9
Disposals	-1 9				1 9	
Reclassifications	0 8		-0 8		0 0	
Book value 31 Dec	**1.0**		**6.1**	**1 9**	**7 1**	**1.9**

In 2015, borrowing costs of 7 1 million euros (1 9) were capitalised in tangible assets related to the Airbus A350 investment program The interest rate used was 5 0 per cent, which represents the costs of the loan used to finance the investment Capitalised borrowing costs on aircraft is not yet depreciated, because the A350 aircraft and spare engine were received at the end of financial year Disposals are related to the sale and leasebacks of two A350 aircraft

Impairment test

The impairment test of the aircraft based on the fair value has been done on the closing date It did not cause any need for impairment The test based on the fair value is sensitive to exchange rate EUR/USD and the weakening of the USD decreases the fair value of aircraft The fair value of aircraft would still be higher than the carrying value, if the USD would weaken by 10 per cent.

2.2 Leasing arrangements

A The Group as the lessee

Lease agreements of tangible assets where a substantial part of the risks and rewards of ownership are transferred to the Group are classified as finance leases Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments A corresponding sum is recognised as a finance lease liability The lease payments are allocated between finance expenses and the reduction of the outstanding liability The corresponding rental obligations, net of finance charges, are included in the long term or short term interest bearing liabilities. Asset items acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Lease agreements, where the lessor retains a substantial part of the risks and rewards, are classified as operating leases Payments under operating leases are charged to the income statement over the lease term to lease payments for aircraft (not included in operational EBITDAR) or to other rents for facilities, purchased traffic and temporary aircraft leases

The Group as the lessor

The agreements, where the Group is the lessor are accounted for as operating leases, when a substantial part of the risks and rewards of ownership are not transferred to the lessee The assets are included in the tangible assets and they are depreciated during their useful life Depreciation is calculated using the same principles as the tangible assets for own use Under the provisions of certain aircraft lease agreements the lessee is required to pay a periodic maintenance reserve which accumulate funds for aircraft maintenance Advances received for maintenance are recognised as liability which is charged when maintenance is done

The rents for premises are recognised in the income statement as other operating income over the lease term and the rents for aircraft as revenue

Sale and leaseback transactions

If the sale and leaseback transaction is resulting in a finance lease agreement, the difference between the selling price and the carrying amount of the asset sold is deferred and amortised over the lease period If the sale and leaseback transaction is resulting in an operating lease agreement, the difference between the selling price and the carrying amount of the asset sold is recognised in the income statement when the selling price is based on fair value Otherwise the sales gain or loss is deferred and amortised over the lease period A

A = Accounting principles

Critical accounting estimates and sources of uncertainty

The classification of lease arrangements in the Group's Airline Business to financial and other leases requires management discretion in interpretation and application of accounting standards. Where the management has made a judgement that risks and rewards of ownership belong to the Group, the lease is treated as a financial lease, otherwise as other lease.

Finance lease arrangements

EUR mill	Buildings	Aircraft	Other equipment	Total
Acquisition cost	4.2	197.2	8.4	209.8
Additions			0.7	0.7
Disposals	-3.6		-0.6	-4.2
Accumulated depreciation	-0.5	-68.0	-4.7	-73.3
Book value 31 Dec 2015	**0.0**	**129.2**	**3.8**	**133.0**
Acquisition cost	4.2	197.2	8.4	209.8
Accumulated depreciation	-0.4	-57.9	-4.1	62.5
Book value 31 Dec 2014	**3.7**	**139.3**	**4.3**	**147.3**

Facilities in Kiinteistö Oy Lentäjäntie 1 under finance lease arrangement were reclassified as operating lease arrangement in 2015.

Finance lease liabilities

	Minimum lease payments		Future financial expenses		Present value of minimum lease payments	
EUR mill	2015	2014	2015	2014	2015	2014
less than a year	17.5	17.5	1.3	2.1	16.2	15.4
1-5 years	68.8	70.3	3.1	6.0	65.7	64.3
more than 5 years	24.1	49.5	0.2	8.3	23.8	41.2
Total	**110.3**	**137.4**	**4.6**	**16.4**	**105.7**	**121.0**

Finance lease liabilities mainly include three Airbus A330 aircraft, whose minimum lease payments are 106.2 million euros (119.5), future financial expenses 4.5 million euros (7.1) and present value of minimum lease payments 101.7 million euros (112.5). In addition, liability includes finance lease agreements of ground transportation equipment, and at the end of 2014 also in Kiinteistö Oy Lentäjäntie 1.

Other lease arrangements

Minimum lease payments for irrevocable lease agreements, the Group as lessee

	Aircraft		Premises and land		Other equipment	
EUR mill	2015	2014	2015	2014	2015	2014
less than a year	128.6	89.5	24.5	20.2	5.5	6.3
1-5 years	426.5	253.6	80.3	75.4	11.1	2.6
more than 5 years	485.2	292.7	183.7	141.8		
Total	**1,040.3**	**635.8**	**288.6**	**237.5**	**16.6**	**8.9**

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have *different levels of renewal and other index-linked terms and conditions. The Group has leased 37 aircraft on* leases of different lengths. Rental payments of aircraft have increased mainly because of the sale and leaseback of Embraer E190, ATR 72 and Airbus A350 aircraft.

Minimum lease payments for irrevocable lease agreements, the Group as lessor

	Aircraft		Premises	
EUR mill	2015	2014	2015	2014
less than a year	38.9	52.5	5.2	5.2
1-5 years	33.9	87.3	20.9	22.0
more than 5 years		0.2	37.1	43.6
Total	**72.8**	**140.0**	**63.2**	**70.8**

The Group has leased premises as well as aircraft with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 30 aircraft on leases of different lengths. Irrevocable aircraft lease agreements have decreased due to terminating lease agreements of E170 aircraft at the beginning of 2016.

2.3 Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and impairment loss if applicable.

Intangible assets in Finnair at the end of 2015 amounted to 9.5 million euros (18.4) and the depreciations and impairments recognised in 2015 amounted to 4.6 million euros (5.7). Intangible assets mainly include computer software amounting to 6.2 million euros (8.9), and they are depreciated over useful life of 3–8 years. Other intangible assets mainly include connection fees which are not depreciated. The goodwill included in intangible assets amounts to 1.2 million euros (1.2) and based on impairment testing there was no indication of impairment at the end of 2015.

E = Critical accounting estimates
A = Accounting principles

3 Capital structure and financing costs

3.1 Financial income and expenses

The notes related to financial assets liabilities and equity have been gathered into the capital structure and financing costs-section in order to give a better overview of the Group's financial position. Note Earnings per share has been added to the equity section.

Interest income and expenses

Interest income and expenses are recognised on a time-proportion basis using the effective interest method Interest expenses related to financing of significant investments are capitalised as part of the asset acquisition cost and depreciated over the useful life of the asset

More detailed information about financial assets can be found in Note 3.2 and about interest bearing liabilities in Note 3 3.

EUR mill	2015	2014
Interest income from financial assets classified as held for trading	1 2	2 6
Other financial income	0 0	0 9
Financial income total	**1.3**	**3.5**
Interest expenses for financial liabilities valued at amortised acquisition cost	-1 3	9 0
Interest on finance leases	2 0	2 5
Exchange gains and losses	-4 2	-0 6
Other financial expenses	-2 3	-14 8
Interest rate swaps fair value hedges	5 2	5 8
Fair value adjustment to bond book value attributable to interest rate risk	-5 2	5 8
Financial expenses total	**-9.7**	**-26.9**
Financial expenses, net	**-8.4**	**-23 4**

In the effectiveness testing of the Group's hedge accounting, both cash flow and fair value hedging were found to be efficient Thus, as in the comparison year 2014, no inefficiency is included in the financial items for 2015 Financial income includes an identical amount of profit and loss for fair value hedging instruments and for hedging items resulting from the hedged risk

In 2015, the exchange gains and losses recognised in financial expenses consist of net realised exchange losses of 3 2 million euro and unrealised net exchange losses of 1 9 million euros During the year 2015, 7 1 million euros of interest was capitalised regarding the A350 investment program (1 9) Other financial expenses in 2014 include a write down of 10 8 million euros subordinated loan (including interest) given to the Nordic Regional Airlines group More information about Nordic Regional Airlines can be found in Notes 4 5 Investments in associates and joint ventures and 4 6 Related party transactions, and about capitalised interest in Note 2.1 Tangible assets

3 2 Financial assets

Financial assets

In the Group, financial assets have been classified into the following categories according to the IAS 39 standard "Financial Instruments Recognition and Measurement" financial assets at fair value through profit and loss (assets held for trading) held-to-maturity investments, loans and other receivables as well as available-for sale financial assets The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition All purchases and sales of financial assets are recognised on the trade date

The financial asset category recognised at fair value through profit and loss includes assets held for trading purposes and assets measured at fair value through profit and loss on initial recognition. Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short term changes in market prices. All those derivatives that do not fulfil the conditions for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are valued at fair value in each financial statement Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise Financial assets at fair value through profit and loss as well as those maturing within 12 months are included in current assets

In Finnair Group, unquoted shares are valued at their acquisition price in the absence of a reliable fair value

Loan receivables and other receivables are recognised at amortised cost using the effective interest method. Loans and other receivables include trade receivables, deferred charges, other long-term receivables and security deposits for aircraft operational lease agreements.

Derecognition of financial assets takes place when the Group has lost its contractual right to receive cash flows or when it has substantially transferred the risks and rewards outside the Group

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event") and that loss event (or events) has a reliably estimated impact on the estimated future cash flows of the financial asset or group of financial assets

When a receivable is impaired the Group reduces the carrying amount to its recoverable amount. The recoverable amount is the estimated future cash flow discounted at the original effective interest of the instrument. From there on the reversal of the discount effect is booked as interest income. The loss is recognised in profit and loss. Interest income on impaired loans is recognised using the original effective interest rate

Cash and cash equivalents

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

- Content of the section
- Accounting principles

3 2 1 Other current financial assets

EUR mill	2015	2014
Commercial papers certificates and bonds	382 6	287 9
Money market funds	35 7	35 5
Deposits maturing in more than 3 months	9 4	9 4
Total	**427.7**	**332.8**
Ratings of counterparties		
Better than A	12 4	26 6
A	170 9	134 0
BBB	129 5	49 0
BB	5 0	10 0
Unrated	109 9	113 3
Total	**427 7**	**332.8**

The Group's financial asset investments and risk management policy are described in more detail in Note 3 5 Management of financial risks The IFRS classifications and fair values of financial assets are presented in Note 3 6 Classification of financial assets and liabilities

3 2.2 Cash and cash equivalents

EUR mill	2015	2014
Cash and bank deposits	270 5	63 1
Deposits maturing in less than 3 months	10 1	30 2
Total	**280.5**	**93.4**

The items include cash and bank deposits realised on demand Foreign currency cash and bank deposits have been valued using the closing date mid-market exchange rates The reconciliation of cash and cash equivalents is illustrated in the notes of the consolidated cash flow statement

3.3 Financial liabilities

A Financial liabilities

Financial liabilities are initially recognised at fair value on the basis of the original consideration received Transaction costs have been included in the original book value of the financial liabilities. Thereafter all non-derivative financial liabilities are valued at amortised cost using the effective interest method Financial liabilities are included in long- and short term liabilities and they can be interest bearing or non interest-bearing Loans that are due for payment within 12 months are presented in the short-term liabilities

Foreign currency loans are valued at the mid market exchange rate on the closing date and translation differences are recognised in the financial items

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method

Derecognition of financial liabilities takes place when the Group has fulfilled the contractual obligations A

Non-current liabilities

EUR mill	2015	2014
Bank loans	26 3	76 8
Bonds	155 2	155 3
Finance lease liabilities	89 6	105 6
Interest-bearing liabilities total	**271.0**	**337 7**
Non-interest-bearing liabilities	15 8	22 1
Total	**286 8**	**359 8**

Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines

Current interest-bearing liabilities

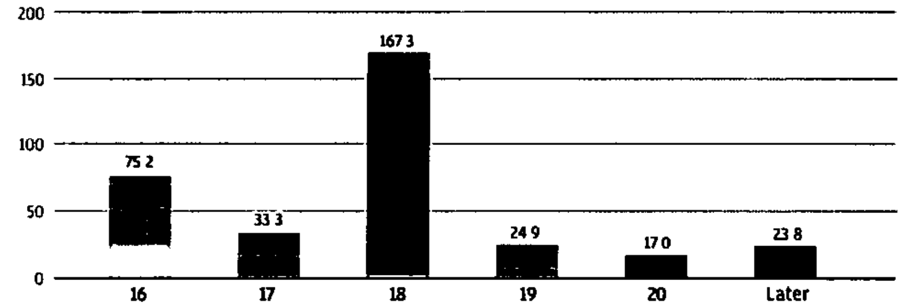
EUR mill	2015	2014
Bank loans	51 9	39 7
Commercial papers	0 0	28 0
Finance lease liabilities	16 2	15 4
Other loans	7 1	6 8
Total	**75.2**	**89 9**

A = Accounting principles

Maturity dates of interest-bearing financial liabilities 31 Dec 2015 EUR mill	2016	2017	2018	2019	2020	Later	Total
Bank loans fixed interest	23 8	0 0	0 0	0 0	0 0	0.0	23 8
Bank loans variable interest	28 2	17 2	1 2	8 3	0 0	0 0	54 9
Bonds	0 0	0 0	150 0	0 0	0 0	0 0	150 0
Commercial papers	0 0	0 0	0.0	0 0	0 0	0 0	0 0
Finance lease liabilities	16 2	16 1	16.1	16 6	17 0	23 8	105 7
Other loans	7 1	0 0	0 0	0 0	0 0	0 0	7 1
Interest-bearing financial liabilities total	**75.2**	**33.3**	**167.3**	**24.9**	**17.0**	**23.8**	**341.5**
Payments from currency derivatives	1 022 0	431 3	0 0	0 0	0 0	0 0	1 453 3
Income from currency derivatives	-1 098 5	-501 5	0 0	0 0	0 0	0 0	-1 600 0
Commodity derivatives	147 6	23.4	0 1	0 0	0.0	0 0	171 1
Interest rate derivatives	0 0	0 2	5 2	0 0	0 0	0 0	5 0
Equity derivatives	0 0	0 0	0 0	4 1	0 0	0 0	-4 1
Trade payables and other liabilities	872 8	0 0	0 0	0 0	0 0	0 0	872 8
Interest payments	6 2	5 7	5 6	0 1	0 0	0 0	17 5
Total	**1,025 2**	**-7.6**	**167.8**	**20.8**	**17.0**	**23.8**	**1,247.0**

Maturity dates of interest-bearing financial liabilities

€ million



Maturity dates of interest-bearing financial liabilities 31 Dec 2014 EUR mill	2015	2016	2017	2018	2019	Later	Total
Bank loans fixed interest	23 5	23 8	0 0	0 0	0 0	0 0	47 3
Bank loans variable interest	16 2	15 2	12 7	10 3	14 8	0 0	69 2
Bonds	0 0	0 0	0 0	150 0	0 0	0 0	150 0
Commercial papers	28 0	0 0	0 0	0 0	0 0	0 0	28 0
Finance lease liabilities	15 4	15 3	15 9	16 4	16 7	41 2	121 0
Other loans	6 8	0 0	0 0	0 0	0 0	0 0	6 8
Interest-bearing financial liabilities total	**89.9**	**54.3**	**28.6**	**176.7**	**31.5**	**41.2**	**422.2**
Payments from currency derivatives	914 9	291 5	214 4	0 0	0 0	0 0	1 420 8
Income from currency derivatives	1 010 4	-323 2	-247 1	0 0	0 0	0 0	-1 580 7
Commodity derivatives	152 2	38.2	0 0	0 0	0 0	0 0	190 4
Interest rate derivatives	2 5	0 0	0 6	5 8	0 0	0 0	-2 7
Equity derivatives	0 0	0 0	0 0	0 0	-0 6	0 0	0 6
Trade payables and other liabilities	600 8	0 0	0 0	0 0	0 0	0 0	600 8
Interest payments	9 4	6 8	6 1	6 1	0 1	0 0	28 5
Total	**759.4**	**67 5**	**2.7**	**176 9**	**31.0**	**41.2**	**1,078.7**

Part of the loans are secured by bank guarantees Bank loan repayments include 23 8 million euros secured debt payments in the year 2016. Bank loans include a long-term currency and interest rate swap that hedges one loan The interest rate re-fixing period for variable interest loans is three or six months The fixed interest bond maturing in 2018 does not include the 5 2 million euros market value of the interest rate swap Additionally, the bond does not include the amortised cost of 0 4 million euro which was paid in 2013 Therefore, the total amount of intc.rest-bcaring financial liabilities differs from the book value by the amount equal to the market value of the interest rate swap and the amortised cost The minimum lease payments, discount values and present values of finance lease liabilities are presented in Note 2 2 Leasing arrangements

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

EUR mill.	2015	2014
EUR	328 2	407 3
USD	18 1	20 2
Total	**346 3**	**427 6**

The weighted average effective interest rate on interest-bearing long-term liabilities was 3 4 % (3 3)

Interest rate re-fixing period of interest-bearing liabilities

	2015	2014
Up to 6 months	93 1%	87 7%
6-12 months	0 0%	0 0%
1-5 years	6 9%	11 3%
More than 5 years	0 0%	1 0%
Total	**100.0%**	**100 0%**

3.4 Contingent liabilities

EUR mill	2015	2014
Other pledges given on own behalf	160 1	181 1
Guarantees on behalf of group companies	67 0	72 8
Guarantees on behalf of others	0 1	2 2
Total	**227.2**	**256.1**

3 5 Management of financial risks

Principles of financial risk management

The nature of Finnair Group's business operations exposes the company to a variety of financial risks foreign exchange, interest rate, credit and liquidity, and commodity price risks The Groups policy is to limit the uncertainty caused by such risks on cash flow, financial performance and equity

The management of financial risks is based on the risk management policy approved by the Board of Directors The policy specifies the minimum and maximum levels permitted for each type of risk Financial risk management is directed and supervised by the Financial Risk Steering Group Practical implementation of risk management policy and risk management have been centralised to the parent company's finance department

In the risk management of foreign exchange, interest rate, jet fuel positions, and electricity price risk, the company uses different derivative instruments, such as forward contracts, swaps and options At inception, derivatives are designated as hedges for future cash flows (cash flow hedges), hedges for firm orders (hedges of the fair value of firm commitments) or as financial derivatives not qualifying for hedge accounting (economic hedges) In terms of the hedging of future cash flows (cash flow hedging), Finnair Group implements foreign exchange hedging of lease payments, interest rate hedging of the issued bond (fair value hedging), hedging of the jet fuel price and foreign exchange risks and hedging of the electricity price risk and as hedges of the fair value of firm commitment aircraft purchases, in accordance with the hedge accounting principles of IAS 39

Fuel price risk in flight operations

Fuel price risk means the cash flow and financial performance uncertainty arising from fuel price fluctuations

Finnair hedges against jet fuel price fluctuations using jet fuel forward contracts and options As the underlying asset of jet fuel derivatives, the Jet Fuel CIF Cargoes NWE index is used, as over 60 per cent of Finnair's fuel purchase contracts are based on the benchmark price index for North and West Europe jet fuel deliveries

Finnair applies the principle of time-diversification in its fuel hedging According to the risk management policy, the hedging horizon is two years The risk management policy states that hedging must be increased during each quarter of the year so that the hedge ratio for Finnair s Scheduled Passenger Traffic is more than 60 per cent for the first six months and thereafter, a lower hedge ratio applies for each period By allocating the hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the fuel cost rises more slowly

In terms of accounting, Finnair recognises jet fuel hedges in two different ways The hedges of the first approximately 40 percentage points of consumption per period are treated as cash-flow hedges in accounting, in accordance with the hedge accounting principles of IAS 39 Changes in the fair value of derivatives defined as cash-flow hedges, in accordance with IAS 39, are posted directly in the fair value reserve in equity The change in fair value recognised in the hedging reserve in equity is reversed into the income statement at the same time as the hedged transaction is realised Changes in the fair value of hedges excluded from hedge accounting – which do not fulfil the hedge accounting criteria of IAS 39 – are recognised in the fair value changes in derivatives over the tenor time of the derivative

At the end of the financial year, Finnair had hedged 67 per cent of its fuel purchases for the first six months of 2016 and 53 per cent of the purchases for the second half of the year In the financial year 2015, fuel used in flight operations accounted for approximately one fourth compared to the Groups revenue At the end of the financial year, the forecast for 2016 is approximately one fifth compared to the Group's revenue On the closing date, a 10 per cent rise in the market price of jet fuel – excluding hedging activity calculated using Scheduled Passenger Traffic's forecasted flights – increases annual fuel costs by an estimated 32 million euros On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 14 million euros The situation as of 31 December 2015 represents the mean of a calendar year

Foreign exchange risk

Foreign exchange risk means the uncertainty in cash flows and financial performance arising from exchange rate fluctuations

Finnair Group's foreign exchange risk mainly arises from fuel and aircraft purchases, aircraft lease payments and foreign currency sales revenue Somewhat less than 60 per cent of the Group's revenue is denominated in euros The most important foreign sales currencies are Japanese yen (8 per cent, percentage of revenue), Chinese yuan (7 per cent, Swedish krona (5 per cent) and US dollar (3 per cent) Approximately half of the Group s operating costs are denominated in foreign currencies The most important purchasing currency is US dollar, which accounts for somewhat over 40 per cent of all operating costs Significant dollar-denominated expenses are fuel costs and aircraft lease payments The largest investments – aircraft and their spare parts – also mainly take place in US dollars

The risk management policy divides the foreign exchange position into two parts, a profit and loss position and an investment position

The profit and loss position mainly consists of dollar-denominated expenses and revenue in a number of different currencies The purpose of currency risk hedging – for P&L exposure – is to cut the volatility of cash flows and operating income due to fluctuating currency prices This is done using a layered hedging strategy for the two biggest currencies and utilising diversification benefits of the portfolio of various currencies The hedging limits are set only for the main contributors of currency risk the US dollar and the Japanese yen For these two currencies, the hedging horizon is two years, which is divided into four six-month periods In order to achieve time diversification, the minimum hedge ratio for the closest six-month period is 60 per cent with a decreasing slope ending at zero per cent for the fourth six-month period Even though the policy does not require hedging of smaller currency flows, it is allowed, in which case the layered hedging strategy is partially applied although no minimum hedging ratio is required

The investment position includes all foreign exchange denominated aircraft investments for which a binding procurement contract has been signed According to the risk management policy, at least half of the investments recognised in the balance sheet must be hedged after the signing of a firm order New hedges in the investment position will be made as an IAS 39 fair value hedge of a firm commitment

At the end of the financial year, Finnair had a hedge ratio of 81 per cent in the USD-basket and 67 per cent in JPY for the coming 12 months On the closing date – excluding hedges – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the annual result of around 56 million euros and a 10 per cent weakening of the Japanese yen against the euro has a negative impact on the annual result of around 18 million euros On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 10 million euros and a 10 per cent weakening of the Japanese yen weakens the result by around 9 million euros In the above numbers, the USD-basket risk also includes the Chinese yuan and the Hong Kong dollar, whose historical correlation with the dollar is high The situation as of 31 December 2015 well represents the mean of a calendar year

Interest rate risk

Interest rate risk means the cash flow and financial performance uncertainty arising from interest rate fluctuations

In Finnair Group the interest rate risk is measured using the interest rate re-fixing period If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period According to the risk management policy, the mandate for the investment portfolio's interest rate re-fixing period is 0–12 months and for interest bearing liabilities 0–24 months On the closing date the investment portfolio's interest rate re-fixing period was approximately 4 months and approximately 3 months for interest-bearing liabilities On the closing date, a one percentage point rise in interest rates increases the annual interest income of the investment portfolio by approximately 2 9 million euros and the interest expenses of the loan portfolio by approximately 2 6 million euros The situation as of December 31 well represents the mean of a calendar year

Borrowings issued at fixed rates expose the group to fair value interest rate risk The group is applying hedge accounting (fair value hedge) in order to hedge the fair value interest rate risk of its 150 million euro fixed rate unsecured bond issued in August 2013

Future lease agreements expose the group to interest rate risk, as the interest rate is one component of the lease price The interest rate is fixed when the lease payments start If necessary, the group can hedge this exposure with cash flow hedges

Credit risk

The Group is exposed to counterparty risk when investing its cash reserves and when using derivative instruments. The credit risk is managed by only making contracts with financially sound domestic and foreign banks, financial institutions and brokers, within the framework of risk management policy of counterparty risk limits. Liquid assets are also invested in bonds and commercial papers issued by conservatively selected companies, according to company-specific limits. This way, the risks towards single counterparties are not significant. Change in the fair value of Group loans rise from changes in FX and interest rates, not from credit risk. The Groups' maximum exposure to credit risk is other financial assets are presented in Note 3.2.1 Other current financial assets, cash and cash equivalents presented in Note 3.2.2 and trade receivables presented in Note 1.2.3

Liquidity risk

The goal of Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. With respect to aircraft acquisitions, the company policy is to secure financing, for example through committed loans, at a minimum of four months prior to delivery. Counterparties of Groups' long term loans are solid financial institutions with good reputation.

The Group's liquid assets were 708.2 million euros at the end of financial year 2015. Finnair Plc has a domestic commercial paper program of 200 million euros, which was not in use on the closing date. In addition, Finnair has a 180 million euros committed credit facility unused. The credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175 per cent, while at the closing date the figure was 45.8 per cent. The maximum level set by the Board of Directors is 175 per cent.

Capital management

The aim of the Group's capital management is, with the aid of an optimum capital structure, to support business operations by ensuring normal operating conditions and to increase shareholder value with the best possible return being the goal. An optimal capital structure also ensures lower capital costs. The capital structure is influenced via, for example, dividend distribution, share issues, and other equity-like capital transactions. The Group can vary and adjust the level of dividends paid to shareholders, the amount of capital returned to them or the number of new shares issued. The Group can also decide on sales of asset items in order to reduce debt. Respectively, Finnair can decide on payments of interest and capital of the hybrid bond. The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as dividend during an economic cycle.

The development of the Group's capital structure is continuously monitored using the adjusted gearing. When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity. The Group's adjusted gearing at the end of 2015 was 45.8 per cent (107.5).

Sensitivity analysis of the fair value reserve

If the price of Jet fuel CIF NWE had been 10 per cent higher, the balance of the reserve would have been 21.2 million euros (26.7) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 21.2 million euros (26.7). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 50.3 million euros (53.2) and a 10 per cent stronger dollar would have had a positive impact of 50.3 million euros (53.2). Electricity price hedging was ineffective at the end of the year 2015, thus their valuation would have had no impact to the balance of the fair value reserve (0.0). The effect of change in interests to the fair value reserve in own equity is not essential. The enclosed sensitivity figures do not take into account any change in deferred tax liability (tax assets).

3.6 Classification of financial assets and liabilities

EUR mill	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at amortised cost	Book value
31 Dec 2015						
Financial assets						
Receivables			0.4	8.3		8.7
Other financial assets		418.3		9.4		427.7
Trade receivables and other receivables				208.5		208.5
Derivatives	134.2	21.5				155.7
Cash and cash equivalents				280.5		280.5
Book value total	**134.2**	**439.8**	**0.4**	**506.7**		**1,081.1**
Fair value total	**134.2**	**439.8**	**0.4**	**506.7**		**1,081.1**
Financial liabilities						
Interest bearing liabilities					240.5	240.5
Finance lease liabilities					105.7	105.7
Derivatives	143.4	37.2				180.6
Trade payables and other liabilities				15.8	682.0	697.8
Book value total	**143.4**	**37.2**		**15.8**	**1,028.3**	**1,224.6**
Fair value total	**143.4**	**37.2**		**15.8**	**1,028.3**	**1,224.7**

In this note interest rate derivatives (currency and interest-rate swaps) are included in derivatives. In other notes they are included in bank loans. The item other financial assets mainly includes USD denominated security deposits for leased aircraft. Trade payables and other liabilities include trade payables, deferred expenses, pension obligations as well non-interest-bearing liabilities.

Derivatives are valued at fair value, with further details in the fair value hierarchy. Financial assets valued at fair value are money market funds (fair value hierarchy level 1) and bonds, or commercial papers (fair value hierarchy level 2). Loans and receivables are mainly current and the book value is equivalent to the fair value, because the discount effect is not significant. The current portions of loans valued at amortised cost is 75 million euro and the book value is equivalent to the fair value, because the discount effect is not significant. The issued bond makes the most significant part of the non-current loans valued at amortised cost. The bond was quoted at 103.5 per cent as per 31 December 2015, which explains the difference between book value and fair value. The valuation principles of financial assets and liabilities are outlined in the accounting principles.

EUR mill	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at amortised cost	Book value
31 Dec 2014						
Financial assets						
Receivables			0.4	8.7		9.2
Other financial assets		323.4		9.4		332.8
Trade receivables and other receivables				194.0		194.0
Derivatives	126.1	37.6				163.7
Cash and cash equivalents				93.4		93.4
Book value total	**126.1**	**361.0**	**0.4**	**305.6**		**793.0**
Fair value total	**126.1**	**361.0**	**0.4**	**305.6**		**793.0**
Financial liabilities						
Interest bearing liabilities					306.6	306.6
Finance lease liabilities					121.0	121.0
Derivatives	147.2	51.9				199.1
Trade payables and other liabilities				22.1	600.8	623.0
Book value total	**147.2**	**51.9**		**22.1**	**1,028.4**	**1,249.7**
Fair value total	**147.2**	**51.9**		**22.1**	**1,028.8**	**1,250.1**

Fair value hierarchy of financial assets and liabilities valued at fair value

Fair values at the end of the reporting period

EUR mill.	31 Dec 2015	Level 1	Level 2
Assets			
Financial assets at fair value through profit and loss			
Securities held for trading	418.3	35.7	382.6
Derivatives held for trading			
Interest rate swaps	5.2		5.2
- of which in fair value hedge accounting	5.2		5.2
Currency derivatives	144.2		144.2
- of which in fair value hedge accounting	81.3		81.3
- of which in cash flow hedge accounting	42.0		42.0
Commodity derivatives	0.6		0.6
Equity derivatives	5.6		5.6
of which in fair value hedge accounting	5.6		5.6
Total	**574.0**	**35.7**	**538.3**
Liabilities			
Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Interest rate swaps	0.3		0.3
- of which in fair value hedge accounting	0.1		0.1
Currency derivatives	7.3		7.3
- of which in fair value hedge accounting	0.4		0.4
- of which in cash flow hedge accounting	0.8		0.8
Commodity derivatives	171.6		171.6
of which in cash flow hedge accounting	140.8		140.8
Equity derivatives	1.4		1.4
of which in fair value hedge accounting	1.4		1.4
Total	**180.6**		**180.6**

During the financial year, no significant transfers took place between fair value hierarchy Levels 1 and 2.

The fair values of hierarchy Level 1 are fully based on quoted (unadjusted) prices in active markets of the same assets and liabilities.

The fair values of Level 2 instruments are, to a significant extent, based on input data other than the quoted prices included in Level 1, but still mainly based on directly observable data (price) or indirectly observable data (derived from price) for the particular 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 particular item. The significance of the input data has been assessed in its entirety in relation to the particular item valued at fair value.

3.7 Offsetting financial assets and liabilities

EUR mill	2015	2014
Derivative assets gross amounts	155.8	163.7
Gross amounts of recognised financial liabilities set off in the balance sheet	0.0	0.0
Net amounts of financial assets presented in the balance sheet	**155.8**	**163.7**
Enforceable master netting agreement	61.6	63.5
Derivative assets net amount	**94.2**	**100.2**
Derivative liabilities gross amounts	180.7	199.1
Gross amounts of recognised financial assets set off in the balance sheet	0.0	0.0
Net amounts of financial liabilities presented in the balance sheet	**180.7**	**199.1**
Enforceable master netting agreement	-61.6	-63.5
Derivative liabilities net amount	**119.1**	**135.6**

For the above financial assets and liabilities, subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows net settlement of the relevant financial assets and liabilities when both parties choose to settle on a net basis. In the absence of such mutual decision, financial assets and liabilities will be settled on a gross basis. However, each party of the master netting agreement, or similar agreement, will have the option to settle on a net basis in the event of default of the other party. Depending on the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment), if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party, or bankruptcy.

3.8 Derivatives

A Derivative contracts and hedge accounting

According to its risk management policy Finnair Group uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from the Group's balance sheet items, currency denominated purchase agreements, anticipated currency denominated purchases and sales as well as future jet fuel purchases.

The derivatives are initially recognised at original acquisition cost (fair value) in the balance sheet and thereafter subsequently valued at fair value in each financial statement and interim report. The fair values of the derivatives are based on the value, at which the instrument could be exchanged between knowledgeable, willing and independent parties, with no compulsion to sell or buy in the sales situation. The fair values of derivatives are determined as follows.

The fair values of all derivatives are calculated using the exchange rates, interest rates, volatilities and commodity price quotations on the closing date. The fair values of currency forward contracts are calculated as the present value of future cash flows. The fair values of currency options are calculated using generally accepted option valuation models. The fair values of interest rate swap contracts are calculated as the present value of future cash flows. The fair values of interest rate and currency swap contracts are calculated as the present value of future cash flows. The fair values of interest rate options are calculated using generally accepted option valuation models. The fair values of commodity forward contracts are calculated as the present value of future cash flows. The fair values of commodity options are calculated using generally accepted option valuation models.

Gains and losses arising from changes in the fair value are presented in the financial statements according to the original classification of the derivative. Gains and losses on derivatives qualifying for hedge accounting are recognised in accordance with the underlying asset being hedged. At inception, derivative contracts are designated as future cash flows hedges, hedges of binding purchase contracts (cash flow hedges or fair value hedges) or as derivatives not meeting the hedge accounting criteria or to which hedge accounting is not applied (economic hedges). Hedging of the fair value of net investments of foreign units or embedded derivatives have not been used.

At the inception of hedge accounting, Finnair Group documents the relationship between the hedged item and the hedging instrument, as well as the Group's risk management objectives and the strategy for the inception of hedging. At the inception of hedging, and at least at the time of each financial statement, the Group documents and assesses the effectiveness of hedge relationships by examining the capacity of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet item short-term financial asset and liabilities.

Finnair Group implements the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). The principles are applied to the price and foreign currency risk of jet fuel, the price risk of electricity, the foreign currency and interest rate risk of aircraft lease payments and aircraft purchases.

The change in the fair value of the effective portion of derivative instruments that fulfil the terms of cash flow hedging are directly recognised in the fair value reserve of other comprehensive income, to the extent that the requirements for the application of hedge accounting have been fulfilled. The gains and losses, recognised in fair value reserve, are transferred to the income statement in the period in which the hedged item is recognised in the income statement. When an instrument acquired for the hedging of cash flow matures or is sold, or when the criteria for hedge accounting are no longer fulfilled, the gain or loss accrued from hedging instruments remains in equity until the forecast transaction takes place. The gain or loss regarding lease payment interest rate hedges will be accrued from fair value reserve to the income statement through the whole lease period. However if the forecasted hedged transaction is no longer expected to occur, the gain or loss accrued in equity is immediately recognised in the income statement.

The effectiveness of hedging is tested on a quarterly basis. The effective portion of hedges is recognised in the fair value reserve of other comprehensive income, from which it is transferred to the income statement when the hedged item is realised or in terms of investments, as an acquisition cost adjustment.

Fair value hedging is implemented on firm orders of new aircraft, in order to hedge the fixed interest rate bond, and to hedge the incentive plan negotiated with pilots. The binding purchase agreements for new aircraft are treated as firm commitments under IFRS, and therefore, the fair value changes of the hedged part arising from foreign currency movements are recognised in the balance sheet as an asset item and corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases is presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss.

In relation to the incentive plan negotiated with the pilots in October 2014, Finnair entered into an agreement where the market price of Finnair share has an effect at the end of the plan. Finnair group has hedged, the amount exceeding 12 million euros of the possible cost effect of this plan, with stock options. Fair value hedging is applied on the hedges. The unrealised fair value changes of the options are recognised as liability or receivable in the balance sheet, and in the income statement, the realised and unrealised hedging results are recognised in the staff costs. Similarly, the incentive plan is treated as a firm commitment under IFRS. The unrealised and the realised fair value change of the incentive plan is recognised in the staff costs in the income statement and the corresponding unrealised fair value as a liability or receivable in the balance sheet.

The gain or loss related to the effective portion of the interest rate swap, which hedges the fixed interest rate bond, is recognised as financial income or expenses in the income statement. The gain or loss related to the ineffective portion is recognised within other operating income and expenses in the income statement. The changes in fair value, attributable to the interest rate risk, of the fixed interest rate loans, is recognised in the financial expenses in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the period to maturity.

Finnair Group uses foreign exchange and interest rate swap contracts in the hedging of the interest rate and foreign exchange risks of foreign currency denominated loans. The translation difference arising from foreign exchange and interest-rate swap contracts that fulfil the conditions of hedge accounting is recognised concurrently against the translation difference arising from the loan. Other changes in fair value are recognised in terms of the effective portion in the fair value reserve of other comprehensive income. Interest income and expenses are recognised in financial income and expenses.

Finnair Group uses jet fuel swaps (forward contracts) and options in the hedging of jet fuel price risk. Changes in the fair value of jet fuel hedging derivatives, which are defined as cash-flow hedges and fulfil the requirements of IFRS hedge accounting, are recognised directly in the fair value reserve of other comprehensive income. Accrued derivative gains and losses, recognised in shareholders' equity, are recognised as income or expense in the income statement, in the same financial period as the hedged item is recognised in the income statement. If a forecasted cash flow is no longer expected to occur and the IFRS hedge accounting criteria are not fulfilled, the fair value changes and the accrued gains and losses, reported in shareholders' equity, are presented in the non-recurring items for the financial period in the income statement, during the tenor time.

Finnair Group uses electricity derivative contracts in the hedging of electricity price risk. The electricity price risk hedges are recognised as cash flow hedges. Changes in the fair value of derivatives, defined as cash-flow hedges in accordance with IFRS, are recognised in the fair value reserve of other comprehensive income. The recognised change in fair value is reversed into the income statement in the same period as the hedged transaction. Changes in the fair value of hedges excluded from hedge accounting (which do not fulfil the IFRS hedge accounting criteria) are recognised in other operating expenses over the tenor time of the derivative.

The change in the fair value of derivatives, not qualifying for hedge accounting and which are hedges of operational cash flows, are recognised in fair value changes in derivatives in the income statement. Changes in the fair value of interest rate derivatives, not qualifying for hedge accounting, are recognised in the income statement's financial income and expenses. A

EUR mill	2015 Nominal value	2015 Positive fair values	2015 Negative fair values	2015 Fair net value	2014 Nominal value	2014 Positive fair values	2014 Negative fair values	2014 Fair net value
Currency derivatives								
Jet fuel currency hedging	331.6	23.8	-0.7	23.1	385.4	35.9	0.0	35.9
Fair value hedging of aircraft acquisitions	782.4	81.3	0.4	81.0	657.6	66.3	0.0	66.3
Hedging of lease payments	171.2	18.2	-0.1	18.1	146.6	15.0	0.0	15.0
Hedge accounting items total	**1,285.3**	**123.4**	**-1.2**	**122.2**	**1,189.6**	**117.1**	**0.0**	**117.1**
Operational cash flow hedging (forward contracts)	307.5	16.8	-2.0	14.8	370.4	29.5	0.1	29.5
Operational cash-flow hedging (bought options)	180.4	3.7	0.0	3.7	110.2	7.1	0.0	7.1
Operational cash flow hedging (sold options)	318.5	0.0	4.1	-4.1	178.0	0.0	-3.0	3.0
Balance sheet hedging (forward contracts)	11.5	0.4	0.0	0.4	13.7	0.9	0.0	0.9
Items outside hedge accounting total	**817.8**	**20.9**	**-6.1**	**14.7**	**672.2**	**37.5**	**-3.0**	**34.5**
Currency derivatives total	**2,103.1**	**144.2**	**-7.3**	**136.9**	**1,861.8**	**154.6**	**-3.0**	**151.6**
Commodity derivatives								
Jet fuel forward contracts, tonnes	559 000	0.0	-140.7	-140.7	534 700	0.0	-142.3	142.3
Electricity derivatives, MWh	13 140	0.0	0.0	0.0	30 220	0.0	-0.1	0.0
Hedge accounting items total		**0.0**	**-140.8**	**-140.8**		**0.0**	**-142.3**	**-142.3**
Jet fuel forward contracts, tonnes	26 000	0.0	4.2	-4.2	33 500	0.0	8.6	-8.6
Bought options, jet fuel, tonnes	178 000	0.6	0.0	0.6	162 500	0.1	0.0	0.1
Sold options, jet fuel, tonnes	329 000	0.0	26.2	-26.2	171 500	0.0	-39.3	-39.3
Electricity derivatives, MWh	26 352	0.0	-0.3	-0.3	46 904	0.0	0.3	-0.3
Items outside hedge accounting total		**0.6**	**-30.8**	**-30.2**		**0.1**	**-48.2**	**-48.1**
Commodity derivatives total		**0.6**	**-171.6**	**-170.9**		**0.2**	**-190.5**	**-190.4**
Interest rate derivatives								
Interest rate swaps	150.0	5.2	-0.1	5.2	150.0	5.9	-0.1	5.8
Bought options	0.0	0.0	0.0	0.0	123.5	2.3	0.0	2.3
Sold options	0.0	0.0	0.0	0.0	123.5	0.0	-4.8	4.8
Hedge accounting items total	**150.0**	**5.2**	**-0.1**	**5.2**	**397.1**	**8.2**	**-4.8**	**3.4**
Cross currency interest rate swaps	7.1	0.0	0.2	-0.2	11.6	0.0	-0.6	0.6
Interest rate swaps	0.0	0.0	0.0	0.0	25.0	0.0	-0.1	0.1
Items outside hedge accounting total	**7.1**	**0.0**	**-0.2**	**-0.2**	**36.6**	**0.0**	**-0.7**	**-0.7**
Interest rate derivatives total	**157.1**	**5.2**	**-0.3**	**5.0**	**433.7**	**8.2**	**-5.5**	**2.7**
Equity derivatives								
Bought options, millions	3.0	5.6	0.0	5.6	3.0	0.7	0.0	0.7
Sold options, millions	3.0	0.0	1.4	1.4	3.0	0.0	0.1	0.1
Hedge accounting items total	**6.0**	**5.6**	**-1.4**	**4.1**	**6.0**	**0.7**	**-0.1**	**0.6**
Equity derivatives total	**6.0**	**5.6**	**-1.4**	**4.1**	**6.0**	**0.7**	**-0.1**	**0.6**
Derivatives total*		**155.7**	**-180.6**	**-24.9**		**163.7**	**-199.1**	**-35.4**

* The positive/negative fair value of derivatives 31 December 2015 are shown as balance sheet receivables and liabilities

A = Accounting principles

Ratings of derivative counterparties

EUR mill	2015	2014
Better than A	31.9	34.4
A	-47.3	53.1
BBB	-9.5	-16.7
BB	-	-
Unrated	-	-
Total	**-24.9**	**-35.4**

Realised derivatives in operational expenses

EUR mill		2015	2014
Jet fuel hedging	Fuel costs	77.6	15.0
Hedging of lease payments	Lease payments for aircraft	-15.7	1.2
Expenses of hedge accounting items total		**61.9**	**13.8**
Jet fuel hedging	Fuel costs	59.4	3.8
Operational cash flow hedging	Other expenses	33.4	15.4
Electricity derivatives	Other expenses	0.7	0.4
Expenses of items outside hedge accounting total		**26.7**	**-11.3**
Total		**88.5**	**2.6**

3.9 Equity-related information

A Shareholders' equity

The nominal value of shares has been recognised in the share capital before an amendment to the Articles of Association registered on 22 March 2007. Share issue profit and gains related to sale of own shares have been recognised in other restricted funds before the change in the Limited Liability Company Act in 2006.

The subscription proceeds from the 2007 share issue less transaction costs after taxes as well as share-based payments according to IFRS 2 have been recognised in the unrestricted equity funds.

Hedging reserve and other OCI items include changes in the fair value of derivative instruments used in cash-flow hedging in addition to actuarial gains and losses related to defined benefit pension plans, and translation differences.

The acquisition cost of repurchased owned shares less transaction costs after taxes is charged to equity until the shares are cancelled or reissued. The consideration received for sale or issue of own shares is included in equity.

The dividend proposed by the Board of Directors is not deducted from distributable equity until decided at the Annual General Meeting.

The hybrid bond is recognised in equity. It is unsecured and subordinated to all senior debt. The hybrid bond does not confer shareholders' rights nor does it dilute the holdings of shareholders. Interest expenses are debited from retained earnings on cash basis net of tax. In the calculation of earnings per share, interest expenses of the hybrid bond are included in the earnings for the financial year. A

Number of shares	2015	2014
Number of outstanding shares in the beginning of the financial year	127 824 023	127 856 947
Shares returned from the share bonus scheme 2010–2012	14 893	-33 864
Shares granted from FlyShare employee share savings plans	1 780	940
Number of outstanding shares at the end of the financial year	**127,810,910**	**127,824,023**
Own shares held by the parent company	325 205	312 092
Total number of shares at the end of the financial year	**128,136,115**	**128,136,115**

Finnair Plc's share capital, paid in its entirety and registered in the trade register, was 75,442,904.30 euros at the end of 2014 and 2015. The shares have no nominal value. During the year 2015, Finnair recovered 14,893 shares from share-based bonus scheme (in the years 2010–2012) participants having terminated their employment.

The Group's hedging reserve and other OCI items

EUR mill	2015	2014
Jet fuel price hedging	-140.7	142.3
Jet fuel currency hedging	23.1	35.9
Hedging of lease payments	18.1	15.0
Interest rate options	-8.4	2.5
The actuarial gains and losses of defined benefit plan	22.2	-15.5
Translation differences	0.7	0.1
Deferred tax asset (liability)	17.2	21.9
Total	**-67.9**	**-87.4**

Maturity dates of fair values recognised in the hedging reserve

EUR mill	2016	2017	2018	2019	2020	Later	Total
Jet fuel price hedging	119.3	-21.4	0.1				140.7
Jet fuel currency hedging	22.1	1.0					23.1
Hedging of lease payments	15.5	2.6					18.1
Hedging of interest related to future lease payments	-0.7	-0.7	-0.7	0.7	-0.7	4.9	8.4
The actuarial gains and losses of defined benefit plan	22.2						22.2
Translation differences						0.7	0.7
Tax effect	12.0	3.7	0.2	0.1	0.1	1.1	17.2
Total	**-48.1**	**-14.8**	**-0.6**	**-0.6**	**-0.6**	**-3.2**	**-67.9**

Hybrid bond

Shareholders' equity (after equity belonging to owners) includes a 38.3 million euro hybrid bond issued in 2012. The hybrid bond coupon is fixed, 8.875 per cent per year for the first four years, and thereafter at least 11.875 per cent per year. Finnair can postpone interest payment if it does not distribute dividends or any other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it four years after the issue date. During the year 2015, Finnair redeemed 81.7 million euros of the 120 million euro hybrid bond issued in 2012, at the redemption price of 87.2 million euros. The redemption price includes a premium of 5.5 million euros. In the year 2015, Finnair also issued a new hybrid bond of 200 million euro. The loan has no maturity date, but the company has the right to redeem it after five years. The hybrid bond coupon is fixed, 7.875 per cent per year for the first five years, and thereafter floating, at least 12.875 per cent per year. The overall hybrid bond net position recognised in equity is 236.2 million euros, due to issuing expenses. The hybrid bonds are unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Earnings per share

The basic earnings per share figure is calculated by dividing the result for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year. Result for the financial year is adjusted for the after-tax amounts of hybrid bond interests regardless of payment date, transaction costs of a new hybrid bond issued and premium paid, when a hybrid bond is redeemed. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares.

EUR mill	2015	2014
Result for the financial year	89.4	-82.7
Hybrid bond interests	12.5	-10.7
Premium paid related to redemption of the hybrid bond issued in 2012	-5.5	
Transaction costs of the hybrid bond issued in 2015	-2.3	
Tax effect	4.0	2.1
Adjusted result for the financial year	**73.2**	**-91.2**
Weighted average number of shares, mill. pcs	127.8	127.8
Basic and diluted earnings per share, EUR	**0.57**	**-0.71**
Effect of own shares	0.00	0.00
Result for the financial year per share, EUR*	0.70	-0.65

*excluding the effect of expenses of the hybrid bond after taxes

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2015. The Annual General Meeting on 25 March 2015 decided that no dividend was paid for 2014.

Finnair Plc's distributable equity

EUR mill.	31 Dec 2015
Retained earnings at the end of financial year	-16.1
Unrestricted equity	250.4
Hedging reserve	94.1
Result for the financial year	40.9
Distributable equity total	**181.1**

4 Consolidation

i Notes under the Consolidation section include a description of the general consolidation principles and methods of consolidation. The aim of the section is to provide an overall picture of the group's structure and principles applied in preparing consolidated financial statements and classifying ownership interests. In addition, the notes include information about subsidiaries, associated companies and joint ventures held, acquired or sold by the group as well as information about assets held for sale. i

4.1 General consolidation principles

Consolidation

Consolidation, consolidation method and classification of ownership interests depends on whether the Group has power to control or jointly control the entity or have significant influence or other interests in the entity. When group has power to control the entity, it is consolidated as subsidiary in the Group according to principles described in Note 4.2 Subsidiaries. When the Group has joint control or significant influence over an entity but does not have power to control, entity is accounted for by using equity method according to principles set in Note 4.5 Investments in associates and joint ventures. If the Group does not have power to control nor significant influence in the entity, its ownership interests are classified as financial assets available for sale and accounted for according to principles described in Note 3.2 Financial assets.

Translation of foreign currency items

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

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

4.2 Subsidiaries

A Consolidation principles of subsidiaries

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

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

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

Non-controlling interest and transactions with non-controlling interest

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

i = Content of the section
A = Accounting principles

Subsidiaries

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

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

** The Group has made an cooperation agreement which includes a call option due to which the Group does not have control over the company

4 3 Acquisitions and disposals

In the beginning of the financial year the joint venture of Finnair and Flybe Group plc (later as "Flybe UK") was transferred temporarily to Finnair's ownership as Finnair acquired Flybe UK's 60 per cent 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 per cent share to Staffpoint Holding Oy and Kilco Oy Due to the sale Norra became a joint venture of Finnair and the new owners More information on Norra can be found in Note 4.5 Associated companies and joint ventures

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

During 2014 Group sold Finnair Travel Retail's shops at Helsinki Airport to World Duty Free Group The sale had a 12 7 million euros positive effect to Finnair's results in non-recurring items In addition, Finnair sold its subsidiary Finncatering Oy to Lufthansa Service Europa/Afrika GmbH The transaction did not have significant effect to Finnair's financial statements During the financial year 2014 the Group did not acquire any new businesses or subsidiaries

4.4 Non-current assets and liabilities held for sale

A Non-current assets held for sale or disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable, during the following twelve months

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

Non-current assets held for sale include mainly aircraft held for sale Aircraft classified as held for sale for 2015 include three A340 aircraft that are expected to be sold to Airbus during 2016 These wide-body aircraft are going to be replaced by new A350 aircraft In addition, aircraft held for sale include two Embraer 170 and one ATR 72 scheduled for divestment in early 2016

In 2014 assets held for sale included three Embraer 190 and six ATR 72, which were sold and leased back at the beginning of 2015

The book value of the assets held for sale

EUR mill	2015	2014
Tangible assets	123 0	119 8
Inventories	1 6	2 6
Total	**124.5**	**122.4**

4.5 Investments in associates and joint ventures

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

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

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

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

A = Accounting principles

The Group's share of the result assets and liabilities of associates and joint ventures is presented below

EUR mill	2015	2014
At the beginning of the financial year	4.9	8.2
Shares of results	0.1	3.2
Disposals	-2.2	0.0
At the end of the financial year	**2.6**	**4.9**

The disposals include sale of Kiinteistö Oy Lentäjäntie 1. In addition, Flybe Nordic AB (currently known as Nordic Regional Airlines AB) was transferred in the beginning of 2015 temporarily to Finnair's full ownership but the 60 per cent share was further sold later in 2015, and Norra continues as a joint venture of Finnair Group and its partners.

In addition, more information on transactions with joint ventures and associated companies can be found in Note 4.6 *Related Party Transactions*.

Information on the Group's associates and joint ventures 2015

EUR mill	Domicile	Assets	Liabilities	Revenue	Profit/ Loss	Holding %
Amadeus Estonia	Estonia	0.8	0.3	1.1	0.3	33.25
Nordic Global Airlines Oy (NGA)*	Finland	1.8	5.8	12.1	-4.2	40.00
Nordic Regional Airlines AB (Norra)**	Sweden	40.5	39.7	100.7	35.8	40.00
Suomen Ilmailuopisto Oy	Finland	18.7	1.3	1.4	0.8	49.50
Total		**61.8**	**47.1**	**115.2**	**32.8**	

* Nordic Global Airlines Oy business operations are discontinued and the company will be liquidated during 2016

** Based on financial statement of Nordic Regional Airlines AB (Norra) as of 31 Dec 2015. The Group was formerly known as Flybe Nordic AB. Norra's results include profit from nine months period since Norra changed the end date of the financial year from 31 of March to 31 of December during 2015

Information on the Group's associates and joint ventures 2014

EUR mill	Domicile	Assets	Liabilities	Revenue	Profit/ Loss	Holding %
Amadeus Estonia	Estonia	0.8	0.3	0.9	0.3	33.25
Nordic Global Airlines Oy	Finland	10.7	10.6	42.2	-2.9	40.00
Flybe Nordic AB (currently Norra)*	Sweden	40.2	47.3	293.8	1.0	40.00
Kiinteistö Oy Lentäjäntie 1	Finland	25.6	19.3	1.5	0.0	28.33
Suomen Ilmailuopisto Oy	Finland	17.4	0.8	8.1	0.0	49.50
Total		**93.9**	**78.0**	**345.6**	**-3.8**	

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

All the associated companies and joint ventures owned by Finnair are unlisted companies, and none of them are considered as material compared to Finnair's operations. Finnair's share of associated companies and joint ventures continuous results for 2015 was 0.1 million euros (-1.4).

Nordic Regional Airlines AB (Norra, formerly known as Flybe Nordic AB)

Nordic Regional Airlines (Norra), formerly known as Flybe Nordic AB, is a regional airline company operating in the Nordic countries and in Baltics. Norra has during 2015 operated both purchase traffic for Finnair and traffic at its own risk. At the end of 2014, Flybe UK announced that it will exit the joint venture arrangement of Finnair and Flybe Group Plc (Flybe UK) and sell the shares of Flybe Nordic AB to Finnair or to a new majority shareholder assigned by Finnair. In the beginning of the financial year 2015 the joint venture was transferred temporarily to Finnair's ownership as Finnair acquired Flybe UK's 60 per cent share of Flybe Nordic with one euro, including Flybe UK's loan and interest receivables from Flybe Nordic of 19.4 million euros. 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 per cent share to Staffpoint Holding Oy and Kilco Oy with one euro. Due to the sale Norra became a joint venture of Finnair and the new owners. The change of majority shareholder in the joint venture did not have an effect in the nature of the arrangement, and the operations of Nordic Regional Airlines continue under joint control of Finnair and the new partners. The ownership transactions did not have any financial effects to Finnair. *Finnair aims to find solutions that would enable the development of regional flying in a financially sustainable way.*

Flybe Nordic's (currently Norra) operations were loss making and the value of investment in Finnair was written down in 2014. In addition, in the end of 2014 Finnair wrote down 11.3 million euros of operational receivables (presented as non-recurring item) and 10.8 million euros of subordinated loan receivables (included in financial items) from Flybe Nordic Group. As part of the restructuring of Norra's operations, at the end of 2015 Finnair transferred the operational receivables of 11.3 million euros, and loan and interest receivables transferred from Flybe UK of 19.4 million euros, to Norra, to strengthen the equity and financial position of Norra Group. Transactions did not have an effect in Finnair Group's results nor financial position, but had a positive effect in Norra Group's profits in 2015. Finnair has accounted for Norra Group's net assets according to its accounting principles and no share of profits from Norra has been recognised for 2015.

Information on Norra can also be found in Notes 4.3 Acquisitions and disposals and 4.6 Related party transactions.

Nordic Global Airlines Oy (NGA)

Finnair's associated companies include Nordic Global Airlines Oy (NGA), which is a freight airline co owned by Finnair Cargo Oy, Ilmarinen and Neff Capital Management. Due to unprofitable business operations, the company is under liquidation process. The liquidation is expected to be finalised during 2016. Finnair has written down its trade receivables from NGA during 2015. The write down did not cause any material effects to Finnair financial statements. The liquidation is not expected to cause such during 2016 either. Finnair does not expect the liquidation process to cause any material financial effects during 2016 either.

Other associated companies

Kiinteistö Oy Lentäjäntie 1 is a property located in the airport area and co-owned by Finavia, Finnair Pension fund and Finnair Oyj. *At the end of 2015, Finnair sold its share in the property to Finavia. The sales gain of 6.6 million euros have* been reported under non-recurring items.

Amadeus Finland's associated company Amadeus Estonia provides IT solutions to travel agencies in Estonia. Suomen Ilmailuopisto (the Finnish Aviation Academy) is a vocational special purpose aviation school owned by Finnair Oyj (49.5 per cent), Finnish Government (49.5 per cent) and the City of Pori (1 per cent). Finnair is not entitled to company's results nor net assets, but possible results need to be used for developing school's activities.

4.6 Related party transactions

Related party of Finnair group includes its subsidiaries, management, associated companies and joint ventures and Finnair pension fund. Subsidiaries are listed in Note 4.2 and associates and joint ventures in Note 4.5. Related party transactions include such operations that are not eliminated in the group's consolidated financial statement.

The Finnish Government owns 55.8 per cent (55.8) of Finnair's shares. All the transactions with other government owned companies are with arms length basis.

The following transactions have taken place with associated companies and joint ventures

EUR mill	2015	2014
Sales of goods and services		
Associates	0.2	1.4
Joint ventures	49.3	59.9
Pension fund	0.0	0.1
Purchases of goods and services		
Associates	2.5	20.8
Joint ventures	126.7	228.3
Pension fund	4.5	4.6
Financial expenses		
Joint ventures	0.0	10.8
Receivables		
Short-term receivables from associates	0.5	1.5
Short-term receivables joint ventures	12.1	7.3
Liabilities		
Non-current liabilities to joint ventures	0.0	8.2
Non current liabilities to pension fund	2.6	25.3
Current liabilities to associates	0.9	4.7
Current liabilities to joint ventures	0.1	3.4
Contingent liabilities		
Guarantees on behalf of joint ventures	0.0	2.0

Transactions with related parties are with arms length, and are with similar terms than transactions carried out with independent parties. Management remuneration is presented in Note 1.3.7.1. Management has not been granted any loans and there has not been any other transactions with management.

Transactions with joint venture of Finnair, Nordic Regional Airlines AB -Group (Norra), have been included in the transactions with joint ventures for the full financial year of 2015. Norra became temporarily a fully owned subsidiary of Finnair on 31 March 2015, when former partner Flybe UK decided to withdraw from the arrangement. Finnair reached conclusion with new partners on 4 November 2015, when the 60 per cent share was sold to new owners and Norra once again became joint venture of Finnair. Although Norra was fully owned subsidiary between 31 March till 4 November 2015, during that time it was classified as asset held for sale and the transactions related to purchase traffic arrangement between parties were not eliminated from Finnair's results from continuing operations, as the arrangement was expected to continue after sale of 60 per cent share. Therefore those transactions have been included in the 2015 related party transactions.

Associated company Kiinteistö Oyj Lentäjäntie 1 was sold in November 2015 and was considered as related party of Finnair until the moment of sale.

More information on Norra, Kiinteistö Oyj Lentäjäntie 1 and other associated companies and joint ventures can be found in Note 4.5 Investments in associates and joint ventures.

Finnair pension fund

The Finnair pension fund in Finland is a stand-alone legal entity which mainly provides additional pension coverage to Finnair's personnel in the form of defined benefit plan, and manages related pension assets. The assets include Finnair's shares representing 0.1 per cent (0.1) of the company's outstanding shares. Real estate and premises owned by the pension fund have been mainly leased to Finnair. In 2015 and 2014 Finnair didn't pay any contributions to the fund. Pension obligation was 2.6 million euros (25.3) at the end of the financial year.

4.7 Application of new and amended IFRS standards and IFRIC interpretations

The changes in the IFRS standards effective from periods beginning 1 January 2015 included mainly improvements to current standards and did not have an effect on Finnair financial statements.

Regarding changes in the standards effecting future periods, Finnair is currently evaluating the effects of IFRS 15 Revenue recognition and IFRS 9 Financial Instruments to its financial statements. The standards will be, in case endorsed by EU, effective from 2018 onwards. Effects of Revenue Recognition standard are still under evaluation.

According to Finnair's preliminary view, IFRS 9 will allow it to apply hedge accounting more widely when hedging future cash flows. The change will decrease volatility in operating result. This is because unrealised fair value changes of derivatives can be recognised in other comprehensive income instead of operating result, when hedge accounting is applied. Changes related to classification and impairment model of financial instruments are not expected to have significant effect to Finnair.

IFRS published new Leasing standard IFRS 16 in January 2016. The standard will be effective from 2019 onwards, in case endorsed by EU. According to preliminary evaluation, Finnair expects the new standard to have significant effect to its financial statements. Aircraft currently classified as operating leases will be recognised as right to use -assets and leasing liabilities in the balance sheet. Currently future operating lease payments are presented as off-balance sheet items in the notes (Note 2.2 Leasing arrangements) as operating lease commitments.

Other standards issued and effecting future financial periods are not expected to have any significant impact on Finnair's financial statement.

5 Other notes

i Other notes include all such notes that do not specifically relate to any previous subject matters **i**

5.1 Income taxes

A The tax expense for the period includes current and deferred tax and adjustments to previous years taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or other equity items.

Deferred taxes are calculated for temporary differences between accounting and taxation using the valid tax rates for future years at the closing date. Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Temporary differences arise mainly from sales of tangible assets, depreciation and unused tax losses. Deferred tax is recognised for subsidiaries undistributed earnings only when related tax effects are probable

Deferred tax assets and liabilities are offset when they are levied by same taxing authority and Finnair has a legally enforceable right to set off the balances **A**

E Utilising deferred tax assets related to tax losses requires management to make expectations of future performance of operations. **E**

Income taxes

EUR mill	2015	2014
Taxes for the financial year		
Current tax	-0 2	-0.2
Adjustments recognised for current tax of prior periods	0 3	-0 5
Deferred taxes	-23 1	17 3
Total	**-23 6**	**16.5**

The table below explains the difference between the theoretical tax cost calculated with Finnish nominal tax rate 20 0 per cent (20 0) and tax expense in the consolidated income statement

EUR mill	2015	2014
Result before taxes	113 2	-99 1
Taxes calculated using the Finnish tax rate	-22.6	19 8
Different tax rates of foreign subsidiaries	0 2	0 0
Share of result in associates and joint ventures	0.0	-0.6
Tax-exempt income	0 6	0 5
Non-deductible expenses	-1 4	-2 6
Adjustments recognised for taxes of prior periods	-0 3	-0 5
Income taxes, total	**-23.6**	**16.5**
Effective tax rate	20 8%	-16 7%

Effective tax rate was 20 8 per cent (-16.7)

Deferred tax assets and liabilities

The Group has evaluated the nature and classification of deferred tax assets Based on the evaluation, deferred tax assets and liabilities levied by the same taxing authority met the requirements for offset eligibility in accordance with IAS 12 The deferred tax assets and liabilities are shown net on the balance sheet

Changes in deferred taxes during 2015

EUR mill	2014	Recognised in the income statement	Recognised in shareholders' equity	2015
Deferred tax assets				
Confirmed losses	62 3	10 7		51 7
Employee benefits	5 1	3 0	-7 5	0 5
Other temporary differences	2 7	2 5		0 1
Valuation of derivatives at fair value	18 7		2 8	21 6
Total	**88.8**	**-10 2**	**-4.7**	**73 9**
Offset against deferred tax assets	55 0			-64 8
Net deferred tax assets	**33 8**			**9.1**
Deferred tax assets that can be used after more than 12 months	0 6			0 5

Confirmed tax losses expire earliest within four to ten years According to the Group's estimate, the future profits result in taxable income off-setting the temporary difference realising from the confirmed tax losses

Distributing retained earnings of foreign subsidiaries as dividends would cause a tax effect of 0 2 million euros (0 4)

EUR mill	2014	Recognised in the income statement	Recognised in shareholders' equity	2015
Deferred tax liabilities				
Property plant and equipment	51 8	7 4		59 2
Finance leasing	2 2	1 3		3 4
Other temporary differences	1 0	1 1		2 2
Total	**55.0**	**9 8**	**0.0**	**64.8**
Offset against deferred tax assets	-55 0			64 8
Net deferred tax liabilities	**0 0**			**0 0**
Deferred tax liabilities that are expected to realise after 12 months or more	52 8			60 2

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

Changes in deferred taxes during 2014

EUR mill	2013	Recognised in the income statement	Recognised in shareholders' equity	2014
Deferred tax assets				
Confirmed losses	58.6	1.6	2.1	62.3
Employee benefits	2.2	2.1	0.8	5.1
Finance leasing	0.6	-0.6		0.0
Capitalisation of overhead expenses	1.0	1.0		0.0
Change in accounting principles in 2014 related to engine maintenance	3.4	-3.4		0.0
Other temporary differences	2.1	0.5		2.7
Valuation of derivatives at fair value	1.3		17.4	18.7
Total	**69.2**	**-0.7**	**20.3**	**88.8**
Offset against deferred tax assets (restated)	-69.2			55.0
Net deferred tax assets	**0.0**			**33.8**
Deferred tax assets that can be used after more than 12 months	0.6			0.6

EUR mill	2013	Recognised in the income statement	Recognised in shareholders equity	2014
Deferred tax liabilities				
Gains from sale of tangible fixed assets	68.4	-16.6		51.8
Hybrid bond interest	2.8	-0.6		2.2
Employee benefits	1.3	-0.3		1.0
Total	**72.6**	**-17.5**	**0.0**	**55.0**
Offset against deferred tax assets (restated)	69.2			55.0
Net deferred tax liabilities	**3.4**			**0.0**
Deferred tax liabilities that are expected to realise after 12 months or more	69.6			52.8

5.2 Disputes and litigation

Finnair reports only cases of which the interest is 600 thousand euros or more and that are not insured On 31 December 2015 therc were no such disputes pending

5.3 Events after the closing date

Finnair has secured financing, arranged by BNP Paribas, for its third Airbus A350-900 XWB, which was delivered on 30 December 2015 The transaction amounts to approximately 135 million euros, implemented using a Japanese Operating Lease with Call Option (JOLCO) structure, where the transaction amount is treated in Finnair's IFRS accounting as a loan and the aircraft as owned There have not been other remarkable events after the closing date

5.4 Restatement of key ratios

As of 1 January 2015, Finnair has adjusted calculation methods of unit revenue (RASK, unit revenue per available seat kilometre) and unit cost (CASK, unit cost per available seat kilometre) to better reflect the changes in the Group structure Traffic previously operated and marketed by Flybe (currently named as Norra) has become part of the purchase traffic agreement between Finnair and Norra and RASK and CASK for comparison year have been restated to reflect this change In addition, RASK has been restated to include all revenue and costs of inflight sales Before restatement these were partly included in CASK In addition, restated CASK includes all costs related to group support functions, of which some were previously excluded from the calculation Unit revenue per revenue passenger kilometre (yield) for comparison year has also been restated due to changes in the Group structure

Finnair also introduced new key figures RASK and CASK at constant currency to provide comparative, currency neutral measurement on unit revenues and costs All the exchange rate changes and currency hedging effects have been excluded from RASK and CASK at constant currency

The equity ratio formula has been restated to better reflect generally used formula in the airline business Previously equity ratio was calculated by dividing equity with total assets, excluded with prepayments received The restated calculation only divides equity with total assets, without any adjustments related to prepayments

The restated quarterly 2014 key ratios are presented in the tables below Changed formulas are described in Note 18 Calculation of key ratios

Cumulative key figures

	Restated 2014	Reported 2014
Equity ratio %	27.3	27.7
Unit revenue per available seat kilometre (RASK) cents/ASK	6.23	6.10
Unit revenue per revenue passenger kilometre (yield) cents/RPK	6.65	6.59
Unit cost per available seat kilometre (CASK) cents/ASK	6.53	6.37
CASK excluding fuel cents/ASK	4.49	4.31

6 Parent company financial statements

Finnair Plc income statement

EUR mill	Note	2015	2014
Revenue	6 2	**2,066.4**	**1,972.7**
Other operating income	6 3	62 6	44 5
Operating income		**2,129.1**	**2,017 1**
Materials and services	6 4	1 114 4	1 107 6
Staff costs	6 5	268.2	261 7
Depreciation and reduction in value	6 6	11 4	5 3
Other operating expenses	6 7	794 0	809 1
Operating expenses total		**2,188.0**	**2,183.7**
Operating profit/loss		**-58.9**	**-166.6**
Financial income and expenses	6 8	18 1	32 1
Profit/loss before extraordinary items		**-77.0**	**-198.7**
Extraordinary items	6 9	139 2	136 0
Profit/loss before appropriations and taxes		**62.1**	**-62.7**
Appropriations	6 10	-11 2	0 2
Income taxes	6 11	-10.1	8 7
Profit/loss for the financial year		**40.9**	**-53.8**

Finnair Plc balance sheet

EUR mill	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets	6 12	12 1	12 7
Tangible assets	6 13	36 0	41 2
Investments	6 14		
Shares in group companies		452 6	449 1
Shares in associated companies		2 5	4 7
Other investments		0 4	0 4
Loan and other receivables	6 15	34 1	12 0
Deferred tax assets	6 16	65 3	73 2
Total non-current assets		**602.9**	**593 2**
Current assets			
Current receivables	6 17	678 7	741 7
Marketable securities	6 18	427 7	332 8
Cash and bank equivalents	6 19	277 1	88 7
Total current assets		**1,383.5**	**1,163 1**
TOTAL ASSETS		**1,986 4**	**1,756 3**
EQUITY AND LIABILITIES			
Equity	6 20		
Share capital		75 4	75 4
Share premium account		24 7	24 7
Legal reserve		147 7	147 7
Hedging reserve		-94 1	85 2
Unrestricted equity funds		250 4	250 5
Retained earnings		-16 1	37 7
Profit/loss for the financial year		40 9	-53 8
Total equity		**428 9**	**397 1**
Accumulated appropriations	6 21	20 0	8 9
Provisions	6 22	89 8	87 2
Liabilities			
Non current liabilities	6 23	396 7	304 9
Current liabilities	6 24	1 051 0	958 3
Total liabilities		**1,447 7**	**1,263.2**
EQUITY AND LIABILITIES TOTAL		**1,986 4**	**1,756.3**

Finnair Plc cash flow statement

EUR mill	2015	2014
Cash flow from operating activities		
Result before extraordinary items	-77.0	198.7
Depreciation	11.4	5.3
Other non-cash transactions	14.8	42.2
Financial income and expenses	18.1	32.1
Changes in working capital	76.7	21.1
Interest and other financial expenses paid	-30.1	23.5
Received interest and other financial income	7.8	16.6
Cash flow from operating activities	**-8.0**	**-147.2**
Cash flow from investing activities		
Investments in intangible and tangible assets	-14.8	-7.5
Proceeds from sales of tangible assets	28.4	0.0
Change in long term receivables	38.6	53.2
Investments in group companies	-17.0	0.0
Proceeds from sales of associates and joint ventures	8.4	0.0
Other investments	0.0	0.3
Cash flow from investing activities	**43.7**	**46.0**
Cash flow from financing activities		
Proceeds from loans	45.5	0.0
Loan repayments and changes	52.1	34.6
Proceeds from hybrid bond	200.0	0.0
Hybrid bond repayments	81.7	0.0
Received and given group contributions	136.0	103.6
Cash flow from financing activities	**247.6**	**69.0**
Change in cash flows	**283.4**	**-32.2**
Change in liquid funds		
Liquid funds, at beginning	421.5	453.6
Change in cash flows	283.4	-32.2
Liquid funds, at end	**704.8**	**421.5**

Notes to Finnair Plc financial statements

6.1 Accounting principles

The financial statements of Finnair Plc have been prepared in accordance with the Finnish Accounting Standards (FAS)

Foreign currency items

Business transactions in foreign currencies have been valued using the exchange rate on the date of transaction Receivables and liabilities on the balance sheet date are valued using the exchange rate on the balance sheet date Advances paid and received are valued in the balance sheet using the exchange rate on the date of payment Exchange rate differences on trade receivables and payables are treated as the adjustments to revenue and other operating expenses Exchange rate differences on other receivables and liabilities are entered under financial income and expenses

Derivative contracts

According to its risk management policy, Finnair uses foreign exchange, interest rate and commodity derivatives to reduce the risks which arise from the company's currency denominated purchase contracts, forecasted purchases and sales as well as future jet fuel purchases Derivative contracts are valued using the rates on the balance sheet date according to Accounting Act Chapter 5 Article 2 a The accounting principles related to derivative contracts and hedge accounting are described more specifically in Finnair Group's financial statement in the section 3 8 Derivatives

Financial assets and liabilities

Financial assets have been classified into the following categories financial assets at fair value through profit or loss (as sets held for trading), held-to-maturity investments, loans and other receivables The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition All purchases and sales of financial assets are recognised on the trade date Liabilities are recognised at acquisition cost Financial assets at fair value through profit and loss as well as assets and liabilities maturing within 12 months are are included in current liabilities

Finnair assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired If there is objective evidence that an impairment loss has arisen for loans and other receivables entered at amortised acquisition cost on the balance sheet or for held-to-maturity investments, the size of the loss is determined as the difference of the book value of the asset item and the present value of expected future cash flows of the said financial asset item discounted at the original effective interest rate The loss is recognised through profit and loss

Other financial assets and liabilities are recognised at fair value Other financial assets include trade receivables, accrued income and prepaid expenses as well as other non-current receivables like loan receivables and other investments as well as the securities for aircraft leases Other financial liabilities include trade payables, accruals and deferred income

Derecognition of financial assets takes place when the company has lost its contractual right to receive the cash flows or when it has substantially transferred the risks and rewards outside the company

Fixed assets and depreciation

The balance sheet values for fixed assets are based on original acquisition costs less planned depreciation Land areas are not depreciated Planned depreciation is based on the expected economic lifetimes

- IT software 3–8 years
- Other intangible assets 3–10 years
- Buildings over 50 years from time of acquisition to a residual value of 10 per cent or 3–7 per cent of the diminishing balances
- Other tangible assets 23 per cent of the diminishing balances

Research and development costs

Except for major software development costs, research and development costs are expensed as they occur Research and development of aircraft, systems and operations is conducted primarily by the manufacturers

Leasing

Lease payments for aircraft are significant Annual lease payments are treated as rental expenses Lease payments due in future years under aircraft lease contracts are presented as off-balance sheet items

Extraordinary items

Extraordinary items consist of income and expenses which deviate from the ordinary activities of the company such as group contributions

Appropriations

The difference between total and planned depreciation is shown as accumulated appropriations in the balance sheet and the change during the financial year in the income statement.

The Finnish Business Income Tax Act enables deduction of reinvestment provision in connection with sale of premises The accumulated amount of reinvestment provision is included in the balance sheet and the change during the financial year in the income statement

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, adjustments to taxes in previous financial years and the change in deferred taxes

Pension schemes

The mandatory pension cover of the company's domestic employees has primarily been arranged through Ilmarinen Mutual Pension Insurance Company and other additional pension cover through the Finnair Pension Fund or Finnish pension insurance companies Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage. The Finnair pension fund's pension obligation is fully covered with respect to additional coverage Pension fund liabilities are presented in the notes to the financial statements

Provisions

Provisions in the balance sheet and entered as expenses in the income statement comprise those items which the company is committed to covering through agreements or otherwise in the foreseeable future and which have no corresponding revenue and whose monetary value can be reasonably assessed

The company is obliged to return leased aircraft at the required redelivery condition To fulfil these maintenance obligations the company has recognised provisions based on flight hours flown during the maintenance period

6 2 Revenue by business area

EUR mill	2015	2014
Revenue by division		
Airline Business	2 066 4	1 972 7
Passenger revenue	1,837 4	1 744 5
Ancillary services	39 4	21 2
Aircraft lease income	142 8	153 8
Other	46 8	53 2
Distribution of revenue by market areas based on flight routes % of revenue		
Finland	17	18
Europe	40	39
Other countries	43	43
Total	**100**	**100**

6.3 Other operating income

EUR mill	2015	2014
Rental income	31 6	35 7
Capital gains on sales of tangible assets	13 3	0 0
Other income	17 7	8.8
Total	**62.6**	**44.5**

6 4 Materials and services

EUR mill	2015	2014
Materials and suppliers		
Ground handling and catering expenses	194 7	182 7
Fuel costs	596 8	643 0
Aircraft materials and overhaul	216 0	190 8
IT expenses	54 7	46 0
Other items	52 3	45 0
Total	**1,114 4**	**1,107 6**

6.5 Staff costs

EUR mill	2015	2014
Wages and salaries	219 7	213 7
Pension expenses	34 5	35 6
Other social expenses	13 9	12 5
Total	**268.2**	**261 7**
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Executive Officer	1 2	1 0
Board of Directors	0 4	0 4
Personnel on average		
Airline Business	3 297	3,396
Other functions	177	157
Total	**3,475**	**3,554**

6.6 Planned depreciation and amortisation

EUR mill	2015	2014
On other long-term expenditure	4 7	3 5
On buildings	5 6	0 9
On other equipment	1 1	0 9
Total	**11.4**	**5.3**

6.7 Other operating expenses

EUR mill	2015	2014
Lease payments for aircraft	217.3	240.0
Other rents for aircraft capacity	116.3	96.7
Office and other rents	31.0	33.6
Traffic charges	258.8	225.3
Sales and marketing expenses	64.0	54.5
IT expenses	88.3	75.8
Other expenses	18.3	83.2
Total	**794.0**	**809.1**

6.8 Financial income and expenses

EUR mill	2015	2014
Interest income		
From group companies	7.6	9.9
From other companies	1.1	2.0
Total	**8.6**	**12.0**
Gains on disposal of shares	6.2	0.0
Interest expenses		
To group companies	-1.3	-1.3
To other companies	19.3	-19.4
Total	**-20.6**	**-20.7**
Other financial expenses to other companies	9.9	23.1
Exchange gains and losses	2.5	-0.2
Financial income and expenses total	**-18.1**	**-32.1**

6.9 Extraordinary items

EUR mill.	2015	2014
Received group contribution	139.2	136.0

6.10 Appropriations

EUR mill	2015	2014
Change in depreciation difference	8.9	0.2
Change in reinvestment provision	20.0	0.0
Total	**-11.2**	**0.2**

6.11 Income taxes

EUR mill	2015	2014
Change in deferred taxes	-10.1	8.7
Total	**-10.1**	**8.7**

6.12 Intangible assets

EUR mill	2015	2014
Other long-term expenditure		
Acquisition cost 1 January	46.5	42.6
Additions	4.2	4.1
Disposals	13.2	-0.3
Acquisition cost 31 December	**37.5**	**46.5**
Accumulated depreciation 1 January	-33.9	30.6
Disposals	12.5	0.2
Depreciation and reduction in value	4.0	3.5
Accumulated depreciation 31 December	**-25.4**	**-33.9**
Book value 31 December	**12.1**	**12.7**
Intangible assets Total 31 December	**12.1**	**12.7**

6.13 Tangible assets

Tangible assets 2015

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 Jan 2015	0.7	51.0	8.3	6.5	66.5
Additions	0.0	0.0	1.0	19.1	20.1
Disposals	0.0	-26.5	-2.1	-6.5	35.1
Acquisition cost 31 Dec 2015	**0.7**	**24.5**	**7.2**	**19.1**	**51.5**
Accumulated depreciation 1 Jan2015	0.0	20.2	5.2	0.0	25.3
Disposals	0.0	11.2	1.9	0.0	13.1
Depreciation for the financial year	0.0	2.4	0.9	0.0	-3.3
Accumulated depreciation 31 Dec 2015	**0.0**	**-11.4**	**-4.2**	**0.0**	**-15.5**
Book value 31 Dec 2015	**0.7**	**13.1**	**3.0**	**19.1**	**36.0**
The share of machines and equipment in the book value of tangible assets 31 Dec 2015			0.8		

Tangible assets 2014

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 Jan 2014	0 7	51 0	8 3	4 1	64 1
Additions	0 0	0 0	1 0	2 3	3 3
Disposals	0 0	0 0	1 0	0 0	1 0
Acquisition cost 31 Dec 2014	**0.7**	**51.0**	**8.3**	**6.5**	**66.5**
Accumulated depreciation 1 Jan 2014	0 0	19 3	5 2	0 0	24 5
Disposals	0 0	0 0	0 8	0 0	0 8
Depreciation for the financial year	0 0	-0 9	-0 8	0 0	1 7
Accumulated depreciation 31 Dec 2014	**0.0**	**-20.2**	**-5 2**	**0.0**	**-25 3**
Book value 31 Dec 2014	**0.7**	**30.8**	**3.2**	**6.5**	**41.2**
The share of machines and equipment in the book value of tangible assets 31 Dec 2014			0 7		

6.14 Investments

EUR mill	2015	2014
Group companies		
Acquisition cost 1 January	449 1	449 1
Additions	3 5	0 0
Book value 31 December	**452.6**	**449.1**
Associates and joint ventures		
Acquisition cost 1 January	4 7	15 4
Disposals	-2 2	0.0
Revaluation of shares	0 0	-10 7
Book value 31 December	**2 5**	**4.7**
Shares in other companies		
Acquisition cost 1 January	0 4	0 4
Book value 31 December	**0.4**	**0.4**

Associates and joint ventures	Share of parent company %
Suomen Ilmailuopisto Oy Finland	49 50
Nordic Regional Airlines AB (previously Flybe Nordic) Sweden	40 00

Group companies	Share of parent company %		Share of parent company %
Finnair Cargo Oy Finland	100 00	Kiinteistö Oy LEKO 8 Finland	100 00
Finnair Aircraft Finance Oy, Finland	100 00	IC Finnair Ltd Great Britain**	100 00
Northport Oy Finland	100 00	A/S Aero Airlines Estonia	100 00
Finnair Technical Services Oy Finland	100 00	Amadeus Finland Oy Finland	95 00
Finnair Engine Services Oy Finland	100 00	Oy Aurinkomatkat Suntours Ltd Ab Finland	100 00
Finnair Flight Academy Oy Finland	100 00	SMT Oy Finland	100 00
Finnair Travel Retail Oy Finland	100 00	Norvista Travel Ltd, Canada	100 00
LSG Sky Chefs Finland Oy Finland*	100 00	FTS Financial Services Oy Finland	100 00
Kiinteistö Oy Air Cargo Center 1 Finland	100 00	Backoffice Services Estonia Ou Estonia	100 00
Kiinteistö Oy Lentokonehuolto Finland	100 00		

* The group has made an cooperation agreement which includes a call option and ceased control over the company

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

6.15 Non-current loan and other receivables

EUR mill	2015	2014
From group companies	32 5	11 6
From other companies	1 5	0 4
Total	**34.1**	**12.0**

6.16 Deferred tax assets

EUR mill	2015	2014
Deferred tax assets 1 January	73 2	44 2
From result for the financial year	-2 8	10 3
From temporary differences	-7 3	19 0
From valuation of derivates at fair value	2 2	20 2
Deferred tax assets 31 December	**65 3**	**73 2**

6.17 Current receivables

EUR mill	2015	2014
Short-term receivables from group companies		
Trade receivables	21.0	43.5
Received Group contribution	139.2	136.0
Accrued income and prepaid expenses	3.2	4.1
Other receivables	282.4	329.3
Total	**445.8**	**512.8**
Short-term receivables from associates and joint ventures		
Trade receivables	11.2	4.2
Total	**11.2**	**4.2**
Short-term receivables from others		
Trade receivables	101.5	91.4
Prepaid expenses	31.3	26.4
Derivative receivables	55.8	79.2
Other receivables	33.1	27.5
Total	**221.7**	**224.6**
Short-term receivables total	**678.7**	**741.7**

6.18 Investments

EUR mill	2015	2014
Short-term investments at fair value	427.7	332.8

6.19 Cash and bank equivalents

EUR mill	2015	2014
Funds in group bank accounts and deposits maturing in three months	277.1	88.7

6.20 Equity

EUR mill	Share capital	Share premium account	Legal reserve	Hedging reserve	Unre-stricted equity funds	Retained earnings	Equity total
Equity 1 Jan 2015	**75.4**	**24.7**	**147.7**	**-85.2**	**250.5**	**-16.1**	**397.1**
Change in fair value of hedging instruments				9.0			-9.0
Share based payments					0.0		0.0
Result for the financial year						40.9	40.9
Equity 31 Dec 2015	**75.4**	**24.7**	**147.7**	**-94.1**	**250.4**	**24.8**	**428.9**

EUR mill	Share capital	Share premium account	Legal reserve	Hedging reserve	Unre-stricted equity funds	Retained earnings	Equity total
Equity 1 Jan 2014	**75.4**	**24.7**	**147.7**	**-4.2**	**250.5**	**37.7**	**531.9**
Change in fair value of hedging instruments				80.9			-80.9
Share based payments					-0.1		-0.1
Result for the financial year						53.8	53.8
Equity 31 Dec 2014	**75.4**	**24.7**	**147.7**	**-85.2**	**250.5**	**-16.1**	**397.1**

Distributable equity

EUR mill	2015	2014
Hedging reserve	94.1	-85.2
Unrestricted equity funds	250.4	250.5
Retained earnings	16.1	37.7
Profit/loss for the financial year	40.9	53.8
Total	**181.1**	**149.2**

6.21 Accumulated appropriations

EUR mill	2015	2014
Accumulated depreciation difference 1 January	8.9	9.1
Change in depreciation difference	-8.9	-0.2
Accumulated depreciation difference 31 December	**0.0**	**8.9**

EUR mill	2015	2014
Accumulated reinvestment provision 1 January	0.0	0.0
Change in reinvestment provision	20.0	0.0
Accumulated reinvestment provision 31 December	**20.0**	**0.0**

Reinvestment provision is recorded relating to acquisition of new cargo terminal

6.22 Provisions

EUR mill	2015	2014
Provisions 1 January	87.2	94.0
Provision for the period	31.5	31.4
Provision used	-39.1	47.2
Exhange rate differences	10.1	8.8
Provisions 31 December	**89.8**	**87.2**
Of which long-term	52.6	53.2
Of which short-term	37.2	33.9
Total	**89.8**	**87.2**

Long-term aircraft maintenance provisions are expected to be used by 2027

6.23 Non-current liabilities

EUR mill	2015	2014
Loans from group companies	1.0	1.0
Loans from financial institutions	0.0	23.8
Bonds	155.2	155.8
Hybrid bond	238.3	120.0
Other liabilities	2.2	4.3
Total	**396.7**	**304.9**

Maturity of interest-bearing liabilities		
2016	23.8	
2017	0.0	
2018	150.0	
2019	0.0	
2020	0.0	
2021 and later	238.3	
Total	**412.1**	

6.24 Current liabilities

EUR mill	2015	2014
Current liabilities to group companies		
Trade payables	32.9	42.8
Accruals and deferred income	13.3	15.8
Group bank account liabilities	178.6	133.1
Total	**224.8**	**191.7**
Current liabilities to associates and joint ventures		
Trade payables	0.0	0.3
Accruals and deferred income	0.0	3.1
Total	**0.0**	**3.4**
Current liabilities to others		
Loans from financial institutions	23.8	24.5
Commercial papers	0.0	28.0
Prepayments	0.1	0.1
Trade payables	70.4	49.1
Accruals and deferred income	714.7	648.2
Other liabilities	17.3	13.2
Total	**826.3**	**763.1**
Current liabilities total	**1,051.0**	**958.3**
Accruals and deferred income		
Unflown air transport revenues	301.7	252.3
Jet fuels and traffic charges	67.2	63.9
Holiday payment liability	51.7	50.7
Loyalty program Finnair Plus	31.9	29.6
Derivatives	180.0	193.7
Other items	95.5	76.8
Total	**728.0**	**667.1**

6.25 Collateral, contingent liabilities and other commitments

EUR mill	2015	2014
Guarantees and contingent liabilities		
On behalf of group companies	227.1	253.9
On behalf of associates	0.0	2.0
On others companies	0.1	0.2
Total	**227.2**	**256.1**
Aircraft lease payments		
Within one year	252.2	227.7
After one year and not later than five years	1,301.9	1,047.6
Later than five years	330.2	259.1
Total	**1,884.4**	**1,534.4**

Parent company has leased the aircraft fleet from the fully owned subsidiary

EUR mill	2015	2014
Other lease payments		
Within one year	26.6	27.8
After one year and not later than five years	82.1	83.9
Later than five years	184.0	141.8
Total	**292.7**	**253.5**
Pension obligations		
Total obligation of pension fund	331.7	328.8
Total obligation covered	-331.7	-328.8
Uncovered obligation of pension fund	0.0	0.0
Total	**0.0**	**0.0**

6.26 Derivatives

EUR mill	31 Dec 2015 Nominal value	31 Dec 2015 Fair value	31 Dec 2014 Nominal value	31 Dec 2014 Fair value
Currency derivatives				
Hedge accounting items (forward contracts)				
Jet fuel currency hedging	331.6	23.1	385.4	35.9
Hedge accounting items total	**331.6**	**23.1**	**385.4**	**35.9**
Items outside hedge accounting				
Operational cash flow hedging (forward contracts)	307.5	14.8	370.4	29.5
Call options	180.4	3.7	110.2	7.1
Put options	318.5	-4.1	178.0	3.0
Items outside hedge accounting total	**806.3**	**14.3**	**658.5**	**33.6**
Currency derivatives total	**1,137.9**	**37.4**	**1,043.9**	**69.5**
Commodity derivatives				
Hedge accounting items				
Jet fuel forward contracts, tonnes	0.6	-140.7	0.5	142.3
Hedge accounting items total	**0.6**	**-140.8**	**0.6**	**-142.3**
Items outside hedge accounting				
Jet fuel forward contracts, tonnes	0.0	4.2	0.0	8.6
Options				
Call options, jet fuel, tonnes	0.2	0.6	0.2	0.1
Put options, jet fuel, tonnes	-0.3	-26.2	0.2	-39.3
Electricity derivatives, MWh	0.0	-0.3	0.0	-0.3
Items outside hedge accounting total	**-0.1**	**-30.2**	**0.4**	**-48.1**
Commodity derivatives total	**0.5**	**-170.9**	**1.0**	**-190.4**
Interest rate derivatives				
Hedge accounting items				
Interest rate swaps	150.0	5.2	150.0	5.8
Hedge accounting items total	**150.0**	**5.2**	**150.0**	**5.8**
Items outside hedge accounting				
Interest rate swaps	0.0	0.0	25.0	-0.1
Items outside hedge accounting total	**0.0**	**0.0**	**25.0**	**-0.1**
Interest rate derivatives total	**150.0**	**5.2**	**175.0**	**5.8**
Equity derivatives				
Hedge accounting items				
Stock options				
Call options	3.0	5.6	3.0	0.7
Put options	3.0	1.4	3.0	-0.1
Hedge accounting items total	**6.0**	**4.1**	**6.0**	**0.6**
Equity derivatives total	**6.0**	**4.1**	**6.0**	**0.6**
Derivatives total		**-124.2**		**-114.5**

Calculation of key ratios

Operational result:
Operating result excluding fair value changes in derivatives, changes in the exchange rates of fleet overhauls and non recurring items

Non-recurring items.
Capital gains and losses as well as items related to the restructuring and other non recurring items

Operational EBITDAR:
Operational result + depreciation + lease payments for aircraft

Shareholders' equity:
Equity attributable to owners of the parent

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

Average capital employed.
Balance sheet total non-interest bearing liabilities (average)

Interest-bearing net debt:
Interest bearing liabilities other current financial assets cash and cash equivalents

Earnings per share:
$$\frac{\text{Result for the financial year } \textit{ hybrid bond expenses net of tax}}{\text{Average number of shares during the financial year adjusted for share issues}}$$

Result for the period/share:
$$\frac{\text{Result for the financial year}}{\text{Average number of shares during the financial year adjusted for share issues}}$$

Equity/share:
$$\frac{\text{Shareholders equity}}{\text{Number of shares at the end of financial year adjusted for share issues}}$$

Dividend/earnings, %
$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Dividend yield, %.
$$\frac{\text{Dividend/share}}{\text{Share price at the end of the financial year}} \times 100$$

Cash flow from operating activities/share:
$$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares during the financial year adjusted for share issues}}$$

Price/earnings ratio (P/E)
$$\frac{\text{Share price at the end of the financial year}}{\text{Earnings/share}}$$

Equity ratio, %:
$$\frac{\text{Shareholders equity + non controlling interest}}{\text{Balance sheet total}} \times 100$$

Gearing, %.
$$\frac{\text{Interest bearing net debt}}{\text{Shareholders equity + non-controlling interest}} \times 100$$

Adjusted gearing, %.
$$\frac{\text{Interest bearing net debt + 7} \times \text{lease payments for aircraft}}{\text{Shareholders equity + non controlling interest}} \times 100$$

Return on equity (ROE), %.
$$\frac{\text{Result for the financial year}}{\text{Shareholders equity + non controlling interest (average)}} \times 100$$

Return on capital employed (ROCE), %.
$$\frac{\text{Result before taxes + financial expenses}}{\text{Average capital employed}} \times 100$$

Available seat kilometres (ASK)
Total number of seats available × 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 Airline Business traffic revenue divided by available seat kilometres (ASK) Inflight sales and Cargo revenues are included in RASK on a net basis, decreased by direct costs related to those operations.

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 Airline Business operational costs divided by available seat kilometres Operational costs include a calculative capital cost for Finnair operated and owned aircraft Direct operational costs related to Cargo operations and inflight sales are excluded in the measurement as their results are included on a net basis in unit revenues. Non traffic related revenue is netted off and 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

Board of Directors' proposal on the dividend

Finnair Plc's distributable equity according to the financial statements on 31 December 2015 amounts to 181,101,862.30 euros

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid and the result for the financial year be retained in the equity

Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 9 February 2016

The Board of Directors of Finnair Plc

Klaus Heinemann	Harri Kerminen	
Maija-Liisa Friman	Jussi Itävuori	Gunvor Kronman
Jaana Tuominen	Nigel Turner	

Pekka Vauramo
President and CEO of Finnair Plc

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Finnair Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnair Oyj for the year ended 31 December, 2015 The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit The Auditing Act requires that we comply with the requirements of professional ethics We conducted our audit in accordance with good auditing practice in Finland Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland The information in the report of the Board of Directors is consistent with the information in the financial statements

Other Opinions

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

Helsinki, 9 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

List of accounting books and voucher types

Balance sheet book	paper documents	
Journal and general ledger	electronic archive	
Accounts receivable and payable	electronic archive	
Bank receipts	paper documents and electronic archive	voucher types 42 43 68 69 70 and YI
Sales invoices	paper documents and electronic archive	voucher types 30 31 40 41, XV XW YJ and YW
Flight coupon vouchers	electronic archive	voucher types SC, SE SF, SH, SI SJ, SM, SN, SO, SR, SS and ST
Purchase invoices	paper documents and electronic archive	voucher types 63 64 66 67 YA YM YN YP YT YU and YX
Payroll receipts	paper documents and electronic archive	voucher types XQ and YV
Travel and expense invoices	electronic archive	voucher type YQ
Treasury vouchers	paper documents and electronic archive	voucher types XK and XM
Fixed assets vouchers	paper documents and electronic archive	voucher types AA and AF
Finnair Plus vouchers	electronic archive	voucher type XY
Memo vouchers	paper documents and electronic archive	voucher types 10 11, 13 14 16, 17, 18 19, 20 23, 24 XX and YY
Clearing vouchers	electronic archive	voucher types 22 and SU

Tax footprint

Finnair's principle is to pay the indirect and direct taxes it is subject to in each country according to local regulations The aim of tax planning is to support business decisions and to ensure their appropriate implementation, also from the perspective of taxation Finnair Group does not have any structures in place in order to transfer taxable income from Finland to jurisdictions with lower tax rates

Finnair's international business operations are mainly related to the sales of flight tickets and cargo through Finnair Plc's foreign sales units, as well as local sales promotion activities Sales units are not separate legal entities The sales units' income is taxed pursuant to the regulations and double tax treaties pertaining to the international airline business as part of the parent company's taxable income in Finland The operations of Finnair's foreign subsidiaries in 2015 and 2014 have been primarily related to travel services, and they are very minor in scale relative to the Group's business operations as a whole Finnair also has a subsidiary for reinsurance operations registered in the Guernsey islands for business reasons, the result of which is subject to taxation in Finland pursuant to the Finnish Act on the Taxation of Shareholders in Controlled Foreign Corporate Entities

Finnair's taxable operations in individual countries outside of Finland are minor in scale Hence, the table below present Finland separately and all other countries together Country level information for subsidiaries is found in the second table on this page Country level specification for taxes paid and collected outside Finland is found on the next page

	2015			2014		
Finnair's operations in Finland and in other countries	**Finland***	**Other countries****	**Total**	**Finland***	**Other countries**	**Total**
Revenue EUR mill	2 309 2	14 7	2 324 0	2 269 9	14 5	2 284 5
Result before taxes EUR mill	111 8	1 6	113 3	100 4	1 4	99 1
Number of personnel	4,276	630	4 906	4 496	676	5 172

* The taxable income in Finland includes the result of the reinsurance company registered in Guernsey totalling 0 0 euros (0 0)
** Figures relating to other countries include also sold foreign subsidiaries when they were part of Finnair group

Significant portion of the Group's revenue outside of Finland relates to sold subsidiaries (Fstravel AS Fstravel Vinius UAB, Latvia Branch) Other Finnair Group's operative subsidiaries are located in Estonia, where income tax is due in connection with distribution of dividends The Group has also dormant subsidiaries in Russia Specification for revenue, result before taxes, income tax payable and number of personnel is presented in the below table

	2015				2014			
Finnair's operations in other countries	**Estonia***	**Lithuania***	**Latvia***	**Russia**	**Estonia**	**Lithuania**	**Latvia**	**Russia**
Revenue EUR mill	13 2	1 1	0 5	0 0	13 1	0 8	0 5	0 0
Result before taxes EUR mill	1 6	0 0	0 0	0 0	0 6	-0 1	0 0	0 8
Income tax payable EUR mill	0 2	0 0	0 0	0 0	0 5	0 0	0 0	0 0
Number of personnel	303	29	15	0	295	30	15	0

* Figures relating to other countries include also sold foreign subsidiaries when they were part of Finnair group

The Group also has a dormant subsidiary in Canada which is under liquidation process and does not have revenue or personnel Profits of sales units are taxed in accordance with regulations and double tax treaties pertaining to the international airline business and hence, revenue, result before taxes, income tax payable and number of personnel in other countries are not separately adopted in financial statements Specification of taxes paid and collected in other countries is presented overleaf

Direct taxes payable, EUR mill	Finland*	Other countries**	Total	Finland*	Other countries	Total
Employer contributions	5 9	3 0	8 9	5 7	1 0	6 8
Property taxes	0 5	0 0	0 5	0 6	0 0	0 6
Other taxes	1 6	0 0	1 6	1 7	0 0	1 7
Public subsidies received	-1 6	0 0	-1 6	-1 7	0 0	1 7
Taxes included in direct operating expenses and subsidies in total	**6 4**	**3.0**	**9 4**	**6 4**	**1.0**	**7 4**
Income taxes payable*	10 1	0 2	10 3	0 0	0 2	0 2
Total direct taxes payable	**16.5**	**3 2**	**19.7**	**6.4**	**1 3**	**7.6**

* Income taxes payable are tax expenses recorded based on the taxable result which has been utilised against confirmed tax losses
** Figures relating to other countries include also taxes paid by sold foreign subsidiaries when they were part of Finnair group.

Other taxes primarily include taxes on insurance payments and electricity taxes Due to the nature of the international airline business, jet fuel is tax-free Public subsidies consist of subsidies received for training and they are primarily related to the aviation training services provided by Finnair The reported public subsidies do not include subsidies paid to the airline business by the authorities in various countries, as they are considered business secrets No such subsidies have been received from Finnish authorities

Finnair has confirmed losses in taxation from previous tax periods amounting to approximately 310 million euros The estimated amount of confirmed tax losses after 2015 taxable result has been used is approximately 259 million euros The confirmed tax losses can be utilised against positive taxable income over the next four to ten years Income tax (cash tax) becomes due for payment only when previous losses have been utilised in full

More detailed specification of employer contributions paid in other countries is found on the next page

More information on direct taxes, such as the taxes pursuant to the consolidated income statement, deferred tax assets and liabilities, and the adjustment of the effective tax rate, is presented in Note 5 1 in Finnair's consolidated financial statements

Indirect taxes collected for the financial year, EUR mill	Finland	Other countries*	Total	Finland	Other countries	Total
Value added taxes sales	83 4	1 9	85 3	83 0	0 0	83 1
Value added taxes purchases	99 5	5 6	105 1	97 9	3 0	100 9
Value added taxes, net	**-16 1**	**-3 7**	**-19.8**	**-14.8**	**-2 9**	**-17.8**
Withholding taxes on wages and salaries and other indirect taxes	84 4	3 1	87 5	88.0	2 0	90 1
Excise taxes	0 3	0 0	0 4	0 9	0 0	0 9
Total	**68.6**	**-0.5**	**68.1**	**74.1**	**-0.9**	**73 2**

* Figures relating to other countries include also sold foreign subsidiaries when they were part of Finnair group

The most significant indirect taxes collected during the financial year are withholding tax liabilities, value added tax and excise taxes

In Finnair's view, the passenger tariffs collected from flight passengers are not considered tax-like payments remitted to the authorities that are subject to being reported as part of the tax footprint Passenger tariffs are remitted to the private or public party responsible for airport operations in each country, and as they are direct compensation for the maintenance of airport services, they do not meet the definition of a tax More detailed specification of taxes collected in other countries is found overleaf

Country specific information for 2015 is presented below only regarding countries where the amount of taxes paid, collected or deducted is at least 0.05 million euros. Countries where this threshold is not met are presented as two areas below. The figures below include taxes paid and collected by subsidiaries, sales units as well as sold subsidiaries when the companies were part of the Group.

2015

Country specification, EUR mill	Employer contributions	Value added taxes, sales	Value added taxes, purchases	Value added taxes, net	Withholding taxes on wages and salaries	Total
Countries						
Estonia	1.5	0.9	0.6	0.4	0.8	2.7
China	0.2	0.0	0.0	0.0	0.5	0.8
Lithuania	0.2	0.1	0.1	0.1	0.2	0.5
Russia	0.0	0.0	0.0	0.0	0.1	0.1
Latvia	0.1	0.0	0.0	0.0	0.1	0.2
Italy	0.0	0.1	0.1	0.0	0.1	0.1
Switzerland	0.0	0.0	0.0	0.0	0.1	0.1
Greece	0.0	0.1	0.0	0.1	0.0	0.1
Spain	0.1	0.1	0.1	-0.1	0.1	0.1
Belgium	0.1	0.0	0.0	0.0	0.0	0.1
Australia	0.0	0.0	0.1	-0.1	0.1	0.0
Sweden	0.1	0.1	0.4	-0.4	0.2	0.0
France	0.0	0.1	0.1	-0.1	0.0	0.0
Denmark	0.0	0.0	0.1	-0.1	0.1	0.0
Singapore	0.0	0.0	0.1	-0.1	0.0	-0.1
USA	0.0	0.1	0.2	-0.2	0.0	-0.1
South-Korea	0.0	0.0	0.2	-0.2	0.0	-0.1
Norway	0.0	0.0	0.5	-0.5	0.2	0.2
Japan	0.3	0.0	1.0	-0.9	0.4	-0.2
Germany	0.0	0.0	0.4	-0.4	0.2	0.3
Thailand	0.0	0.0	0.4	-0.4	0.1	-0.3
The UK	0.0	0.0	0.9	-0.8	0.0	-0.8
Areas						
Other EU-countries*	0.1	0.2	0.2	0.0	0.1	0.1
Rest of the world**	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3.0**	**1.9**	**5.6**	**-3.7**	**3.1**	**2.5**

* Austria, Bulgaria, Croatia, Czech Republic, Cyprus, Hungary, Malta, the Netherlands, Poland, Portugal and Slovenia
** Canada and India

Employer contributions paid relate to mandatory employer payments regarding employees located outside of Finland. Withholding taxes on salary are collected based on local legislation. Value added tax on sales and purchases relate mainly to passenger sales and cargo services. Total amount of excise taxes outside Finland in 2015 and 2014 has been less than 0.1 million euros and hence this information is not presented on a country-by-country basis.

Country specific information for 2014 is presented below only regarding countries where the amount of taxes paid, collected or deducted is at least 0.05 million euros. Countries where this threshold is not met are presented as two areas below. The figures below include taxes paid and collected by subsidiaries, sales units as well as sold subsidiaries when the companies were part of the Group.

2014

Country specification, EUR mill	Employer contributions	Value added taxes, sales	Value added taxes, purchases	Value added taxes, net	Withholding taxes on wages and salaries	Total
Countries						
China	0.2	0.0	0.0	0.0	0.4	0.5
USA	0.1	0.0	0.0	0.0	0.2	0.3
Italy	0.1	0.0	0.0	0.0	0.1	0.1
The Netherlands	0.0	0.0	0.0	0.0	0.1	0.1
Estonia	0.1	0.0	0.1	0.1	0.0	0.1
Spain	0.0	0.0	0.0	0.0	0.1	0.1
Switzerland	0.0	0.0	0.0	0.0	0.1	0.1
Russia	0.0	0.0	0.0	0.0	0.1	0.1
Sweden	0.1	0.0	0.3	0.3	0.2	0.0
Denmark	0.0	0.0	0.1	0.1	0.1	0.0
France	0.0	0.0	0.1	-0.1	0.0	-0.1
Norway	0.0	0.0	0.2	-0.2	0.1	-0.1
Japan	0.1	0.0	0.6	0.6	0.4	0.1
Thailand	0.0	0.0	0.2	-0.2	0.1	-0.1
Singapore	0.0	0.0	0.1	-0.1	0.0	0.1
South Korea	0.0	0.0	0.2	-0.2	0.0	0.1
Germany	0.0	0.0	0.6	-0.6	0.2	0.3
The UK	0.0	0.0	0.4	-0.4	0.0	0.4
Areas						
Other EU-countries*	0.1	0.0	0.1	0.0	0.0	0.1
Rest of the world**	0.0	0.0	0.1	-0.1	0.0	0.0
Total	**1.0**	**0.0**	**3.0**	**-2.9**	**2.0**	**0.1**

* Austria, Belgium, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Cyprus, Latvia, Lithuania, Malta, Poland, Portugal and Slovenia
** Australia, Canada and India


GOVERNANCE

Management principles

General management principles

Finnair's management system is aimed at achieving strategic goals, creating added value for the company's owners and other stakeholders, managing operational risks and improving the company's performance

Operations are guided by principles, policies and guidelines defined by the company, including the following

- Code of Conduct
- Supplier Code of Conduct
- Corporate responsibility
- Environmental and energy policy
- Risk management policy and related, more detailed guidelines concerning different areas
- Security policy
- Data security policy and guidelines
- Disclosure policy
- Equality policy
- Remuneration policy
- Procurement policy and guidelines on supplier relationship management
- Sponsorship guidelines
- Guidelines on anti-competition
- The Group's anti-bribery guidelines
- The Group's guidelines on conflicts of interest

In financial reporting, Finnair applies the rules relating to listed companies as well as international financial reporting standards Most of Finnair's operational activities are based on official regulations and are subject to official supervision Within the group, the legality and acceptability of operations is monitored as part of Finnair's general control and audit processes The responsibility for regulatory compliance in flight operations lies with the persons defined and approved by the authorities Finnair is also subject to supervision relating to finances and information security

Internal control and audit roles and responsibilities are compliant with the Finnish Companies Act, the Finnish Corporate Governance Code for Listed Companies and the regulations governing the aviation industry Finnair's governance model, control environment and activities, internal audit and the roles and responsibilities related to these are described in detail in Finnair's Corporate Governance Statement on pages 90–99

Corporate Responsibility at Finnair concerns everyone and our aim is to incorporate the corporate responsibility aspects equally in all our processes and product design The Corporate Responsibility function is headed by the Senior Vice President for Communications and Corporate Responsibility, who is also a Member of the Finnair Executive Board Reports and all key principles and policies will be discussed by the Finnair Board of Directors, with a designated member for corporate responsibility issues The development, coordination and reporting is managed by the corporate responsibility function with the support of the steering groups for other key functions

Responsible Finnair

Finnair's corporate responsibility is reflected in its strategy as well as its success factors of commitment to care, simplicity and courage Responsibility is integral to all Finnair operations The purpose of the responsibility strategy is to reduce the environmental impact and increase the financial and social return for society The key areas of corporate responsibility and sustainability strategy fall under three themes people, the environment and society For a more detailed description of these themes, please refer to the GRI section

Finnair is committed to complying with international and national legislation in its operations, as well as the ethical operating principles laid out in the Code of Conduct approved in 2012 In 2014, the Group Executive Board approved additional group-wide guidelines to supplement the Code of Conduct with regard to the prevention of bribery and topics including hospitality, conflicts of interest and compliance with anti-competition regulations Compliance with the guidelines has been promoted by communicating their content and organising training events Also in 2014, the company began the process of comprehensively revising its Code of Conduct The revision is intended to clearly define the requirements that all Finnair employees must comply with The work is scheduled to be completed by the early part of 2016 As part of the revision, an internal whistle-blowing channel was launched in 2015

The aspects of corporate responsibility that have been defined material for Finnair in the description are provided in the Materiality Assessment and the GRI content index Finnair's operations and services involve a number of financial, social and environmental considerations These have been *described in more detail in the following sections*

Public affairs and lobbying

Aviation is a strictly regulated industry Therefore it is important for Finnair to participate in discussions and decision-making regarding its operating conditions It is part of the company's growth strategy to aim towards securing adequate traffic rights

Finnair pursues its interests in an ethically sustainable manner by appropriately introducing its views, perspectives and expertise The company does not pressurise or support political decision-makers in any way in pursuing its interests The legality and ethicality of lobbying activities is controlled as part of the company's general supervision and audit processes

The aim of Finnair's lobbying activities is to maintain relationships concerning relevant policy and to participate in relevant negotiations and the operations of advocacy organisations When lobbying on various civil aviation and industry regulation issues, Finnair typically cooperates with various organisations and chambers of commerce Finnair is an active member of various aviation industry organisations, such as AEA and IATA, but also in the Confederation of Finnish Industries (EK), and its sub-associations and in several chambers of commerce

Communications

Finnair aims at open, honest and timely communications In line with these principles, Finnair's communications are also in compliance with regulations governing listed companies and limited liability companies, as well as the obligations of the Finnish Act on Cooperation within Undertakings and the communications guidelines of the State Ownership Steering Department

Finnair takes different perspectives into consideration and respects all stakeholders' views of our operations Finnair's internal communications are based on reciprocity Every employee has the duty to communicate matters related to their area of responsibility to the relevant target groups Those in supervisory roles have a further duty to communicate goals, operations and results to their own work community and create a work environment that enables genuine constructive discussion The company systematically develops its communication channels to enable more efficient communications and to facilitate constructive discussion

Economic responsibility

Finnair as a whole has substantial direct and indirect financial implications on Finland's both national and local economies

Aviation is a significant industry for Finnish society and the national economy The accessibility created by airline traffic is a necessity for Finland's global competitiveness and its economic impact is considerable, aviation is estimated to account for 3–5 per cent of GDP, employment and tax revenue Finnair's effective Asian strategy is a key element of the GDP contribution of aviation and its impact is estimated at 1–2 billion euros

Finnair's objective is to create sustainable economic added value by producing flight services profitably, cost-competitively and in harmony with the needs of the environment and society Responsible operations are the cornerstone of profitable business activity, and Finnair takes into account the effects of its operations on society These effects are identified and assessed by the company's corporate social responsibility and risk management organisations, which work under the delegated authority of the CEO

Finnair's Board of Directors has set the company's financial targets, which are provided in information material for investors As a public limited company, Finnair is committed to earning a profit for its shareholders The company's profit distribution principles are expressed in Finnair's dividend policy Finnair's financial reporting aims to transparently provide information about Finnair's financial position and development

Purchasing practices

As provided in Finnair's Code of Conduct, its procurement operations are entirely based on the objective and fair treatment of suppliers The persons who make procurement decisions at Finnair must always be fully independent of the business partners concerned A Finnair employee must declare himself/herself disqualified due to bias whenever they are required to make a decision pertaining to a contract or business relationship involving family relationships, ownership in the company concerned (with the exception of a reasonable share of ownership in a listed company) or any other business or debt relationship external to Finnair Finnair does not accept corruption in any form and requires that its personnel and partners comply with the principles of the UN's Universal Declaration of Human Rights in all activities related to Finnair

The procurement steering group operating under Finnair's management is responsible for the steering, development and coordination of the Group's procurement activity The most significant product/service entities are the responsibility of cross-organisational or intra-business unit procurement groups, i e category teams, formed around each product or service entity The management of each business unit has the duty to ensure that the personnel carrying out purchasing has access to valid purchasing guidelines and that the guidelines are observed

Audits are performed in certain product and service groups Auditing focuses on quality and safety factors With respect to procurement covered by official regulations, only operators approved by the International Air Transport Association (IATA) can act as suppliers or subcontractors to Finnair

The sustainability of the supply chain is of major importance for the airline as we are using partners and service providers to an increasing degree Conforming with the UN's Universal Declaration of Human Rights and all applicable laws and statutes is a minimum requirement Finnair requires that its suppliers comply with similar ethical standards as we do in our own operations Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing Responsibility aspects are considered in cooperation with the corporate responsibility unit

Finnair launched human rights assessments in autumn 2015 and the assessment process will in the future also include the supply chain Finnair, as part of the oneworld alliance, has also joined the agreement for SEDEX supply chain auditing instruments

Environmental responsibility

The biggest environmental impact of an airline is its engine emissions. As a rule, modern aircraft are more efficient than previous-generation aircraft, and hence Finnair's most significant environmental action is to invest in a modern fleet. Exposure to aircraft noise, on the other hand, has an impact on the areas surrounding airports and under takeoff and approach flight paths. Advances in aerodynamics and engine technology help mitigate aircraft noise. The noise level of the Finnair fleet has been significantly reduced thanks to the modernised fleet and noise attenuation systems installed in older-generation aircraft. Other normal operations, including running business and office premises and the fuel of ground vehicles, also produce their share of emissions and environmental impact. *These are all reported on under Finnair's IEnvA environmental management system.*

Finnair's goal is to be a leading airline in the field of environmental responsibility. We are committed to the common goal of the aviation industry to achieve carbon neutrality by 2020 and to cut the emissions of our flight operations by half by 2050 from the 2005 level. We comply with current environmental legislation, but our environmental work aims at exceeding statutory requirements and being a pioneer in evaluating, reporting and reducing environmental impacts.

Finnair participates actively in civil aviation environmental committees as well as in industry workgroups in Finland and the Nordic countries, *promoting the reduction of the aviation sector's environmental load.* An open dialogue with different stakeholders and continuous development of operations according to the latest available information are prerequisites for environmental responsibility. We report on our environmental impacts regularly in annual reports and as a part of the Carbon Disclosure Project (CDP). In addition, we communicate directly with various parties about our operations and gladly answer any questions from our stakeholders or private customers.

Environmental responsibility is managed as part of Finnair's environmental policy and environmental management system. Finnair Environment and Energy Policy described the goals of the company's environmental management. In 2014, Finnair became the first European airline to receive IATA Environmental Assessment (IEnvA) Stage 2 certification for its environmental management systems. IEnvA is an environmental management system developed by IATA for airlines, which we apply to make use of the best practices in the industry. Our environmental management system has been assessed by third-party auditors authorised by IATA who are qualified to perform audits of environmental management systems. To improve its performance, Finnair has identified the most significant environmental factors relevant to its operations and defined targets for them.

Finnair takes into account environmental considerations in all its flight and ground operations. Besides energy solutions that reduce the environmental load, Finnair's environmental strategy also includes the preservation and promotion of natural diversity, known as biodiversity thinking. In 2015, Finnair participated in the biodiversity Master Class organised by Corporate Responsibility Network FIBS and the Ministry of the Environment. One of the outcomes of the Master Class for Finnair was the identification of its essential ecosystem services and its most significant impacts on them. For several years, Finnair has also actively supported in collaboration with the Finnish Association for Nature Conservation the rain forest reforestation project in Madagascar.

In June 2015, Finnair prohibited the transportation of hunting trophies or memorabilia originating from endangered species or their parts in its cargo network.

Social responsibility

Finnair is a company in a complex, highly technical business. The company has operations and supply chain partners in dozens of different countries, each with varying laws and practices. The most important social responsibility areas concern safety, personnel, the supply chain and customers.

Responsibility for human rights

Finnair's own operations involve no significant human rights risks or impacts. However, indirect risks and implications may exist in relation to the supply chains and outsourced operations.

In order to improve the monitoring of its own operations and those of its entire supply chain, Finnair launched a project in 2015 to develop methods to assess the realisation of social responsibility and human rights and related risk assessment. The target is to complete the development project in the *first half of 2016. Finnair has participated in 2015–2016 in the joint project of travel industry operators* and UNICEF to examine the status of children's rights within travel service production chains. The pilot phase of the project was carried out in Vietnam, and the findings of the project will be utilised in other destinations in the future.

Finnair's human rights management is described in the Finnair Code of Conduct, Supplier Code of Conduct and the company's personnel management principles. Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organisation (ILO). Finnair signed in 2013 the United Nation's Global Compact initiative and undertook to comply with the Global Compact's ten principles of corporate responsibility. As required by the Global Compact principles endorsed by Finnair, the company aims to prevent any violations of human rights and the use of forced labour both within its own operations and its supply chain.

Personnel

A major aspect of social responsibility is to do with personnel and their working conditions at Finnair, a major employer. Personnel management policies cover all aspects of social responsibility that have been identified as material. The impacts affecting the personnel and the working conditions are managed as based on the HR guidelines and Finnair HR policy.

Management, development and training and employee wellbeing

Finnair does not discriminate based on gender, age, ethnic or national origin, nationality, language, religion, conviction, opinion, health, disability, sexual orientation or other personal attributes or circumstances.

Finnair does not condone harassment in the work community Reporting infractions is every employee's right and the company is determined to take steps to intervene in all cases brought to its knowledge Reports can also be filed anonymously, for example using the whistleblowing channel in the company intranet It is the duty of every group employee to act so that no one is accorded unequal status

Finnair offers equal opportunities to everyone with regard to recruitment, work performance, career progression and development Finnair implements the equal pay principle based on the Finnish Equality Act and gives both men and women equal opportunities for balancing work and family life In 2011, Finnair signed the United Nations Women's Empowerment Principles, which give guidance on the empowerment of women in the workplace, marketplace and community

Finnair complies with procedures jointly agreed by the employer and employees for the prevention of harassment and inappropriate conduct The procedure is based on the Finnish Act on Occupational Safety and Health and complies with the model recommended by the Finnish Ministry of Social Affairs and Health

Leadership and competences are developed on individual, team, unit and organisation level Learning and development solutions are typically either adopted by the entire personnel or tailored for specific development needs within a unit, or they are aimed at developing professional skills, based on official requirements or in support of personal development Leadership development is one of Finnair's key focus areas for 2015–2016 Development needs in teams and the organisation are identified and the wellbeing and commitment of the personnel are regularly monitored through a personnel survey

Occupational health and wellbeing at work

The target group for the wellbeing at work programme, which Finnair launched in 2011, is aimed at the entire personnel The aim of the programme is to promote the effectiveness and functionality of the work community through various annually launched projects and to ensure the wellbeing of personnel through all career stages The programme also contributes to employee productivity, the company's competitiveness and attractiveness as an employer as well as the implementation of the social component of corporate responsibility A strategic development project for wellbeing at work will be launched in 2016 The aim of the project is to improve the overall wellbeing of the personnel and to reorganise the development of wellbeing at work in the company

At Finnair, the Finnair Health Services unit is responsible for occupational health care services Finnair Health Services focus on preventive care The model of early caring and the occupational ability risk management system are examples of the guidelines governing preventing health care

Finnair Health Services, Finnair Aeromedical Centre FAeMC, coordinates and is responsible for the implementation of occupational health care in the entire Finnair group The operational and service quality of Finnair Health Services is based on the European Foundation for Quality Management's EFQM Excellence Model The quality system is used to ensure that Finnair Health Services meets the requirements for good occupational health care practice in both aviation health care and aviation medicine services The quality manual covering occupational health care and aviation medicine was updated in 2014

Freedom of association and collective negotiation

Freedom of association and the collective right to negotiate on occupational issues are recognised as fundamental rights in Finland There is a long tradition of trade union activity in the company Labour market culture in the company has been constructed in such a way that the organisation of workers and collective negotiations between the company and employee groups are part of normal activity All Finnair employees have the right and opportunity to agree on terms of employment collectively The terms of employment of management employees are agreed on locally Personnel and management remuneration principles are described on pages 105–111

Product responsibility and customer care

The aviation industry consists of a strictly regulated value chain comprised of multiple suppliers of products and services As an airline and service company at the top of this value chain, Finnair creates added value for its customers by providing them with a comprehensive and high-quality service product in collaboration with its partners We are responsible for transporting customers and their baggage to their destinations safely, smoothly and punctually The most significant product responsibility aspects in the Finnair Group's operations are flight safety, food safety, responsibility for individual customers, and responsibility for the cargo carried

At Finnair, situations that deviate from the norm are prepared for in advance The group has developed processes for various unexpected situations and these are continually updated and maintained Customers must be able to trust in the fact that they will be cared for throughout the entire service chain Finnair has responsibility towards its customers for the overall quality of their experience, regardless of the fact that some services are produced by Finnair's partners rather than the company itself Therefore, Finnair pays increased attention to the selection of its partners and the partners are required to comply with Finnair's quality assurance policies and ethical guidelines

Safety

Safety is at the core of all Finnair's operations Flight safety and giving priority to it are part of all decision-making at every stage Finnair maintains and develops the principles of ongoing development by adhering to its Safety Management System (SMS) It covers all aspects of flight safety safety policy, flight safety risk management, safety training and communications for the entire personnel and subcontractor chain, continual auditing of operations and the assessment of the potential impact of new factors in the operating environment Official regulations and standards set the minimum standards for Finnair's safety management, which the company aims to exceed in all areas

One of the central elements in Finnair's safety system is the safety reporting concerning the entire staff The company encourages its personnel and subcontractors to actively report any processes or elements they come across that could potentially compromise safety Each report is analysed and assessed for risk, followed by necessary corrective actions based on this, and the person submitting the report will be notified of the outcome of the investigation Alongside subjective observations, Finnair extensively monitors and analyses objective indicators, such as flight data Ongoing monitoring and analysis enable a transparent risk level in all areas, which in turn enables prompt action on any indication of altered safety level

Events that seriously jeopardise safety are extremely rare and almost without exception an impartial safety investigation is launched on each event Safety investigations are coordinated by public officials (Safety Investigation Authority) or, if the authorities elect not to investigate the event, Finnair will conduct its own internal safety investigation The safety investigators always carry out the investigation independently and the company's management has no opportunity to influence the investigation

Objective monitoring of the company's own operations, ongoing development and carrying out corrective measures as well as open dialogue with the authorities governing Finnair's operations guarantee safe and high-quality airline operations.

Customer care

For exceptional situations, Finnair has its own separate unit All flight traffic irregularities are handled centrally from Helsinki, thereby gathering the necessary information into one place In this way, a more detailed overall picture of the multiplier effects and costs of the irregularities is obtained, and efforts are made to minimise inconvenience to the customer

Monitoring and supervision of customer service activity is based on regular auditing, customer feedback and customer satisfaction surveys, as well as various mystery customer experiences and measurements performed by external parties Our partners' operations are also continually evaluated Monitoring is systematic and is used to set targets and check that they are being met Staff expertise is ensured through training

Customer data

Finnair respects the privacy of its customers and is committed to ensuring that personal details and other customer information are processed appropriately We do our best to guarantee the confidentiality, security and accuracy of customer data under all circumstances The company processes personal details at all stages of travel in compliance with the legislation on personal data and regulations issued by the authorities in the countries in which we operate

Cargo and ground handling

In cargo transport, Finnair and its subsidiary Finnair Cargo are responsible for transporting customers' cargo in the condition in which it has been entrusted to us, and in compliance with Finnair Cargo's General Conditions of Carriage (http //www finnaircargo com/en/cargo/general-transportation-terms html) as well as international and national regulations The aim is to offer cargo customers efficient logistics services This means, among other things, that cargo entrusted to Finnair Cargo for transport is delivered to its destination exactly as agreed with the customer

Finnair's Ground Operations unit is responsible for the acquisition, quality criteria and quality control of ground handling services required at airports The unit's task is to ensure that the ground services used by Finnair fulfil the requirements set for them, both in terms of quality and in respect of safety and official regulations

To deliver on their service promises, both Finnair Cargo and the Ground Operations unit apply a systematic evaluation process when selecting subcontractors and partners Partners are required, for example, to ensure and maintain the expertise of their personnel, and also to ensure that vehicles, equipment and premises are appropriate In addition to quality audits at airports, Finnair also regularly performs quality inspections that continually monitor both its own and subcontractors' work Finnair Cargo and Ground Operations are responsible for maintaining and updating their own quality systems and ensuring that operations comply with requirements

Ground Operations also has an area manager, responsible for airport operations, who has a significant role in monitoring the compliance of operations with regulations If some activity does not to some extent comply with the operations manual or prevailing legislation, the deviation is documented and corrective measures effected immediately

More information about IATA safety and quality audits http //www iata org

Corporate Governance Statement 2015

Contents

Regulatory framework

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

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

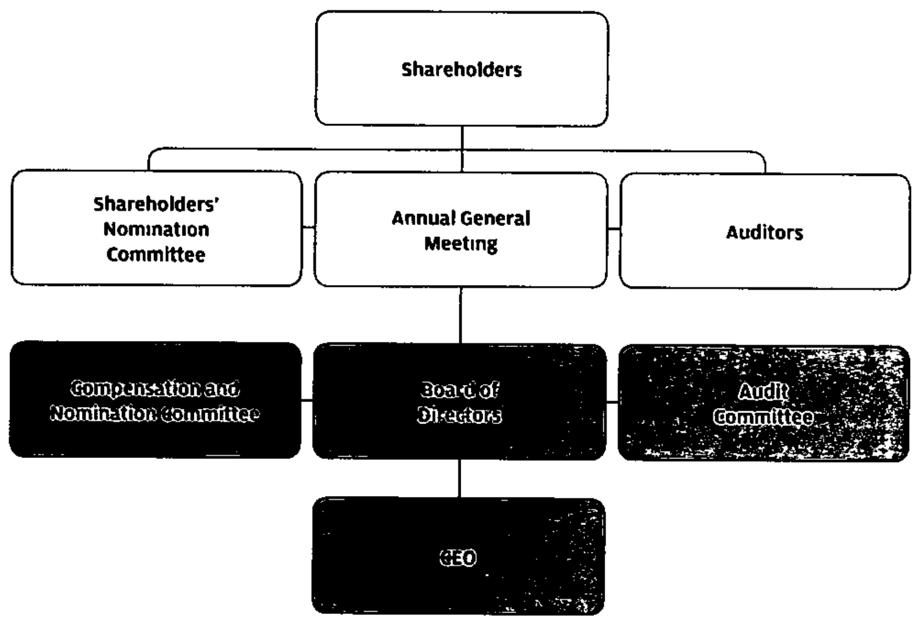
The Articles of Association, the published policies and other additional information on Finnair's corporate governance can be found at Finnair's internet site at www finnairgroup com The Corporate Governance Code is publicly available on the website of the Securities Market Association's website at www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

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

Governing bodies

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

Governing bodies of Finnair



General Meetings

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

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

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

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

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

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

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

2015 Annual General Meeting

Finnair's AGM 2015 was held in Helsinki on 25 March. A total of 257 shareholders, representing 68 per cent of the shares and voting rights of the company, participated either in person or by proxy representatives All Board members, all candidates for Board membership and the auditors of the company were present in the meeting

Shareholders' Nomination Board

The AGM 2013 decided to establish a permanent Shareholders' Nomination Board The term of the Nomination Board continues until further notice The previous practice since 2008 was that a Shareholders' Nomination Committee was established annually by the AGMs

The purpose and task of the Nomination Board is to prepare and present to the AGM, and, if necessary, to an Extraordinary General Meeting, proposals on the remuneration of the members of the Board, on the number of members of the Board and on the members of the Board In addition, the task of the Nomination Board is to seek potential future candidates for Board members
The Nomination Board shall forward its proposals to the company's Board by 31 January each year

The Nomination Board shall consist of four members, who shall be nominated annually The company's three largest shareholders shall appoint three of the members, and the Chairman of the Board shall serve as the fourth member The company's largest shareholders entitled to appoint members to the Nomination Board shall be determined on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd as of the first working day in September each year In the event that a shareholder does not wish to exercise its right to appoint a representative, such right shall pass to the next largest shareholder

The members of the Nomination Board are not remunerated by Finnair for their membership in the Nomination Board The members' expenses are reimbursable in accordance with the company s expense policy In addition, the Nomination Board's costs of using external experts shall be borne by the company

2013 and 2014 Nomination Boards

The Nomination Board established in 2013 consisted of the representatives of three largest share-holders as at the first working day September 2013 and of the Chairman of the Board The share-holders were the State of Finland, Keva and Skagen Global Verdipapirfond and the composition of the Nomination Board was the following

- Mr Eero Heliovaara, b 1956, M Sc (Econ), M Sc (Eng), Director General in the Ownership Steering in the Prime Minister's Office (Chairman),
- Mr Robin Backman, b 1971, M Sc (Econ), Portfolio Manager in Keva,
- Mr Per Wennberg, b 1969, B Sc (Hon) in Business Management, Skagen's Managing Director in Sweden,
- Mr Klaus Heinemann, see details on page 112

The Nomination Board convened three times and all members were present in the meetings On 31 January, 2014, the Shareholders' Nomination Board submitted to the Board its proposal for the AGM held on 27 March 2014

The Nomination Board established in 2014 consisted of the representatives of three largest shareholders as at the first working day September 2014 i e the State of Finland, Keva and Skagen Global Verdipapirfond, and of the Chairman of the Board Skagen funds sold their shares in Finnair Plc in November 2014 and consequently their representative in the Shareholders' Nomination Board resigned The right to nominate a member to the Nomination Board was thus transferred to the fourth largest shareholder of Finnair Plc as at the first working day September, Ilmarinen The composition of the 2014 Nomination Board was the following

- Mr Eero Heliovaara, see above, (Chairman),
- Mr Robin Backman, see above,
- Mr Per Wennberg, see above, (until 15 Dec 2014)
- Mr Harri Sailas, b 1951, M Sc (Econ) President and CEO of Ilmarinen Mutual Pension Insurance Company (from 15 Dec 2014 until 30 April 2015)
- Mr Klaus Heinemann, see details on page 112

The Nomination Board convened two times and all members were present in the meetings On 29 January, 2015, the Shareholders' Nomination Board submitted to the Board its proposal for the AGM to be held on 25 March 2015

2015 Nomination Board

The Nomination Board established in 2015 consisted of the representatives of three largest shareholders as at the first working day September 2015 i e the State of Finland, Keva and Ilmarinen, and of the Chairman of the Board The composition of the 2014 Nomination Board was the following

- Mr Eero Heliövaara, see above, (Chairman),
- Mr Robin Backman, see above,
- Mr Timo Ritakallio, b 1962, Master of Laws, MBA, President and CEO of Ilmarinen Mutual Pension Insurance Company
- Mr Klaus Heinemann, see details on page 112

The Nomination Board convened 4 times and the participation rate was 87 5% On 31 January, 2016, the Shareholders' Nomination Board submitted to the Board its proposal for the AGM to be held on 17 March 2016 The proposals are available at Finnair's website

Board of Directors

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

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

The accountability for the company's governance pertains specifically to the assurance of the effectiveness of the Company's system of internal controls The main features of the company's system of internal controls and risk management are described later in this report Finnair has a number of policies issued by the Board, designed to enhance the internal controls The policies are regularly updated and communicated to the personnel

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

The Board evaluates its work annually The Board's gender distribution in the composition elected by 2015 AGM is four men and three women

Members of the Board and their Independence

The 2015 AGM held on 25 March elected Mr Klaus Heinemann as Chairman of the Board and Ms Maija-Liisa Friman, Mr Jussi Itävuori, Mr Harri Kerminen, Ms Gunvor Kronman, Ms Jaana Tuominen and Mr Nigel Turner as other members of the Board The Board elected Mr Harri Kerminen as its Vice Chairman

Board members represent a diverse range of business and other backgrounds, bringing a broad spectrum of views and experiences to Board deliberations The Board assessed the independence of its members and concluded that all members are non-executive members independent of the Company and its major shareholders

Members of the Board in 2015 and their attendance in Board and Committee meetings

In 2015, the Board met 10 times In addition, the Board made per capsulam decisions 4 times during the year See the table below for information on the Board members' participation in the meetings during 2014

Name	Personal information	Participation in Board meetings in 2015	Participation in Committee meetings in 2015	
			Audit	Remuneration
Mr. Klaus W. Heinemann	Chairman of the Board since 27 March 2013 Member of the Board since 28 March 2012 B 1951, B Sc (Econ) Main occupation: Board professional Committee membership: Audit Committee until 27 March 2014	10/10		
Mr. Harri Kerminen	Member of the Board since 24 March 2011 Vice Chairman of the Board since 28 March 2012 B 1951 M Sc Tech, MBA Main occupation Board professional Committee memberships, Audit and Compensation and Nomination Committee	9/10	5/6	5/5
Ms. Maija-Liisa Friman	Member of the Board since 28 March 2012 B 1952 M Sc (Eng.) Main occupation. Board professional Committee memberships Audit Committee (Chairman)	10/10	6/6	
Mr. Jussi Itävuori	Member of the Board since 28 March 2012 B 1955 M Sc (Econ.) Main occupation: Board professional Committee memberships Compensation and Nomination Committee (Chairman)	10/10		5/5
Ms. Gunvor Kronman	Member of the Board since 28 March 2012 B 1963 Master of Arts Main occupation, CEO of Swedish-Finnish Cultural Centre Committee membership Compensation and Nomination Committee	9/10		4/5
Ms. Jaana Tuominen	Member of the Board since 27 March 2014 B 1960 M Sc (Eng.) Main occupation: CEO of Paulig Group Committee membership Compensation and Nomination Committee	10/10		4/5
Mr. Nigel Turner	Member of the Board since 27 March 2014 B 1958 BA (Hon) Main occupation: Committee membership Audit Committee	10/10	6/6	

More information on the Members of the Board is available on page 112 and on Finnair's website

The Board's work in 2015

In 2015 the Board met 10 times in person and had 4 additional online or telephone meetings In addition to its regulatory duties the Board's actions included the following

- Evaluated the company's strategy, followed the implementation of the existing strategic initiatives and set the company's strategic direction, mission and objectives as well as focus areas for 2015-2017,
- Reviewed the mid- and long-term investment and funding plans
- Decided on the issue of an EUR 200 million hybrid bond and redemption of an existing EUR 120 million hybrid bond,
- Approved the capacity expansion of the Airbus narrowbody fleet by increasing seat count and acquiring additional aircraft,
- Approved the investment in the new Cargo logistics centre,
- Approved the investments in onboard Wi-Fi technology,
- Approved a share saving plan targeted to the entire staff and the conditions and objectives for the next period of the long-term share incentive plan targeted to the key employees, and set the personnel fund's performance bonus criteria for 2015,
- Approved the divestment of the majority shareholding in Nordic Regional Airlines,
- Decided to launch a purchase programme of treasury shares, and
- Assessed and developed its working practices

The Committees of the Board

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

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

Audit Committee

The Audit Committee assists the Board in its task to ensure the proper governance of the company, in particular, by considering the accounting and financial reporting, the Company's internal control systems and the work of the external auditors The Audit Committee addresses concerns pertaining to control matters as may be detected by the management or the internal audit or external auditors of the company These are reported to the Board by the Audit Committee The Audit Committee ensures that appropriate action is taken by the management to rectify identified shortcomings

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

The main duties of the Audit Committee

The Audit Committee shall

- monitor the financial status of the company
- monitor the reporting process of financial statements and interim reports and assess the draft financial statements and interim reports
- assess the efficiency of the company's internal controls, internal auditing and risk management system
- monitor the statutory audit and review all material reports from the auditor
- assess the independence of the auditors, in particular with regard to their ancillary services
- prepare for the Board proposals to the Annual General Meeting regarding the election of the auditor(s) and their remunerations
- review the auditors' and internal auditors audit plans and reports
- review the company's corporate governance statement
- prepare for the Board the group's risk management policies
- prepare for the Board decisions on significant changes in the accounting principles or in the valuations of the group s assets,
- assess the group s compliance with laws and regulations, and
- maintain contact with the auditors

After 2015 AGM, the Audit Committee members are Ms Maija-Liisa Friman (Chairperson), Mr Nigel Turner and Mr Harri Kerminen All Committee members are independent of the Company and of its significant shareholders

In accordance with its annual plan, the Audit Committee met 6 times in 2015 with an aggregate attendance rate of 94 5 per cent Each meeting addressed, in addition to the regular agenda items, special themes under the annual plan The CEO, the CFO, the Head of Internal Audit and Risk Management as well as the external auditor also participated in the Committee's meetings Finnair's General Counsel acted as the secretary of the Audit Committee The Committee held closed sessions as well as sessions where the External or Internal Auditors participated without the presence of the members of the management The Committee also performed its annual self-evaluation

The Audit Committee's activities in 2015

In addition to its customary tasks, in 2015 the Audit Committee attended selected focus areas, comprising supplementary pensions, Joint Business Agreements in Atlantic and Japanese traffic, investments, financing and cash flows, accounting treatment of Airbus A350 and Embraer E190 aircraft investments and risk management

The Audit Committee also

- In cooperation with the management, arranged competitive tendering for the group's audit servi services and prepared a proposal to the Annual General Meeting on the appointment of the auditor;
- Reviewed and approved a risk-based internal audit plan for 2014 and assessed the sufficiency of the resources in the internal control functions,
- Discussed with the CEO, the CFO and the auditors the company s accounting policies and the estimates and judgements that were applied in preparing the reports,
- Performed an annual self-assessment and set the Committee s annual plan for 2016
- Selected the following areas of specific attention for 2016 financial reporting segments, financial risk hedging, investment, financing and cash plans, changes in IFRSs and the implementation of new standards, development project of financial management processes and controls, and an audit analysis in the aviation sector

Compensation and Nomination Committee

The Compensation and Nomination Committee assists the Board in matters pertaining to the compensation and benefits of the CEO and other senior management, their performance evaluation, appointment and successor planning The Committee assists the Board also in establishing and evaluating the group's compensation structures and other personnel policies By virtue of a Board authorisation, the Committee ascertains the achievement of targets for short-term incentives and approves the payment of incentives to the CEO and other top management

The main duties of the Compensation and Nomination Committee

The Committee prepares the following matters for the Board

- compensations, pensions, benefits and other material terms of the contract of the CEO
- compensations, pensions and benefits of the top executives of the group, and other material terms of their contracts to the extent that the same deviate from the customary practice
- nominations of the CEO and other top executives
- top executives' succession planning
- composition of the Executive Board
- equity-based incentive plans
- the principal compensation policies and practices regarding the personnel
- management's participation in the boards' of directors of the group and of external companies
- major organisational changes
- proposals of awarding the members of the management honorary decorations and titles

A copy of the Committee's charter is available on Finnair's website

After the 2015 AGM, the members of the Compensation and Nomination Committee elected are Mr Jussi Itävuori (Chairman), Ms Gunvor Kronman, Ms Jaana Tuominen and Mr Harri Kerminen All Committee members are independent of the Company and of its significant shareholders

The members of the Compensation and Nomination Committee met 5 times in 2015 with an aggregate attendance rate of 90 per cent The CEO and the Head of HR were invited to the meetings to assist the Committee Finnair's General Counsel acted as the Committee's secretary

The Compensation and Nomination Committee's work in 2015

The Committee, among other things

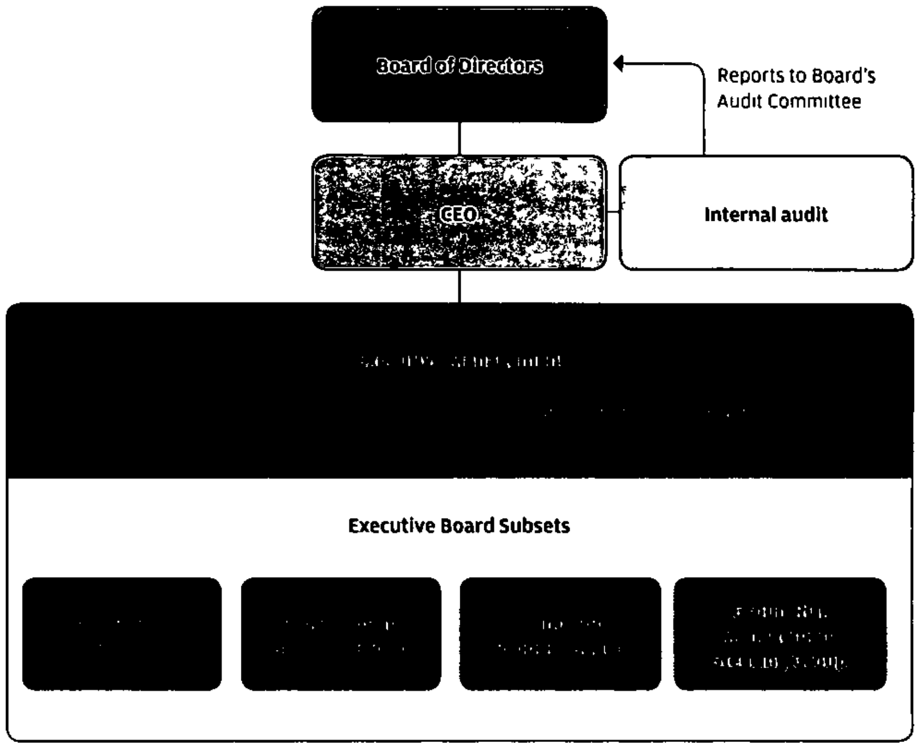
- Prepared for the Board approval the conditions and targets of the employee share saving plan (FlyShare) for 2015,
- Reviewed the senior management's compensation levels compared to the market level, assessed the performance of the management relative to the long and short term incentive targets, and approved the payment of short-term management incentives,
- Assisted the Board in determining the personnel fund's bonus criteria for 2015 and the semi-annual targets and conditions for top management,
- Assisted the Board in determining the participants, targets and conditions for the next earnings period of the share bonus plan for key personnel,
- Assessed the development needs of the share bonus program and personnel fund as well as other rewarding principles and practices of the company,
- Assessed the methodology and results of the company's successor and talent mapping,
- Monitored the company's management development initiatives and progress in the company's value and cultural reform,
- Assessed the potential impact of the increase in the general retirement age on the company's supplementary pension expenses and monitored the related negotiations between the company and its pilots,
- Monitored a project in the company to develop its payroll administration,
- Assessed its meeting practices and tasks

Company management

Finnair's corporate structure

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

Company Management



The CEO

The CEO is appointed by the Board The CEO manages the company's day-to-day operations in accordance with guidelines and instructions issued by the Board The CEO's instructions from the Board include, in particular, the implementation of Finnair's strategy, driving of structural change and improving the company's profitability The CEO acts as the Chairman of the Executive Board

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

The CEO of Finnair is Mr Pekka Vauramo, b 1957, M Sc (Mining)

Executive Board

The Executive Board of the Company is led by the CEO and it comprises the senior management responsible for Finnair's operations and commercial activities, finance and control, human resources, communications and corporate responsibility and legal affairs The members' respective roles and their shareholdings in Finnair are more fully described on the company's web pages The senior management is appointed and removed by the Board, which also determines their remuneration and other terms of employment

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

In 2015, Finnair's Executive Board met twice a month on average A major proportion of the Executive Board's time was used in leading key projects relating to Finnair's strategy and further development of the strategy The Executive Board also launched a project to reform the values and culture to support the strategy, and an extensive project to develop leadership and expertise The Executive Group also focused on the company's financial position, financing, investments and securing the aircraft capacity required by growth of feeder traffic, as well as the improvement of operational quality, customer experience and occupational wellbeing of the personnel In addition, the Executive Board addressed ancillary sales, risk management as well as successor and talent mapping During the year, ownership arrangements of Nordic Regional Airlines were finalised Year 2015 culminated with the ceremonious introduction of the next-generation Airbus A350 aircraft, symbolising at the same time the Finnair team spirit and its personnel's professionalism and commitment to the Asian growth strategy

Subsets of the Executive Board

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

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

Procurement Steering Group is responsible for Finnair's Procurement Policy, procurement category structure and related development projects It also approves significant supplier contracts (with the exception of 11 contracts) and their related governance models The Group is headed by the CFO and meets at least quarterly

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

In addition Executive Board acts as the **Group Risk Management Steering Group** Risk Management Steering Group is responsible for the Group's strategic risk assessment and setting risk management priorities and risk management measures It assesses the adequacy and timeliness of the Group's risk management policy In addition, it approves changes in the risk reporting process, Finnair common risk language and risk model The Steering Group is headed by the CEO and meets bi-monthly

Management Board

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

In 2015, the Management Board met 7 times

Corporate Governance in Finnair subsidiaries

For major subsidiaries, the members of the boards of directors are selected from individuals belonging to Finnair's senior management and, in selected subsidiaries, also from representatives proposed by personnel groups The key tasks of the boards of directors of subsidiaries include strategy preparation, approving operational plans and budgets, and deciding on investments and commitments within the scope of the approval limits issued by Finnair's Board

The subsidiaries of Finnair are presented in the Financial Statements 2015 under Note 4 2

Governance principles in key partnerships and outsourcings

Finnair has equity partnership in Nordic Regional Airlines Oy through Nordic Regional Airlines AB (ownership 40 per cent) Nordic Regional Airlines Oy is a Finnish regional passenger airline operating ATR turboprop and Embraer 170 and 190 aircraft Its route network is designed to provide convenient feeder connections to Finnair's European and long-haul routes Finnair's influence over the governance of the company is secured by shareholding and various contractual rights

Finnair has entrusted certain important operational services to world class service providers LSG Sky Chefs Finland Oy runs the former catering businesses of Finnair at Helsinki Airport. It supplies Finnair's catering services pursuant to a multi-year agreement designed to ensure Finnair's receipt of high quality services, cost savings and other benefits Other similar long-term arrangements exist in the ground handling services, with Swissport Finland Ltd, and in the engine and component services with SR Technics, Lufthansa Technik and Rolls Royce The cost and quality targets of these agreements have been determined so as to correspond at least to a good general market level

Finnair participates in joint ventures consisting of certain airlines belonging to the **oneworld** alliance These joint ventures seek to improve competitiveness and efficiency in a manner benefitting the passengers Finnair's influence in the joint ventures is based on contractual arrangements Decisions by the joint venture are sought to be made unanimously

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

Finnair's Code of Conduct and Supplier Code of Conduct are available on Finnair's website

Main features of the internal control and risk management system pertaining to the financial reporting process

Description of the overall system

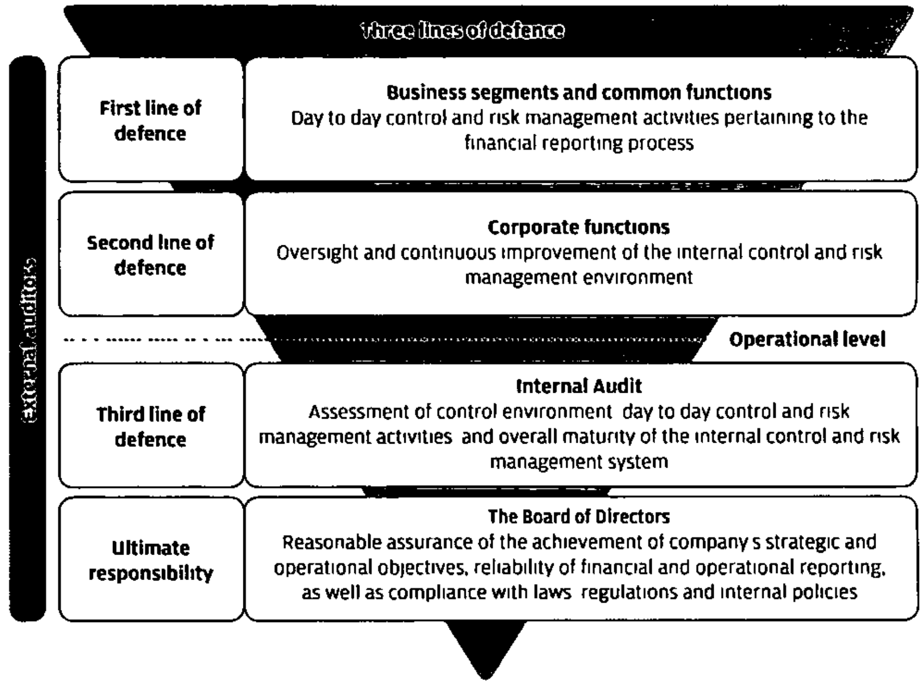
The objective of internal control and risk management system pertaining to the financial reporting process is to provide the Board, the Executive Management and other key stakeholders with a reasonable assurance of the reliability and correctness of financial and operational reporting, as well as compliance with associated laws, regulations and internal policies It is built on the principles of Finnair's overall system of risk management which is aligned with commonly accepted COSO ERM framework and ISO 31000 2009 standard for risk management

Control environment

Finnair's Code of Conduct and management system form the foundation for its control environment and background for awareness and implementation of control activities across the organisation. Guiding principles of internal control and risk management in Finnair are documented in the Group Risk Management Policy Other key steering instruments supporting control over reporting include, but are not limited to, Annual Accounts drafting principles, Code of Conduct, Treasury Policy, Procurement Policy, Credit Policy and Disclosure Policy

Finnair's Board of Directors holds the overall responsibility for the company's internal control and risk management The Board has delegated the implementation of efficient control environment and measures to ensure the reliability of financial reporting to the CEO The Group CFO is responsible for governing financial reporting control environment and acting as the risk owner of reporting risks The line organisations of business units and Group-wide functions have the main responsibility for executing day to day control activities pertaining to the financial reporting process

The role in the implementation of the internal control and risk management system



Internal Audit assesses the control environment as well as the status and effectiveness of planned control and risk management activities To ensure the independence of the Internal Audit activity, Internal Audit has a direct functional reporting line to the Audit Committee of Finnair Board and it is positioned to operate administratively under the CEO The Audit Committee appointed by the Board of Directors oversees the financial reporting process and overall maturity of the internal control and risk management system The described roles and responsibilities are in accordance with the Finnish Companies Act, and the Finnish Corporate Governance Code The picture below summarises the roles of the listed stakeholders in the implementation of the internal control and risk management system

Risk Assessment
The objective of Finnair's financial reporting risk assessment is to identify, evaluate and prioritise the most significant threats to the reliability of internal and external reporting at the Group, reporting area, unit, function and process levels Processes related to financial reporting are subject to on-going risk assessment by the business unit controllers, financial controllers and other shared service centre staff as part of their daily and weekly activities

As a part of internal controls development project, the processes with material impact on financial reporting have been defined and risks threatening the reliability and accuracy of financial reporting assessed in a coordinated manner Possible changes in internal and external environment are always assessed and processes updated accordingly

Control activities
Financial reporting instructions have been prepared to be followed across the organization The instructions outlining the content and schedule for the reporting aim to increase the overall controllability of the financial reporting process and ensure that financial statement fulfils the requirements set in the IFRS standards and other applicable principles

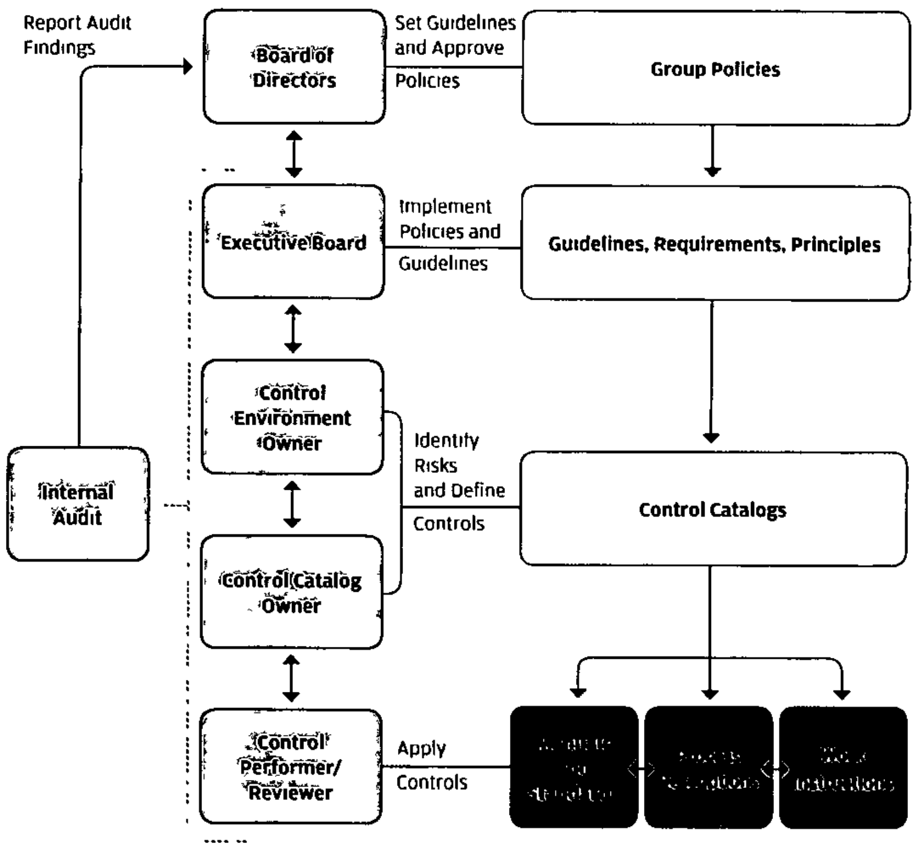
Risks related to financial reporting are managed through controls aiming to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies These control activities are

- preventive, detective and corrective in nature,
- integrated into reporting processes in business units, group-wide functions and subsidiaries,
- operationalized through the implementation of Policies, Guidelines and Principles,
- captured in Control Catalogues,
- supported by Manuals and Standards, Process Descriptions and Work Instructions,
- monitored and continuously improved through a dedicated governance model

Responsibilities over reporting controls are illustrated in the matrix below

Role	Description
Control Environment Owner - Group CFO	Responsible for governing financial reporting control environment and acting as the risk owner of reporting risks
Control Catalogue Owner - Process Owners	Owner of the process controls defined in the control catalogue
Control Performer / Reviewer	Responsible for executing / monitoring key control(s) defined in the control catalogue
Internal Audit	Responsible for audit of reporting processes and related controls according to the annual audit plan

The main components and roles associated with control planning, implementation and monitoring are summarized below



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

The CFO, supported by Investor Relations function, is responsible for the disclosure of financial information and fulfilment of the communication obligations of a listed company Investor Relations holds the responsibility over planning and implementation of investor communications and daily contact with investors and analysts

Monitoring and improvement

Finnair's internal control and risk management system is subject to both on-going and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness On-going monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, business units and group-wide functions

Focus areas of internal control over financial reporting in 2015 and 2016

2015 Key Activities

Regular self-assessment of risks and controls was performed as set in the annual calendar of internal control activities Additionally, the Internal Audit and public auditors performed audits on key controls as defined in the annual audit plan

Furthermore, control catalogue documentation in additional key process areas identified after the first phase implementation was carried out to further extend the coverage of the consistently defined framework and control process Special attention was focused on areas where changes in roles and responsibilities had taken place

2016 Planned Key Activities

Further development of the controls will be conducted independently and also using any findings and suggestions received from Internal Audit and public auditors By the end of 2016, audits will have been performed for each control catalogue

Internal Audit

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

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

Internal Audit focus areas in 2015 and 2016

2015 Key Activities

In 2015, Internal Audit set an objective to its audit activities to support management in their efforts to enhance revenues and profitability This theme was an overarching objective throughout the Audit Plan 2015 in all audit engagements Among main audits were joint businesses, ancillary revenue, flight ticket sales and Cargo revenue management and pricing process audits Special attention during the year was also paid to areas such as strategic partnerships and programs, and data integrity

2016 Planned Key Activities

Internal Audit focus areas and annual plan for 2016 have been approved by the Audit Committee of the Board of Directors in December 2015 Key focus areas of Internal Audit for the year 2016 are based on and aligned with corporate strategy, results of risk assessments and recent changes in internal processes Sourcing, third *party risk management and vendor management processes as well as airline operations will be the main* audit areas for 2016.

Compliance

Finnair is committed to complying with international and local laws and ethical policies in accordance with the Code of Conduct approved in 2012 The Company's General Counsel is responsible for Finnair's compliance function, which supports business operations and corporate administration developing practices related to identifying and complying with the law The key tasks of Finnair's Compliance function are to ensure compliance with the regulation in all operations, maintenance of Finnair's compliance program and the continuous development of ethical business culture.

Risk management and major risks

Risk Management

Finnair operates in a global and highly competitive environment that is sensitive to economic fluctuations. In executing its strategy, Finnair and its operations are exposed to a broad range of risks and opportunities. To exploit opportunities to create value, Finnair is prepared to take and manage risks within the limits of its risk-bearing capacity (rewarded risks). In relation to reliability of reporting, compliance with laws and regulations, and flight safety matters, Finnair's objective is to minimise risks (unrewarded risks). The purpose of risk management is to provide a systematic approach to the management of rewarded and unrewarded risks in all sections of Finnair's operations.

Policy and framework

In Finnair, risk is considered as the potential for loss caused by an internal or external event or series of events that can adversely affect the implementation of strategy, achievement of business objectives or shareholder value. Both negative events and unrealised positive events are considered as risk.

The Group Risk Management Policy defines the overall framework for risk management in the whole of Finnair Group. This framework, while taking into account industry specific requirements, is aligned with the commonly accepted COSO ERM framework and the ISO 31000:2009 standard for risk management.

Dedicated Risk Management Principles have been established to support the implementation of the Group Risk Management Policy in the following contexts: Treasury, New Ventures, Programs and Projects, Supply Chain, Flight Safety, Corporate Security and Information Security. Principles associated with risk management in the context of financial reporting are discussed in Note 3.5 on page 59.

Policy implementation

The Board of Directors holds the ultimate responsibility for the Enterprise Risk Management system in Finnair. It is responsible for approving the Group Risk Management Policy, setting Finnair Group's Risk Appetite and overseeing the effectiveness of Risk Management.

Finnair Group's CEO holds the responsibility over the appropriateness of the Group's Risk Management and oversight of Group Risk Management Policy implementation. The CEO, supported by the Risk Management Steering Group consisting of the members of Executive Board, is also responsible for reviewing Group Risk Management Policy and risk management priorities.

Business units, Group-wide functions and subsidiaries of Finnair Group are responsible for implementing Group Risk Management Policy into their management systems and aligning with it their Risk Management guidelines, procedures and strategies.

Process

Establish context and set objectives

Finnair Group's Risk Management System ensures that management has a process in place to assess and manage uncertainties associated with set objectives, and those uncertainties are analysed and managed within the boundaries of Finnair's risk bearing capacity.

Risk Assessment

Risk assessments are executed according to the Annual Cycle defined in the Group Risk Management Policy. Finnair's risk assessment process takes place as an integral part of strategy process and operational objective-setting across the organisation to enable a holistic view on risks and opportunities.

Risk assessment in Finnair Group includes the following phases:

- identification of external and internal events affecting the achievement of objectives,
- distinction between risks and opportunities,
- analysis of identified risks,
- integration (aggregation) of risks,
- evaluation and prioritisation of risks based on their significance and likelihood.

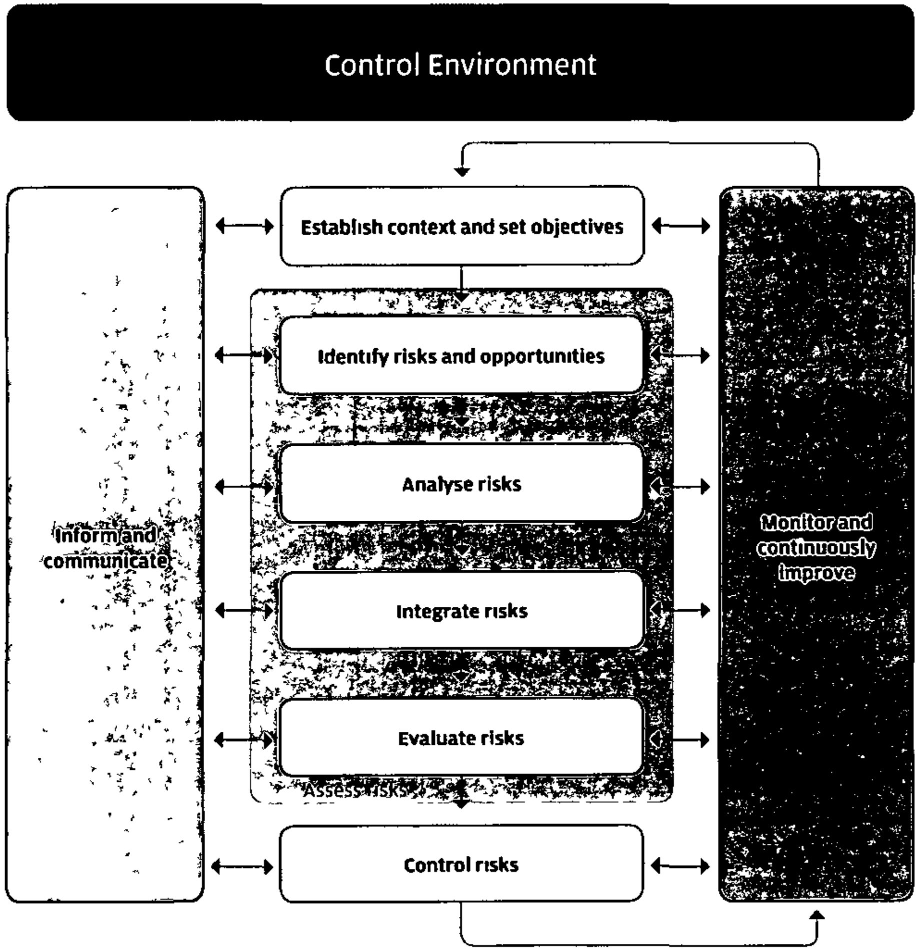
To ensure the coverage of risk identification and systematise the risk assessment activities, Finnair has established a common risk model, a common risk assessment criteria and a common risk repository. As part of strategic risk assessments, also strategic assumptions associated with company objectives are identified and their implications analysed.

A dedicated Risk Coordinator Forum has been established to support coordination of risk assessment activities in business units, group-wide functions and subsidiaries and to ensure these activities conform to the requirements set in Group Risk Management Policy.

Risk response and control activities

Risk Management strategies shall be applied to prioritised risks in order to reach reasonable assurance that their outcomes fall within an acceptable level. These Risk Management strategy options include:

- Acceptance of risk
- Avoidance of risk
- Transfer of risk
- Mitigation of risk



The CEO, supported by the Risk Management Steering Group, is responsible for defining risk management strategies and procedures, and setting risk management priorities. Risk owners for business segments, group-wide functions and at the process level hold the responsibility for planning and implementing control measures to ensure an acceptable level of residual risk, and that the relevant risk interdependencies have been appropriately acknowledged.

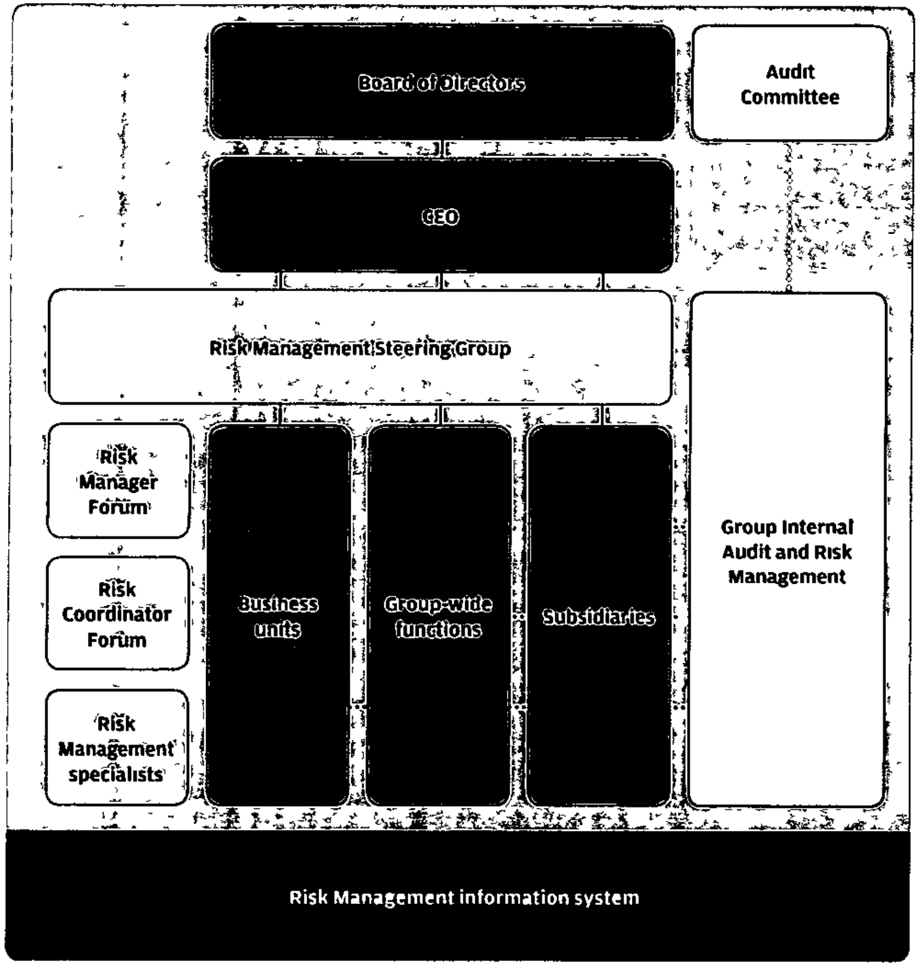
Information and communication

Risk management information system aims at providing means for Finnair's personnel to capture and communicate information related to execution of risk assessments and control activities across company's operations. Identified risks and their control measures are documented in risk logs for follow-up purposes. Dedicated information systems are in place to identify and analyse operational risk events and support associated operational audit activities. Risk management information system will be subject to further development during the year of 2016. Risk reporting to the Board of Directors and to the Risk Management Steering Group takes place on quarterly basis under the coordination of Group Internal Audit and Risk Management function. Status of Risk Management development activities and implementation of strategic controls are reported to the Audit Committee of the Board of Directors six times per year. In addition to the periodical business risk reporting, there are several reporting lines associated with financial and operational risk reporting to both internal and external stakeholders.

Monitoring and continuous improvement

Finnair's risk management system is subject to both ongoing and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness. The implemented risk management system is subject to continuous improvement activities based on PDCA (Plan-Do-Check-Act) cycle consistent with ISO 31000:2009. On-going monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, business segments and common functions. The effectiveness of all flight safety related control activities and the general compliance with official regulations are monitored through a quality system. Within the scope of the quality system, the safety-critical elements of the company are audited annually. The Audit Committee of the Board of Directors is responsible for regularly reviewing and monitoring the implementation of Group Risk Management Policy and the Risk Management process. Group Internal Audit and Risk Management in cooperation with Risk Management specialists is responsible for assessment and development of the maturity of the risk management system. In order to ensure well-coordinated risk management development activities across the organisation and exchange of best practices, a dedicated Risk Manager Forum consisting of risk management specialists has been established. The forum has meetings on quarterly basis.

Governance model and reporting lines



Risk Management focus areas in 2015 and 2016

In 2015 development activities, we focused on facilitation of risk-based approach to planning and implementation of strategic projects as well as requirement analysis for an integrated Group-wide risk information management system.

The following activities have been planned for the year 2016 Further integration of risk management into strategic decision making as part of strategy process, implementation of formal risk appetite setting in Risk Management Steering Group as part of continuous risk management and development of risk assessment practices in selected target areas

Major risks

Globally, the airline industry is one of the sectors most sensitive to external shocks, seasonalities and cyclical changes in economic conditions Finnair carries out a comprehensive risk management process, to ensure that risks are identified and mitigated where possible, although many remain outside our full control The risks and uncertainties described below are considered to potentially have significant effect on Finnair's business, financial results and future prospects This list is not intended to be exhaustive

Major risks

Risk	Definition	Our risk responses include, but are not limited to:	
BUSINESS ENVIRONMENT			
Competitors	The risk of competitors or new entrants to the market taking actions to establish sustainable competitive advantage over Finnair	• Continuous monitoring of competitor activities • Scenario analysis • Contingency planning	• Product development program(s) • Cost-competitiveness program(s) • Active joint business and alliance cooperation
Capital availability	The risk that insufficient access to capital threatens Finnair's capacity to grow, execute its business model and generate future financial returns	• Funding plan • Treasury Policy	• Roadshows and one-on-one meetings with investors and analysts • Capital Markets Day(s)
Economic volatility	The risk that major economic volatility or other large scale *economic disturbances slow down travelling*	• On-going analysis of market trend development • *Periodical risk assessments* • Contingency planning	• Risk diversification through active vendor portfolio *management* • Structural changes • Fleet ownership strategy
Traffic charges and flight permissions	The price and availability of overflight rights as well as the price of traffic charges, such as arrival, departure and navigation charges result in a negative impact Finnair's business operations and profit margin	• Continuous monitoring of political environment • Lobbying	• Active cooperation with key stakeholders • Enterprise-wide dependency analysis
Country risk	The risk that sudden changes in demand, political upheaval, cultural factors, natural disasters, pandemic or other disturbances in destination countries slow down travelling and/or hinder Finnair's ability to conduct business	• Continuous monitoring and market intelligence • Group level risk assessments • Foreign unit risk assessments	• Contingency planning • Crisis communication planning • Network diversification
Laws and regulations	The risk that changes in laws, regulations or their interpretations significantly affect Finnair's ability to efficiently conduct business	• Compliance management programme to *identify changes in external* requirements and align internal activities to support compliance them • Dedicated internal policies	• *Awareness through tailored training programs* • Ensuring ability and resources to execute controls
FINANCIAL			
Market risk	The risk of incurring additional costs due to adverse movements of the interest rates, unsuccessful currency position and/or rise of jet fuel price	• Treasury policy approved by the Board of Directors • Internal controls over Treasury policy implementation	• Continuous monitoring of hedging ratio(s) • Scenario and sensitivity analysis
Liquidity risk	The risk of incurring additional or unnecessary costs due to inability to generate cash flow	• Maintain robust cash balance • Diversify funding sources	• Precommitted aircraft financing • Maintain an unutilised credit facility and commercial paper programme
BUSINESS OPERATIONS			
Human capital	The risk that Finnair is not able to execute its strategy due to inadequate quality, commitment or resourcing of human capital	• Strategic competency management • Continuous improvement of HR processes • Change management program • Employee wellbeing strategy	• Internal communication management • Union relations management • Contingency planning • Active and open communication with key stakeholders
Capacity planning	The risk that insufficient capacity threatens Finnair's ability to meet customer demands, or excess capacity threatens Finnair's ability to generate competitive profit margins	• Network strategy • Demand forecasting • Route performance monitoring	• Deviation analysis • Continuous process improvement

Risk	Definition	Our risk responses include, but are not limited to:	
BUSINESS ENVIRONMENT			
Marketing mix	The risk that segmentation and marketing mix decisions on product, price, promotion and distribution do not support creation of sustainable competitive advantage	• Finnair brand re-positioning • Continuous benchmarking and strategic positioning of Finnair product	• Customer satisfaction and consumer trend surveys • New E-commerce organization to safeguard and develop online presence
Revenue management	The risk that Finnair is not capable to perform competitive revenue management to optimise its revenues per seat kilometre	• Global sales strategy and revenue optimisation process • Daily monitoring of booking trends, issued sales, advance booking reports • Monitoring of key variables such as market shares, pricing structure and yields of other relevant airlines as well as route profitability	• Executive level monitoring and performance evaluation • Control measures to ensure timeliness and integrity of revenue management information
PARTNERSHIPS			
Alliances and Joint Businesses	The risk that other alliances and/or joint businesses gain competitive advantage over **oneworld**, Finnair's joint businesses and/or lack of performance and missing of targets	• Active alliance cooperation • Joint business governance model • Dedicated alliance and joint business teams	• Project and process management methodology implementation • Joint continuous process improvement activities • Internal controls over joint business processes
Partners and suppliers	The risk that quality and availability issues and/or unexpected costs associated with partnerships and suppliers have an adverse effect on Finnair's product and profit margin or suppliers gain bargaining power over Finnair	• Supplier diversification • Supplier relationship management program • Supplier risk assessments • Contract risk management	• Dedicated procurement specialists per supplier category Dedicated partner managers • Scenario analysis • Contingency planning
SAFETY & SECURITY			
Flight safety	The risk of endangered flight safety due to poor process design, poor process execution or a human error	• SMS (safety management system) • SQM Governance (Safety board, safety action groups, post holder responsibilities) • Continuous analysis • Risk assessment	• Reporting • Monitoring • Safety audit program • FRMS (fatigue risk management system)
Data and cyber security	The risk of a cyber-attack on aviation systems having an impact on operations and therefore damaging the Finnair brand The risk that inappropriate parties can access Finnair's sensitive or classified information jeopardising its confidentiality and/or integrity The risk that a large-scale attack or disruption in information systems affects Finnair's ability to conduct its business as planned	• Risk assessments • Security audits and evaluations	• Risk management actions • Contingency planning

Remuneration statement 2015

Content

Introduction

This remuneration statement describes Finnair's remuneration policies and the remuneration of the senior management, i e the Board of Directors, the CEO and the members of the Executive Board in 2015 Further information is available on the company website at www finnairgroup com The remuneration statement has been prepared based on Recommendation 47 of the 2010 Finnish Corporate Governance Code for Listed Companies published by the Finnish Securities Market Association, and it also covers other key components of remuneration that we believe the readers are interested in

Total Compensation at Finnair

Remuneration and incentive structures take into consideration the effectiveness and costs of different forms of remuneration Finnair's remuneration policies are compliant with local legislation, regulations and practices The overall remuneration of Finnair's different personnel groups are compared annually to the local pay levels in similar tasks in every country in which the company operates

The salary and other incentive structures applicable to the CEO, the members of the Executive Board, senior salaried employees, engineers and personnel based in units abroad are as follows

I Fixed pay base salary
II Variable pay short and long-term incentives linked to company and individual performance
III. Employee benefits. perquisites and other personnel benefits

Salaries, addendums and other compensation components of personnel groups other than those mentioned above are, for the most part, defined in their respective Finnish collective agreements Outside Finland, Finnair follows the pay practices and collective agreements of each country of operation

Employment benefits for all personnel include a staff ticket benefit in line with company policy, as well as a Sickness Fund for employees based in Finland Certain personnel groups also have a car benefit and mobile phone benefit in line with company policy

Finnair aims to make work rewarding and interesting through not only monetary incentives, but also by offering opportunities for development and job rotation within the company Employees are satisfied at Finnair, as evidenced by a high average duration of employment and a very low employee revenue The average of service years of all employees was 17 2 at year-end 2015

Computational monthly earnings of Finnair's Finnish personnel groups in 2015[1)]

Personnel group	Median[2)] 2015	2014	2013
Executive Board	20,412	18,486	18,998
Pilots	10,719	10,216	10,469
Management Positions	9,848	8 517	9,004
White Collar Employees	5,424	5,241	-
Technical Employees	5,110	5 116	4 877
Technical Service Workers	4,810	4,777	4,577
Cabin Crew	4,015	4,207	4,152
Ground Service Workers	3,821	3,911	3,825
Aviation Employees	3,593	3 551	3 486

1) Computational monthly earnings Taxable gross earnings divided by 12 months
2) The median pay describes the average salary of each group, or the point where half of the employees in the group earn more than the amount, and half earn less The calculations only include employees who earned pay for the full year Temporary layoffs have been eliminated from the calculations The calculations do not include tax exempt benefits or other untaxed forms of compensation such as daily allowances The data does not include pilots in supervisor roles Long-term incentives are not included

Median earnings describe the average pay level of each personnel group, and are not indicative of the total personnel costs of that group The median pay of pilots decreased from the year 2013 and increased in 2015 This is partly explained by vacation bonus days-off in 2014 The median earnings of white collar employees and management increased in 2015 due to higher short-term incentives based on company result. In addition, there were changes in management affecting the median pay.

Average years of service in Finnair's different personnel groups on 31 Dec 2015

Personnel group	Average years of service
Executive Board	6.8
Pilots	15.2
Management Positions	13.2
White Collar Employees	16.6
Technical Employees	26.4
Technical Services	20.9
Cabin Crew	20.1
Ground Services	19.0
Aviation Employees	21.7
Travel Agency Employees	16.1
Travel Guides	7.1
Travel Agency Professionals	11.9
Employees Abroad	7.1
Average of personnel groups	**17.2**

Compensation is based on job grading

Finnair uses job grading as the basis for determining the compensation of the CEO, members of the Executive Board, white collar employees and personnel based in units abroad. Job grading is based on the significance of the job and responsibility within the organisation, rather than hierarchical reporting relationships. Job grading is tied to the job, and if a person changes from one job to another, his or her job grade may change. Job grading enables uniformity in compensation-related decisions both internally and compared to the market.

Variable pay

The aim of variable pay is to achieve a flexible and incentivising pay structure that is linked to the company's success and the individual's own performance. In addition, long-term incentives are aimed at committing the personnel and management to the company and to bringing their interests in line with the interests of shareholders. Performance targets are set by Finnair's Board of Directors.

Short-term incentives

Short-term incentive scheme

Finnair utilises performance-driven short-term incentives throughout its management. The incentive scheme comprises a process of target setting, performance evaluation and performance review. At the target level, the short-term variable pay ranges from 2.5–30 per cent of base salary, depending on the job grade. If an individual exceeds his or her targets substantially, the variable pay may, at a maximum, reach 5–60 per cent of the annual base salary. The short-term incentive scheme is based on the company's six-month budgeting period and the variable pay is paid semi-annually. The variable pay is calculated based on the individual's base salary for the period in question.

The short-term incentives for the CEO and other members of the Executive Board are determined on the basis of the half-yearly targets set by the Board of Directors. The targets are based on the company's business targets set by the Board of Directors for the period in question and on the targets set for the business area for which the individual in question is responsible. The targets are mainly based on financial measures but also on operative and quality KPIs, such as customer satisfaction.

The short-term incentive for the CEO and the members of the Executive Board corresponds to 30 per cent of the base salary at the target level and 60 per cent of the base salary at the maximum level.

According to the government guidelines issued by the Finnish Cabinet Committee on Economic Policy on 13 August 2012, the short-term incentive for an individual may not exceed 60 per cent of the annual base salary in any given year.

Personnel fund

Finnair has a Personnel Fund owned and controlled by the personnel. A share of Finnair's profits is allocated to the fund. The share of profit allocated to the fund is determined on the basis of targets set by the Board of Directors. The CEO, other members of the Executive Board and the participants of the performance share plan are not members of the Personnel Fund. In 2015, the targets of the personnel fund were not reached.

Long-term incentives

Personnel share savings plan FlyShare

On 27 March 2013, Finnair's Board of Directors decided to launch FlyShare, an employee share savings plan. The plan encourages employees to become shareholders in the company, and thereby strengthens the employees' interest in the development of Finnair's shareholder value and rewards them in the long-term.

The plan consists of annually starting savings periods which are followed by a two-year shareholding period Every new savings period is decided separately by the Finnair Board The third savings period of the plan started on 1 July 2015

Participation in the plan is voluntary Through the plan, each eligible Finnair employee is offered the opportunity to save a part of his or her salary to be invested in Finnair shares The amount of monthly savings can be 2–8 per cent of each participant's gross base salary per month, with the annual maximum savings set at 8,000 euros per participant Shares are purchased with the accumulated savings at the market price quarterly, after the publication dates of Finnair's interim results Any dividends paid on purchased shares during the savings period will be automatically reinvested in Finnair shares on the next share purchase date following the payment of dividend

After the two-year shareholding period, Finnair will award each participating employee one matching share for each two shares purchased The awarded additional shares are taxable income for the recipient In addition, employees participating in the plan for the first time are rewarded with 20 bonus shares after the first three months Also the bonus shares are taxable income

Performance-based long-term incentive plan for key personnel

Finnair's Board of Directors approved on 7 February 2013 a new performance share plan for the key personnel of Finnair Group The share plan replaced the previous program which expired at the end of 2012 The share plan encourages the management to work to increase long-term shareholder value It has been designed in accordance with the principles of the statement by the Ministerial Committee on Economic Policy

The share plan consists of annually commencing individual plans within which the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors are achieved The commencement of each new plan is subject to a separate approval of Finnair Board of Directors

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

The potential reward will be delivered in Finnair shares The share delivery is split into two or three share tranches that will be delivered to participants during the three years following the performance period

As a consequence of the transfer from the previous fixed three-year structure to a rolling structure, the new plan will not be in full effect until 2018 Because of this, a one-off bridge element was added to the plan to supplement payments in 2016 and 2017 The targets of the bridge plan were not achieved No shares were delivered under the long-term incentive plan in 2014 and 2015

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

According to the rules of the share program, the maximum value of shares delivered to an individual participant based on the share program in any given year may not exceed 60 per cent of the person's annual base salary Shares are taxable income for the recipient

A person is not entitled to the incentive if he or she resigns or is dismissed before the date of payment In addition, during the restriction period the Board of Directors is entitled, at its discretion, to reclaim already delivered shares from a person included in the share plan who resigns or whose service in the company is terminated

The Board of Directors is also entitled, subject to a particularly weighty reason, to change or cancel the incentive or to postpone its payment The Board of Directors is entitled to remove a participant from the share plan if the person has committed a significant offence or acted in a manner detrimental to the company or contrary to the company's interests

Performance criteria of the plans

The performance criteria applied to the plan 2013–2015 are the Group's relative operating EBIT margin growth and decrease in unit costs in European traffic These two criteria are assigned weights of 60 per cent and 40 per cent, respectively The performance criterion for the share plan's bridge element is the operating EBIT margin

The share savings plan strengthens employees' interest in shareholder value and rewards them in the long term.

The performance criteria applied to the plans 2014–2016 and 2015–2017 are Return on Capital Employed (ROCE) and Total Shareholder Return (TSR) These criteria are weighted equally (50 per cent and 50 per cent)

The target levels and maximum levels set for the criteria are based on long-term strategic objectives set by the company's Board of Directors Performance against the criteria is monitored quarterly

Long-term incentive plan for pilots

Finnair's Board of Directors approved on 13 October 2014 a new long-term incentive plan for Finnair pilots The plan is a part of the savings agreement between Finnair and the Finnish Airline Pilots' Association (SLL) that brings Finnair 17 million euros in permanent annual savings The savings agreement was contingent on the realisation of the incentive plan

The plan period is 2015–2018 and the prerequisite for rewarding pilots based on this plan is the achievement of the agreed cost savings over this time period In addition, the company share price must be at least 4 euros at the end of the incentive plan If these conditions are met, the pilots are entitled to a cash payment The amount of the payment is based on the Finnair share price The total payment is 12 million euros with a share price of 4 euros and 24 million euros with a share price of 8 euros, which is also the maximum earning of the plan Divided over the four-year period, the annual earnings potential for one participant is equivalent to 5–10 per cent of the annual base salary

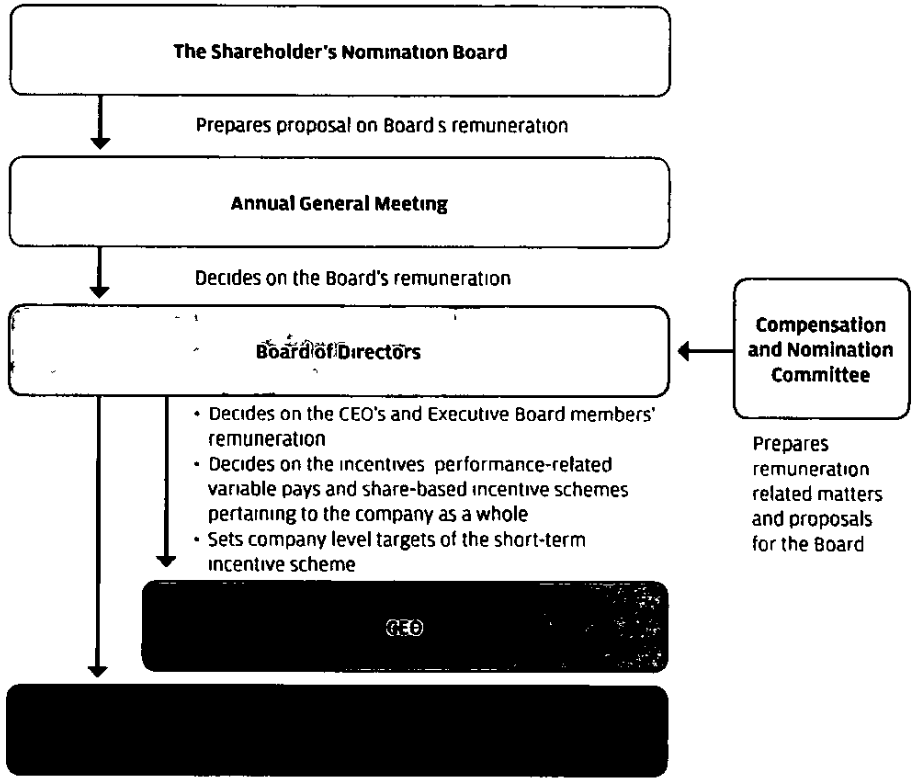
There are approximately 700 pilots eligible to participate in the plan The cash payment will be delivered in spring 2019, provided that the conditions stated above are met

Management remuneration decision-making procedure

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

The remuneration of the CEO and the Executive Board. The Board decides on the salary, incentive schemes and associated targets of the CEO and other members of the Executive Board based on preparatory work carried out by the Board's Compensation and Nomination Committee Decisions on remuneration have been made with consideration of the government guidelines

Remuneration decision-making procedure



Remuneration of the Board of Directors in 2015

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

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

The annual remuneration and meeting compensation decided by the 2015 AGM for the members of the Board of Directors are

- Chairman's annual remuneration, 61,200 euros
- Deputy Chairman's annual remuneration, 32,400 euros
- *Chairmen of the Audit Committee and Compensation and Nomination Committee*, 32,400 euros, where these individuals are neither the Chairman nor the Deputy Chairman of the Board
- Other Board members' annual remuneration, 30,000 euros
- Meeting compensation paid per Board or committee meeting is 600 euros when the meeting takes place in the member's country of residence and 2,400 euros for other meetings For telephone meetings, the fee is 600 euros

The members of the Board of Directors are entitled to a daily allowance and compensation for travel expenses in accordance with Finnair's general travel rules In addition, the members of the Board of Directors have a limited right to use staff tickets in accordance with Finnair's staff ticket rules Under the current rules, the Directors and their spouses are entitled to 4 return or 8 one-way tickets on Finnair flights per calendar year in Economy or Business Class The fare of these tickets is zero, exclusive of any airport taxes, fees and charges, which are payable by the Directors and their spouses These tickets constitute taxable income in Finland

Annual remuneration for members of the Board of Directors has remained unchanged since 2008

Remuneration paid to Finnair Board of Directors in 2015

	Annual remuneration[1]	Board meetings	Committee meetings	Meeting compensations in total	Taxable benefits[2]	Total
Members 1 Jan–31 Dec 2015						
Klaus Heinemann (chairman)	61,200	10/10	0/0	16 200	0	77,400
Harri Kerminen (deputy chairman)	*32,400*	*9/10*	*10/11*	*12,000*	*0*	*44,400*
Maija-Liisa Friman	31,800	10/10	6/6	10,800	7,380	49,980
Gunvor Kronman	30,000	9/10	4/5	8,400	4,526	42,926
Jussi Itävuori	31,800	10/10	5/5	29,400	1,953	63,153
Jaana Tuominen	30,000	10/10	4/5	9,600	2,709	42 309
Nigel Turner	30,000	10/10	6/6	31,800	1,047	62,847

Remuneration paid to the Board in 2015

[1] The remuneration is expressed at the annual level but paid in monthly instalments

[2] Taxable benefits comprise Finnair staff tickets, which can be used by the members of the Board

Management remuneration in 2015

In 2015, Finnair's CEO was Pekka Vauramo The Executive Board comprised six members in addition to the CEO CFO Erno Hilden resigned from the Executive Board during 2015 New CFO Pekka Vähähyyppä started on 1 September 2015 The Executive Board members are presented on page 113

In 2015, no long-term incentives were paid to management

Supplementary pensions

The CEO

The CEO, Pekka Vauramo, accumulates pension and his retirement age is defined in accordance with the Finnish Employees' Pensions Act The CEO does not have a supplementary pension benefit

Executive Board

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

All pension arrangements for members of the Executive Board are collective within the meaning of Finnish tax laws All supplementary pensions taken for the executives are defined contribution schemes The supplementary defined contribution pension arrangement applies to three members of the Executive Board The annual contribution equals 10 per cent of the income for the year The supplementary pension includes vested rights The retirement age is 63 years There are no Executive Board members with defined benefit supplementary agreements

New CEO and Executive Board member service contracts concluded after 1 January 2013 will not include supplementary pension benefits

Termination of the service contract and severance pay

The CEO

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

Executive Board

According to the service agreements of the Executive Board, both parties have the right to terminate the service contract without a specific cause The maximum notice period is six months for both parties In the event that the company terminates the agreement, the member of the Executive Board is entitled to a severance pay corresponding to the base salary of maximum of twelve months in addition to the salary for the notice period This severance pay does not apply if the contract of employment is cancelled, if the executive terminates the contract or retires

Other benefits

The CEO

CEO Pekka Vauramo's benefits include life insurance, free-time accident insurance, travel insurance, management liability insurance and medical insurance The life insurance coverage starts at 20 per cent of annual pay and increases each year The total sum may not, however, exceed 500,000 euros The CEO also has a mobile phone benefit in line with company policy

Executive Board

The benefits of the members of the Executive Board include free-time accident insurance, travel insurance, management liability insurance and the right to medical insurance They also have a car benefit and mobile phone benefit in line with company policy

Management remuneration, the company's long-term incentive plan and pension contributions are also described in Finnair Financial Statements 2015 in note 1 3 7 Employee benefits

Salary and other remuneration paid, euros per year		CEO 2015	CEO 2014	Executive Board 2015[1]	Executive Board 2014[1]
		Pekka Vauramo	Pekka Vauramo		
Base salary[2]					
The monthly salaries of the CEO and members of the Executive Board are decided by the Board of Directors	In total, euros	648,948	638,600	1,196,213	1,614,461
Employee benefits					
Employee benefits are desrcribed on page 110	Car benefit, taxable value	0	0	47,025	60,999
	Phone benefit, taxable value	240	240	1,370	1,720
	Other taxable benefits[4]	2,304	3,695	12,281	2,916
	In total, euros	2,544	3,935	60,676	65,635
Short-term incentives[3]					
Principles are described on page 106.	In total, euros	215,252	117,508	201,263	163,104
Long-term incentives[5]					
	In total, euros	0	0	0	0
Salary and other remuneration paid in total		866,744	760,042	1,458,152	1,843,200

[1] Salary and remuneration included for Executive Board membership period only
[2] Base salary includes holiday bonus
[3] Earning period for incentives paid in 2014 was 1 Jul 2013 - 30 Jun 2014 and for incentives paid in 2015 1 Jul 2014 - 30 Jun 2015
[4] Other taxable benefits include health insurances and staff tickets
[5] No long term incentives were paid in 2014 and 2015

Board of Directors 2015

Klaus Heinemann

Harri Kerminen

Maija-Liisa Friman

Jussi Itävuori

Gunvor Kronman

Jaana Tuominen

Nigel Turner

Klaus Heinemann
b 1951, Diplom Kaufmann, German citizen. Chairman of the Finnair Board of Directors since 27 March 2013. Member of the Board since 2012.
Committee memberships: -
Main occupation Board professional
Key positions of trust Member of the Advisory Board of Skyworks Holdings LLC, non-executive Board Director of Scope Ratings AG, Advisory Board Director of Avinomics GmbH

Harri Kerminen
b 1951, M.Sc. (Eng), MBA, Finnish citizen. Vice Chairman of the Finnair Board of Directors since 2012, member since 2011
Committee memberships: Audit Committee and Compensation and Nomination Committee
Main occupation Board professional.
Key positions of trust. Chairman of the Board of Metgen Oy, HST Partners Oy and Magsort Oy, Member of the Board of Tikkurila Oyj, Normet Oy, SK Spice Holdings Sarl and Harjavalta Oy

Maija-Liisa Friman
b 1952, M Sc (Chem Eng), Finnish citizen Member of the Finnair Board of Directors since 2012.
Committee memberships Audit Committee (Chairman)
Main occupation Board professional
Key positions of trust. Vice Chairman of the Board of Neste Oil Oyj, member of the Boards of Talvivaara Plc (until 25 June 2015), LKAB, the Finnish Securities Market Association and Boardman Oy Chairman of the Board of Ekokem Oy (until 24 April 2015) and Helsinki Deaconess Institute.

Jussi Itävuori
b 1955, M Sc (Econ), Finnish Citizen Member of the Finnair Board of Directors since 2012
Committee memberships Compensation and Nomination Committee (Chairman)
Main occupation Senior Partner, RJI Partners Limited
Key positions of trust Member of the Board of Barona Group Oy and RJI Partners Oy, and Chairman of the Board of RJI Holding Oy and Cloudator Payroll Oy

Gunvor Kronman
b 1963, MA, Finnish citizen
Member of the Finnair Board of Directors since 2012
Committee memberships Compensation and Nomination Committee
Main occupation CEO of Hanasaari – the Swedish-Finnish Cultural Centre
Key positions of trust Chairman of the Board of Kalevala Jewelry Vice Chairman of the Board of Crisis Management Initiative and Plan International, Member of the Boards of The Finnish Red Cross Blood Service, Helsinki University, Konstsamfundet, The Swedish Royal National Theater Dramaten (Sweden), Rand Corporations (US/UK) and Augusta Victoria Hospital (Palestine)

Jaana Tuominen
b 1960, M Sc (Eng), Finnish citizen Member of the Finnair Board of Directors since 2014
Committee memberships Compensation and Nomination Committee
Main occupation CEO of Paulig Group since 2008
Key positions of trust Member of the Board of Directors of Suominen Oyj, Suomen Messut Osuuskunta, and Elintarviketeollisuusliitto ry

Nigel Turner
b 1958, BA (Hon) British Citizen Member of the Finnair Board of Directors since 2014
Committee memberships Audit Committee
Main occupation -
Key positions of trust Mr Turner is the Deputy Chairman of the Board of Directors and the Chairman of the Audit Committee of aircraft leasing company Jetscape Inc, member of the Board of Directors and of the Audit and Treasury Committees of NATS plc

The Board of Directors was elected in the Annual General Meeting held on 25 March 2015 More detailed information about the board members and their ownership of Finnair shares can be found at www.finnairgroup.com

Executive Board 31 December 2015

Pekka Vauramo
@pekkavau

Eija Hakakari
@eijahakakari

Ville Iho

Juha Järvinen
@juhahelsinki

Sami Sarelius

Arja Suominen
@arjasuominen

Pekka Vähähyyppä
@PekkaVahahyyppa

Pekka Vauramo
b 1957, M Sc (Technology) President and CEO as of 1 June 2013 He joined Finnair from Cargotec, a Finnish cargo and load handling company, where he held different management positions between 2007 and 2013 Before his transfer to Finnair, he was based in Hong Kong from 2010 as COO of the MacGregor Business Area Between 1985 and 2007 he worked at Sandvik, a Swedish mining and construction company

Eija Hakakari
b 1961, M Sc (Education), SVP Human Resources as of 1 of October 2014 Before joining Finnair, she was SVP Human Resources at Stora Enso's Printing and Living division Her previous positions include SVP Human Resources at Rautaruukki and various HR director positions in both China and Finland

Ville Iho
b 1969, M Sc (Technology), COO, in Finnair's service since 1998 He previously held various posts in Finnair's Scheduled Traffic Prior to his present position, he was Finnair's SVP Resources Management

Juha Järvinen
b 1976, MBA, Chief Commercial Officer as of 1 November 2014 In Finnair service since 2012 He has extensive experience in managing different services within the airline industry He served as Managing Director of Finnair Cargo since March 2012, and prior to that he was the Vice President, Ground Handling International in SAS Scandinavian Airlines

Sami Sarelius
b 1971, LLM, SVP and General Counsel, in Finnair's service since 1998

Arja Suominen
b 1958, MA, e-MBA, SVP Corporate Communications and Corporate Responsibility, in Finnair s service March 2011 She previously worked for Nokia, mainly in communications positions, ultimately as Nokia's Senior Vice President, Communications

Pekka Vähähyyppä
b 1960, M.Sc Econ , eMBA, CFO as of 17 August 2015 Vähahyyppä joined Finnair from Stockmann where he held different management positions in 2000–2015, most recently as CFO Prior to that he held financial management positions in for example, Nestlé's Nordic subsidiaries, OKO-Venture Capital and A-lehdet Oy

More detailed information about the members of the Executive Board and their ownership of Finnair shares can be found at www.finnairgroup.com

Information for the shareholders

Annual General Meeting

The Annual General Meeting of Finnair Plc will be held on Thursday 17 March 2016, at 15:00 at the Messukeskus Helsinki at the address Messuaukio 1, Conference Centre, Helsinki, Finland The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 14:00 Coffee is served before the commencement of the AGM

The notice to convene the AGM

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

The right to participate in the AGM

Each shareholder who is registered on Monday 7 March 2016 in the Company's register of shareholders maintained by the Euroclear Finland Oy has the right to participate in the AGM

Registration for the AGM

The shareholder who wants to participate in the general meeting and exercise their voting right can register to the meeting at the latest on Monday 14 March 2016 at 10 00 Registration can be done

- In the internet at http //www finnairgroup com,
- By e-mail to agm@finnair fi,
- By phone from Monday to Friday at 9:00–16 00 in the number +358 20 770 6866,
- By fax +358 9 694 0205 or
- By mail to Finnair Plc , Register of shareholders, HEL-AAC/ 502 01053 FINNAIR

A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the shareholder's register of the company, the issuing of proxy documents and registration for the general meeting from his/her custodian bank The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the general meeting, to be temporarily entered into the shareholders' register of the company at the latest on Monday 14 March 2016 at 10 a m

The shareholder may participate in the meeting either in person or through authorised or proxy representative Possible proxy documents shall be delivered by the end of registration period to Finnair Plc/AGM, HEL ACC/502, 010153 Finnair, Finland

AGM 2015 – Important dates

7 March 2016	Record date
14 March 2016	At 10 00 deadline for giving notice of attendance
17 March 2016	At 16 00 the reception of persons registered to the AGM will commence and At 15 00 the AGM will commence

Board of Directors' proposal on dividend

Finnair Plc's distributable funds were 181,101,862 30 euros on 31 December 2015 The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2015

Financial information in 2016

In 2016, interim reports will be published as follows

- Interim Report for January–March 2016 on Thursday 12 May 2016
- Interim Report for January–June 2016 on Wednesday 17 August 2016
- Interim Report for January–September 2016 on Wednesday 26 October 2016

The financial statements bulletin and interim reports in 2016 will be published at approximately 9:00

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

Silent period

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

Changes in contact information

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

Assessments regarding Finnair as an investment object

According to information held by Finnair, at least the following analysts publish investor analyses of the company

- Carnegie, Robin Nyberg, Finland, Tel +358 9 618 71 234
- Evli Bank, Jaakko Tyrvainen, Finland, Tel +358 9 4766 9314
- HSBC, Andrew Lobbenberg, UK, Tel +44 207 991 6816
- Nordea, Pasi Väisanen, Finland, Tel +358 9 1655 9943
- Pohjola, Jari Räisanen, Finland, Tel +358 10 252 4504
- Inderes, Antti Viljakainen, Finland, Tel +358 44 5912216

Finnair does not accept any responsibility for the views or opinions expressed by the analysts

Glossary

AEA	The Association of European Airlines
Carbon Disclosure Project	An international not for-profit organisation providing a global system for companies and cities to measure, disclose, manage and share vital environmental information
IATA	International Air Transport Association a trade association representing and serving the airline industry worldwide
IEnvA	The IATA Environmental Assessment (IEnvA) program is an environmental management system designed to independently assess and improve the environmental management of an airline
ICAO	International Civil Aviation Organization an agency of the United Nations promoting safe and orderly development of international civil aviation
IOSA	The IATA Operational Safety Audit (IOSA) program is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline
Just Culture	Organisational culture aiming at assigning the consequences for an unsafe act in a fair way based on an understanding of an individual s accountability and responsibilities within the context of the systems and circumstances that the individual was operating
LEED Certificate	Leadership in Energy and Environmental Design (LEED) is a set of rating systems for the design, construction, operation and maintenance of green buildings homes and neighborhoods
Open Skies	Open skies is an international policy concept that calls for the liberalisation of the rules and regulations of the international aviation industry—especially commercial aviation—in order to create a free-market environment for the airline industry
Skytrax	Research company that evaluates commercial airlines and their services
UNWTO	UN World Tourism Organization

Contact information

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01053 FINNAIR

Tel +358 600 0 81881 (1,25 euro/answered call + normal call charges)

www.finnair.com
www.finnairgroup.com

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instagram.com/feelfinnair